



PRESENTATION TO TOWN OF LOWELL

Permitted Uses of TIF Revenue from a Residential Housing TIF

Permitted Uses of Tax Increment (TIF) Revenue from a Residential Housing TIF

- Generally may be used (directly or through bonding) for capital project expenditures in or directly serving or benefitting the designated redevelopment area or economic development area which includes the Residential Housing TIF.
- For direct “pay as you go” projects, the redevelopment commission may contract for the construction of the project, or may fund the project through grants or loans to a “neighborhood development corporation.”
[I.C. 36-7-14-12.2(a)(25)]

Permitted Uses of Tax Increment (TIF) Revenue from a Residential Housing TIF (cont'd.)

- **Residential Housing TIF Revenue may be used for the following specific purposes:**
- (1) Construction of any infrastructure (including streets, roads, and sidewalks) or local public improvements (e.g., utility infrastructure) in, serving, or benefiting a residential housing development project.
- (2) Acquisition of real property and interests in real property for rehabilitation purposes.
- (3) Preparation of real property in anticipation of development of the real property within the allocation area (e.g., site clearing, excavation, improvements, etc., for projects).
- (4) To do any of the following:
 - (A) Pay the principal of and interest on bonds or any other obligations incurred by the Redevelopment Commission payable from the Residential Housing TIF Revenues that are incurred to finance projects for the Residential Housing TIF area.
 - (B) Establish/maintain a reserve fund for bonds payable from the Residential Housing TIF Revenues.
 - (C) Pay the principal of and interest on bonds payable from the Residential Housing TIF Revenues.
 - (D) Pay the principal of and interest on bonds issued by the Town to pay for local public improvements that are physically located in or physically connected to the allocation area.
 - (E) Redeem/prepay bonds payable the Residential Housing TIF Revenues before maturity.
 - (F) Make payments on leases payable from the Residential Housing TIF Revenues.
 - (G) Reimburse the Town for expenditures made by the Town for local public improvements (which include buildings and parking facilities) that are physically located in or physically connected to the Residential Housing TIF area.

Permitted Uses of Tax Increment (TIF) Revenue from a Residential Housing TIF (cont'd)

- TIF may be used for **public safety projects** (e.g., fire stations or trucks) that are located in or directly serve or benefit the allocation area.
- TIF may be also used for **park and recreation facilities** that are located in or directly serve or benefit the allocation area, if the facilities can be tied to an economic development or redevelopment purpose that serves or benefits the area.

Permitted Uses of Tax Increment (TIF) Revenue from a Residential Housing TIF (cont'd)

- Up to **15%** of annual TIF received may be used to make contract payments to entities providing educational or worker training programs (e.g., contract with local school corporation). May **not** be funded from bond proceeds. [I.C. 36-7-14-25-7]
- Generally, TIF may **not** be used for operating expenses of the redevelopment commission (but may be used to pay for project management expenses). [I.C. 36-7-14-39(b)(4)]
- Effective January 1, 2023: A redevelopment commission may spend TIF for **police and fire services** on both capital and operating expenses. [I.C. 36-7-14-12.2(a)(28)]

Procedures to Create a Residential Housing TIF

- **Step #1:** Hold public meeting with affected neighborhood associations, residents, township assessors, superintendent(s) and school board president(s) to consult with, provide adequate opportunity to participate in, and obtain views on the Program (30-day notice)
- **Step #2:** Redevelopment Commission adopts declaratory resolution to designate an area and approve a plan.
- **Step #3:** Plan Commission adopts resolution that RDC's declaratory resolution conforms to the overall plan of development for the Town.
- **Step #4:** Town Council adopts resolution approving the RDC's declaratory resolution and Plan Commission's resolution.

Procedures to Create a Residential Housing TIF (cont'd)

- **Step #5:** Redevelopment Commission publishes notice of public hearing, and delivers Tax Impact Statement to all overlapping taxing units (min. 10-days before)
- **Step#6:** Redevelopment Commission holds public hearing, and adopts resolution confirming, modifying or rescinding the declaratory resolution.

Town of Lowell, Indiana TIF 101 – What is TIF?



Proposed Single Family Residential TIF Areas Cedar Creek & West Creek Townships

What Is TIF ???

- ❑ Tax increment financing (or "TIF") is a tool which captures
 - increases in assessed value from new development
- ❑ Can always capture increases in real property and, at times, depreciable personal property assessed value (equipment) from a "Designated Taxpayer"
- ❑ Generally cannot capture increased assessed value resulting from residential property improvements in a traditional TIF Program
 - Residential properties assessed as commercial (e.g. apartments) is an exception, as are Age Restricted Residential Developments
- ❑ SINGLE FAMILY RESIDENTIAL TIF: **Legislature recently decided to incentivize development of Residential Housing Projects by creating Single Family Residential TIF Areas – Limited Opportunity for less than 4 years.**
- ❑ Provides Cities and Towns Opportunity to Capture Tax Increment Outside of the Property Tax Caps – Use for Infrastructure & Quality of Life

TIF: CAPTURE REAL AND (SOMETIMES) PERSONAL PROPERTY ASSESSED VALUE GROWTH



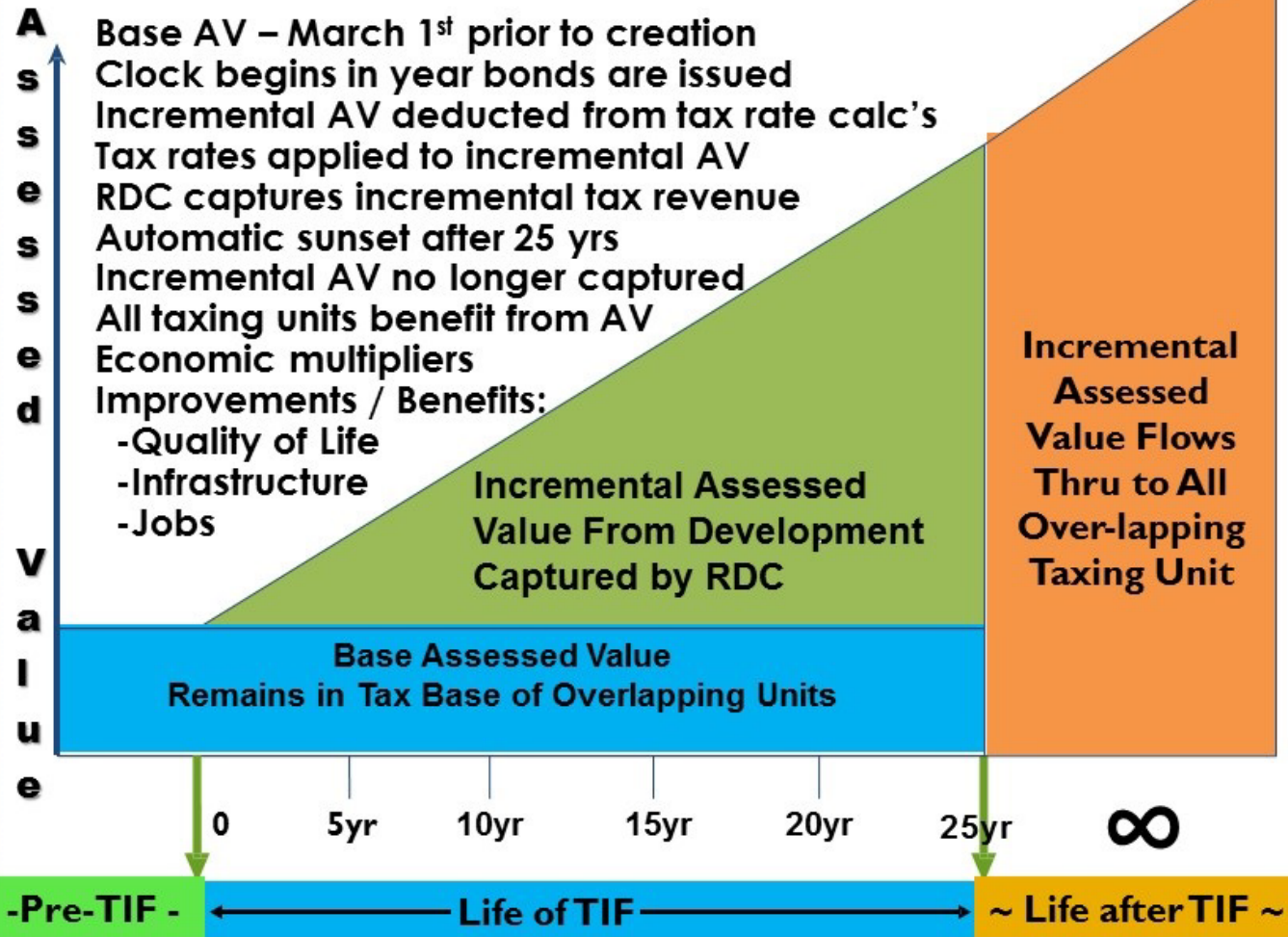
Tax Allocation Area – After New Construction

$$\text{Incremental Assessed Value} \times \text{Tax Rate} = \text{TIF Taxes} \rightarrow \begin{array}{l} \text{Redevelopment} \\ \text{Commission} \\ \text{Allocation} \\ \text{Fund} \end{array}$$

$$\text{Base Assessed Value} \times \text{Tax Rate} = \text{Taxes} \rightarrow \begin{array}{l} \text{County} \\ \text{School} \\ \text{Library} \\ \text{City/Town} \end{array}$$



Life of TIF Area – 25 yrs



A

- Base AV – March 1st prior to creation
- Clock begins in year bonds are issued
- Incremental AV deducted from tax rate calc's
- Tax rates applied to incremental AV
- RDC captures incremental tax revenue
- Automatic sunset after 25 yrs
- Incremental AV no longer captured
- All taxing units benefit from AV
- Economic multipliers
- Improvements / Benefits:

- Quality of Life
- Infrastructure
- Jobs

Residential TIF Areas Have 20 Yr Life from the Time that TIF Bond Obligations are Incurred.

Traditional TIF Areas Have 25 Yr Life after TIF Bond Obligations are Incurred.

Upon Maturity of the TIF Area Life, the NAV Previously Captured By the RDC Flows Through to the Overlapping Taxing Units

USES OF TIF

- Any capital project that is “in, serving or benefitting” an economic development or redevelopment area

EXAMPLES:

- Roads, R.O.W., drainage, rail
- Land acquisition / development
- Buildings / equipment
- Police / fire stations
- Utility improvements
- Educational programs
- Need to be able to make findings to show an economic development or redevelopment purpose



COMMON WAYS THAT TIF IS USED

- Economic Development
- To offer incentives to induce new private investment
- Infrastructure Development and Local Improvements
- To encourage growth in a specific area
- To alleviate congestion and to facilitate additional growth in a developing area (ex. Road improvements)
- To fund improvements to enhance area
 - Examples: Fire stations, police stations, parks & recreation



ASSESSED VALUE – TAX RATE CORRELATIONS

☐  If assessed value increases,  tax rates decrease

☐  If assessed value decreases,  tax rates increase

☐ Units @ Max Levy receive no additional tax revenue from assessed value growth

(except cumulative funds and circuit breaker change)

☐ Decreases in tax rates can reduce the impact of the property tax caps

IMPACT OF TIF

- ❑ TIF does not take away funds from other units
- ❑ TIF *postpones* adding new assessed value to the tax base, which postpones the reduction in tax rates for funds with controlled levies and postpones increased revenues from funds with controlled rates
- ❑ After TIF ends (or if there is surplus pass-through), the increased assessed value is added to the tax base of all the taxing units



Residential TIF Financial Implications

- **Schedules “A”:**
 - **Establishing TIF Area Does Not Take Anything Away from Overlapping Taxing Units**
- **Schedules “B”:**
 - **Without the Proposed TIF Area, NAV Growth has Nominal Impact on Tax Rates of Overlapping Taxing Units**

NOTE:

- **If NAV Growth Outside of TIF Areas Keeps Pace with State of Indiana’s Automatic Levy Growth Index, Tax Levies Could Still Grow at About 4% Annually With Tax Rates Remaining Flat**

Baseline Financial Information

SCHEDULE A:

Assumes the Allocation Areas are created and increases in real property assessed value are captured by the Commission.

008 - Lowell Civil Town - Cedar Creek Township

Taxing Unit	True Tax Value	Tax Rate	Tax Levy
Lake County	\$ 28,994,174,039	\$ 0.5708	\$ 165,498,746
Lake County - Cumulative Bridge	28,994,174,039	0.0086	2,493,499
Lake County - Cumulative Capital Development	28,994,174,039	0.0288	8,350,322
Lake County (Health)	25,154,314,201	0.0047	1,182,253
Lake County (PSAP Operating)	25,633,639,218	0.0355	9,099,942
Cedar Creek Township	927,741,215	0.0715	663,335
Town of Lowell	659,294,404	0.5770	3,804,129
Town of Lowell - Cumulative Capital Development	659,294,404	0.0434	286,134
Town of Lowell - Cumulative Fire Special	659,294,404	0.0266	175,372
Tri-Creek School Corporation	1,736,814,175	1.0550	18,323,390
Lowell Public Library	1,736,814,175	0.0688	1,194,928
Lake County Solid Waste Management District	28,994,174,039	0.0229	6,639,666
Totals		\$ 2.5136	\$ 217,711,716

SCHEDULE A:

Assumes the Allocation Areas are created and increases in real property assessed value are captured by the Commission.

038 - Lowell Civil Town - West Creek Township

Taxing Unit	True Tax Value	Tax Rate	Tax Levy
Lake County	\$ 28,994,174,039	\$ 0.5708	\$ 165,498,746
Lake County - Cumulative Bridge	28,994,174,039	0.0086	2,493,499
Lake County - Cumulative Capital Development	28,994,174,039	0.0288	8,350,322
Lake County (Health)	25,154,314,201	0.0047	1,182,253
Lake County (PSAP Operating)	25,633,639,218	0.0355	9,099,942
West Creek Township	619,899,238	0.0518	321,108
Town of Lowell	659,294,404	0.5770	3,804,129
Town of Lowell - Cumulative Capital Development	659,294,404	0.0434	286,134
Town of Lowell - Cumulative Fire Special	659,294,404	0.0266	175,372
Tri-Creek School Corporation	1,736,814,175	1.0550	18,323,390
Lowell Public Library	1,736,814,175	0.0688	1,194,928
Lake County Solid Waste Management District	28,994,174,039	0.0229	6,639,666
Totals		\$ 2.4939	\$ 217,369,489



Financial Information - No TIF Area

SCHEDULE B:

Assumes the Allocation Areas are not created and an increase in real property assessed value of \$10,000,000 is experienced in the Town of Lowell.

008 - Lowell Civil Town - Cedar Creek Township

Taxing Unit	True Tax Value	Tax Rate	Tax Levy	Change from Schedule A	
				Tax Rate	Levy
Lake County	\$ 29,004,174,039	\$ 0.5706	\$ 165,498,746	\$ (0.0002)	\$ -
Lake County - Cumulative Bridge	29,004,174,039	0.0086	2,494,359	-	860
Lake County - Cumulative Capital Development	29,004,174,039	0.0288	8,353,202	-	2,880
Lake County (Health)	25,164,314,201	0.0047	1,182,253	-	-
Lake County (PSAP Operating)	25,643,639,218	0.0355	9,099,942	-	-
Cedar Creek Township	937,741,215	0.0707	663,335	(0.0008)	-
Town of Lowell	669,294,404	0.5684	3,804,129	(0.0086)	-
Town of Lowell - Cumulative Capital Development	669,294,404	0.0434	290,474	-	4,340
Town of Lowell - Cumulative Fire Special	669,294,404	0.0266	178,032	-	2,660
Tri-Creek School Corporation	1,746,814,175	1.0490	18,323,390	(0.0060)	-
Lowell Public Library	1,746,814,175	0.0684	1,194,928	(0.0004)	-
Lake County Solid Waste Management District	29,004,174,039	0.0229	6,639,666	-	-
Totals	OLD RATE \$2.5136	NEW RATE \$ 2.4976	TOTAL PROP TAX \$ 217,722,456	RATE DECREASE \$ (0.0160)	NEW MONEY \$ 10,740

ASSUMES RDC CAPTURES INCREMENT \$10,000,000 1% HOMESTEAD \$100,000 NEW MONEY FOR LOWELL RDC WITH TIF



**Cedar Creek Impact of \$10M AV Growth
Lowell RDC Captures 10 Times the New Money**



Financial Information - No TIF Area

SCHEDULE B:

Assumes the Allocation Areas are not created and an increase in real property assessed value of \$10,000,000 is experienced in the Town of Lowell.

038 - Lowell Civil Town - West Creek Township

Taxing Unit	True Tax Value	Tax Rate	Tax Levy	Change from Schedule A		
				Tax Rate	Levy	
Lake County	\$ 29,004,174,039	\$ 0.5706	\$ 165,498,746	\$ (0.0002)	\$ -	
Lake County - Cumulative Bridge	29,004,174,039	0.0086	2,494,359	-	860	
Lake County - Cumulative Capital Development	29,004,174,039	0.0288	8,353,202	-	2,880	
Lake County (Health)	25,164,314,201	0.0047	1,182,253	-	-	
Lake County (PSAP Operating)	25,643,639,218	0.0355	9,099,942	-	-	
West Creek Township	629,899,238	0.0510	321,108	(0.0008)	-	
Town of Lowell	669,294,404	0.5684	3,804,129	(0.0086)	-	
Town of Lowell - Cumulative Capital Development	669,294,404	0.0434	290,474	-	4,340	
Town of Lowell - Cumulative Fire Special	669,294,404	0.0266	178,032	-	2,660	
Tri-Creek School Corporation	1,746,814,175	1.0544	18,323,390	(0.0006)	-	
Lowell Public Library	1,746,814,175	0.0688	1,194,928	-	-	
Lake County Solid Waste Management District	29,004,174,039	0.0229	6,639,666	-	-	
Totals		OLD RATE \$2.4939	NEW RATE \$ 2.4837	TOTAL PROP TAX \$ 217,380,229	RATE DECREASE \$ (0.0102)	NEW MONEY \$ 10,740

ASSUMES RDC CAPTURES INCREMENT

\$10,000,000

1% HOMESTEAD

\$100,000

NEW MONEY FOR LOWELL RDC WITH TIF

