

**CITY OF WEST LAFAYETTE
TIPPECANOE COUNTY, INDIANA**

**WEST LAFAYETTE REDEVELOPMENT COMMISSION
TAX IMPACT STATEMENT
APRIL 4, 2012**



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WEST LAFAYETTE REDEVELOPMENT COMMISSION

STATEMENT DISCLOSING THE IMPACT OF THE EXPANSION OF THE LEVEE/VILLAGE REDEVELOPMENT AREA AND RELATED ALLOCATION AREA

The City of West Lafayette ("City") Redevelopment Commission ("Commission") is required by Indiana Code 36-7-14, as amended, to provide a statement disclosing any impact on the overlapping taxing units of establishing or expanding a tax allocation area. This impact statement discloses and explains the impact on the overlapping taxing units caused by expanding an allocation area and capturing potential tax increment.

BACKGROUND ON THE AREA AND PLAN

The Commission adopted a declaratory resolution ("Declaratory Resolution") on January 2, 1990 establishing the Levee/Village Redevelopment Area ("Area"), with the entire Area constituting an allocation area ("Allocation Area") under IC 36-7-14 and IC-36-7-25 (collectively "Act"). The Commission adopted an amended resolution on October 21, 1998 which removed certain parcels from the Area. The Commission has adopted an amended declaratory resolution ("Amended Declaratory Resolution") on February 22, 2012, which proposed to expand the Levee/Village Redevelopment Area (Expansion Area). Copies of the Declaratory Resolution and the Amended Declaratory Resolution, with attachments, are available from the City Clerk-Treasurer's Office.

The Declaratory Resolution and the Amended Declaratory Resolution allow for the use of tax increment resulting from the growth in all real property assessed value within the Area in excess of the base assessed value defined in IC 36-7-14-39. The base assessment date for the Expansion Area is March 1, 2012.

In the Declaratory Resolution, as previously amended, and the Amended Declaratory Resolution, the Commission found that, as stated in the amended and restated Redevelopment Plan ("Plan"), the designation of the Expansion Area will benefit the public health, safety, morals and welfare of the citizens of the City; will increase the economic well being of the City and the State of Indiana; and will serve to protect and increase property values within the City. The Plan is designed to promote significant opportunities for the gainful employment of citizens of the City, assist in the attraction of new business enterprises to the City, provide for local public improvements in, serving or benefiting the Expansion Area, attract and retain permanent jobs, increase the property tax base and improve the diversity of the economic base. Furthermore, the Commission found that the Plan cannot be achieved by regulatory processes or by the ordinary operation of private enterprise without resort to the powers allowed the Commission under IC 36-7-14 due to: (1) the lack of local public improvements and because the cost of infrastructure improvements needed to redevelop the Expansion Area prevents the improvements from being

accomplished by private enterprise; and (2) there is no regulatory process available to build infrastructure or provide incentives to encourage economic growth.

PROJECT SUMMARY

In order to accomplish the Plan, the Commission will encourage the development of the Expansion Area by funding the construction of roadway and related infrastructure improvements. The Commission will also implement a neighborhood stabilization program and other improvements physically located in or connected to the Expansion Area (“Project”) to facilitate the orderly development of the Expansion Area. In addition, tax increment revenues from the Expansion Area may be used to secure developer economic development revenue bonds to further new development. The cost of the Project is estimated to be in excess of \$25,000,000.

TAX INCREMENT

The Commission and the City intend to finance the Project through a combination of tax increment financing (TIF) bonds and other sources. The ultimate funding combination will be determined based upon the potential tax increment from specific commercial and / or industrial projects that locate in the Expansion Area. The Commission intends to capture the increases in real property assessed value from commercial and industrial developments within the Expansion Area. All increases in personal property assessed value are not being captured and will immediately benefit all overlapping taxing units.

Example: Assume that the Company Project is constructed in the Expansion Area and invests \$1,000,000 in real property improvements and \$500,000 in personal property (equipment). Further assume that the real property assessment amounts to 100% of the investment and the personal property assessment amounts to 30% of the investment. Finally, assume that the net effective tax rate amounts to \$2.00.

The annual **real property tax increment to be captured** by the Redevelopment Commission would amount to the following:

$$\$1,000,000 \times 100\% \times \$0.02 = \$20,000$$

The **personal property assessed value would not be captured, but would flow through to the overlapping taxing units.** While increases in assessed value do not directly translate into increases in property tax revenues, the increased assessed value would have a positive impact on the property tax rates.

Of course, if tax abatement is granted, these annual revenues would be phased in over a period of time (i.e. up to 10 years). However, tax abatement is not anticipated at this time for the proposed development.

ESTIMATED IMPACT OF EXPANDING THE LEVEE/VILLAGE REDEVELOPMENT AREA -

The estimated tax impact on the overlapping taxing units is illustrated in Schedule A below. The increase in real property assessed value to be captured by the Commission will not reduce the existing tax levy of any of the overlapping taxing units. In fact, the incremental assessed valuation of the personal property in the Expansion Area will have a favorable impact on the overlapping taxing units. The pay 2012 tax base, tax rates and estimated property tax levies (without adjustment for circuit breaker credits) of the overlapping taxing units are as follows:

PRESENT SITUATION:

<u>Taxing Unit</u>	<u>True Tax Value</u>	<u>Tax Rate</u>	<u>Tax Levy</u>
West Lafayette	\$990,201,990	\$0.8402	\$8,319,677
Wabash Township	\$1,610,675,763	\$0.0028	\$45,099
West Lafayette School Corporation - Playground Rate	\$990,201,990	\$0.0093	\$92,089
West Lafayette School Corporation - Referendum Rate	\$1,049,389,794	\$0.3700	\$3,882,742
West Lafayette School Corporation	\$850,116,579	\$0.8647	\$7,350,958
West Lafayette Public Library	\$756,831,918	\$0.1980	\$1,498,527
Greater Lafayette Public Transportation Corporation	\$4,658,864,325	\$0.0477	\$2,222,278
Tippecanoe County	\$6,281,728,199	\$0.4093	\$25,711,114
Wildcat Creek Solid Waste District	\$6,281,728,199	\$0.0032	\$201,015
Total Tax Rate (per \$100 TTV)		<u>\$2.7452</u>	

SCHEDULE A: (assumes the Redevelopment Area is expanded and increases in real property assessed values are captured by the Commission)

<u>Taxing Unit</u>	<u>True Tax Value</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Difference</u>
West Lafayette	\$990,201,990	\$0.8402	\$8,319,677	\$0
Wabash Township	\$1,610,675,763	\$0.0028	\$45,099	\$0
West Lafayette School Corporation - Playground Rate	\$990,201,990	\$0.0093	\$92,089	\$0
West Lafayette School Corporation - Referendum Rate	\$1,049,389,794	\$0.3700	\$3,882,742	\$0
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Tippecanoe County	\$6,281,728,119	\$0.4093	\$25,711,113	\$0
Wildcat Creek Solid Waste District	\$6,281,728,199	\$0.0032	\$201,015	\$0
Total Tax Rate (per \$100 TTV)		<u>\$2.7452</u>		

IMPACT SUMMARY

The Commission has determined that capturing the increases in real property assessed valuation in the Expansion Area would not have a negative impact on anticipated revenues or tax rates of the taxing units that are wholly or partially located in the Expansion Area, because the increases in assessed value from personal property will not be captured and the increases in assessed value from real property are dependent upon the construction of the infrastructure contemplated in the plan. In fact, the expansion of the Expansion Area and the construction of the Project will have several positive impacts on the taxing units and taxpayers of the City. The increased real property assessed value from development of the Expansion Area will be captured as Tax Increment and used to pay the costs incurred to accomplish the Plan and construct the Project. The taxing units, and subsequently the taxpayers of the City, would benefit from increases in local option income taxes from: (1) the additional jobs, (2) any additional revenues that may be

generated due to the economic ripple effect that economic development would provide; and, (3) the increases in residential and personal property assessed value flowing through immediately.

Please note that for purposes of estimating the impact of Tax Increment, certain factors were held constant in this analysis. No other growth in real or personal property assessed value was assumed to take place anywhere in the City, other than the anticipated development within the Expansion Area. No increases in the budgets of the overlapping taxing units were assumed for purposes of this analysis. Potential impacts from future annexations and statewide reassessments and circuit breaker credits were not included in this analysis.

It should be further noted that this impact analysis attempts to show the impact on the funding of the West Lafayette School Corporation (“School”) in a simplified manner consistent with that shown for the other taxing units. Normally, the tax rates of the School funds would decrease if the assessed value increases, but this analysis assumes no impact because the assessed value growth would not occur without the expansion of the Area and construction of the Project to spur the private investment and assessed value growth.