

City of Goshen, Indiana

Impacts of TIF on Local Government Budgets and Revenue

May 15, 2018

Property is assessed.
County Auditor
certifies AV's to
DLGF



Local governments prepare
and adopt budgets. Budgets
are submitted to DLGF



DLGF certifies budgets, levies and
property taxes to the County







Maximum Levy and “Levy-Limited” Funds

- The maximum amount of property tax dollars that may be raised (levied) in any budget year
- Certified by the DLGF
- Growth based on state-wide growth factor
 - 2016: 2.6%, 2017: 3.8%, 2018: 4%
- Max levy applies to
 - General Fund, MVH, Parks and Recreation
- Exempt levies:
 - Debt Service Fund, Cumulative Capital Funds

“Rate Driven” Funds

- Almost all cumulative funds have a maximum rate limitation; and a few are also outside the maximum levy limitation.
- Funds that are outside the max levy include:
 - CCD for counties and municipalities
 - Major Bridge – Counties only
 - Cumulative Fire – Townships only
 - Cumulative Bldg Fund – Airports only
 - Equipment Replacement Fund – Fire Territories only
 - School Capital Projects Fund
 - (Not any more starting in 2019)

Correlation

-  If assessed value decreases,  tax rates increase
-  If assessed value increases,  tax rates decrease

– If unit is @ Max Levy, no additional tax revenue

(except cumulative funds and circuit breaker change)

Levy-Limited Funds



Scenario	Max Levy (Budget)	Tax Base AV	Tax Rate
1	\$2,000,000	\$500,000,000	\$0.4000
2	\$2,000,000	\$550,000,000	\$0.3636
Difference	0	\$50,000,000	(0.0364)

Rate Limited Funds



Scenario	Tax Rate	Tax Base AV	Levy (Budget)
1	\$0.05	\$500,000,000	\$250,000
2	\$0.05	\$550,000,000	\$275,000
Difference	0	\$50,000,000	\$25,000

Note: Assumes municipality is at maximum CCD rate.

Property Tax Caps – “Circuit Breaker Tax Credit”

- The computed property tax bill is compared to the “cap” amount.
 - 1% of gross assessed value (pre-deductions) for homesteads, 2% for agricultural or non-homestead residential, 3% for commercial
- The taxes above the cap amount are **not paid** by the taxpayer
- The cap amount is driven by the assessed value of the property before deductions
- The amount of unpaid taxes generates a shortfall for the taxing units
- Credits are allocated to the taxing units based upon the percentage of the unit’s tax rate to the overall tax rate of the taxing district

Sample Tax Bill - Commercial

Commercial Value	\$1,000,000
Net Assessed Value (after deductions)	\$1,000,000
Tax Bill with \$4 Tax Rate	\$40,000
Tax limit @ 3%	\$30,000
Circuit Breaker Tax Credit	(\$10,000)

Sample Allocation of Circuit Breaker

Overlapping Taxing Unit	Tax Rate	Percent of Tax Rate	Circuit Breaker
County	\$1.0000	25.00%	(\$2,500)
Township	0.0200	0.50%	(50)
City	1.4500	36.25%	(3,625)
School	1.5000	37.50%	(3,750)
Library	<u>0.0300</u>	<u>0.75%</u>	<u>(75)</u>
Total	<u>\$4.0000</u>	<u>100.00%</u>	<u>(\$10,000)</u>

What is TIF?

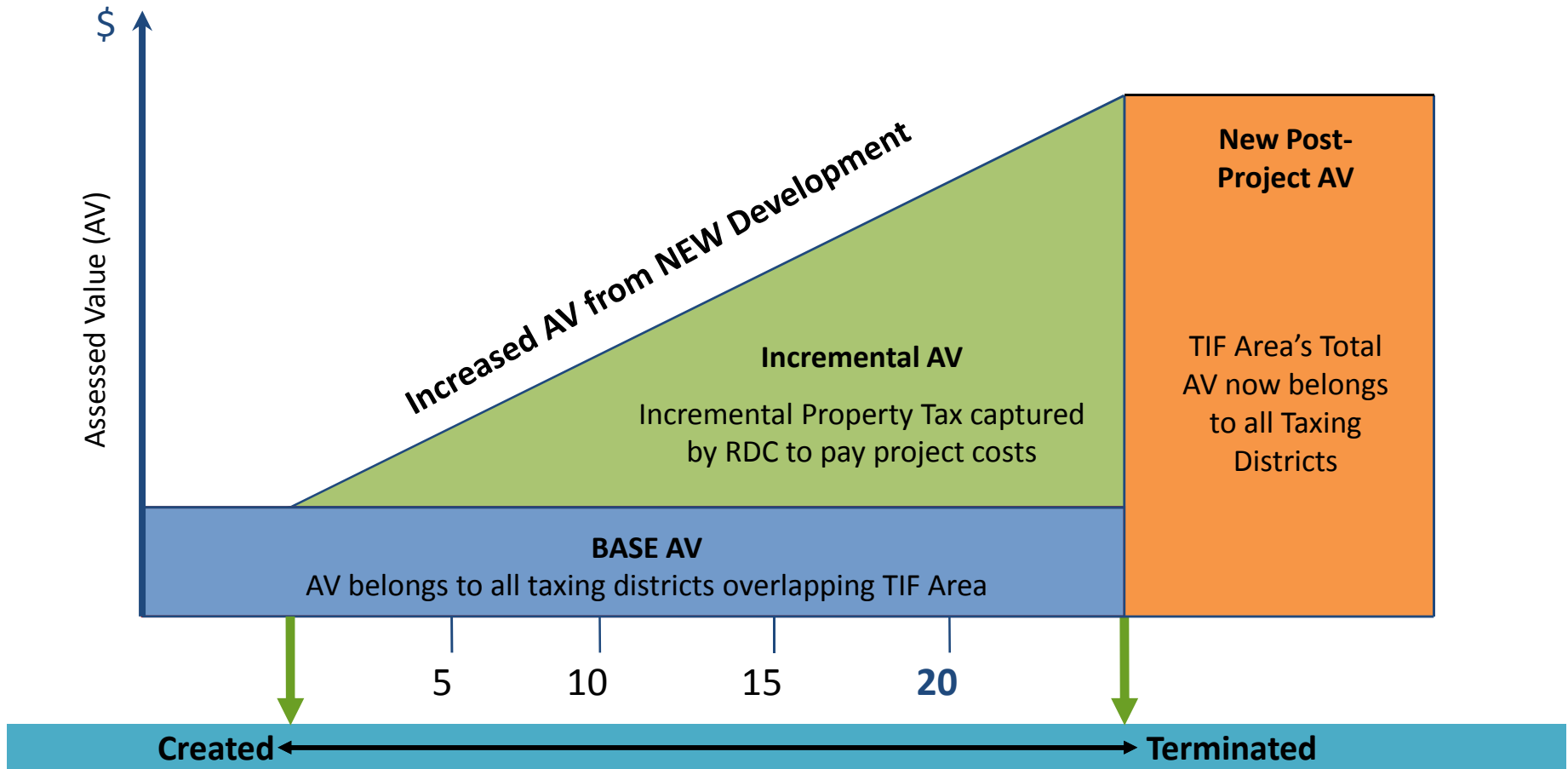
Tax increment financing (or “TIF”) is an **economic development tool** available to cities, towns and counties - **captures new assessed value** and property taxes from new development in a designated area.

Purpose of TIF

- To finance **INCENTIVES** or **INFRASTRUCTURE** needed **to induce private investment**
 - To facilitate orderly economic growth in targeted areas
 - To redevelop blighted areas
-

Note: New businesses in a TIF Area still pay property taxes on their new private investment. The incremental taxes are captured for projects. The other taxing units **forgo the increase in assessed value during the term of the TIF Area**

TIF Mechanics



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Benefits and Costs of TIF

BENEFITS

- Finances incentives and infrastructure needed to induce private investment and economic growth
- Encourages orderly economic growth in targeted areas
- Redevelops aging and deteriorating areas
- No additional tax levy
- Avoid referenda process if TIF sufficient to cover debt payments
- Extremely flexible uses; can be combined with other revenues
- *Future:* Results in growth in the property tax base
- *Immediate:* Stimulates the local economy through job creation, increased income and spending; uncaptured personal property, surplus pass-through

COSTS

- *(During the term of the TIF Area, if no excess pass-through)*
Other taxing units forego the increase in assessed value and forego increases in revenue on rate-controlled funds and circuit breaker reductions; may delay tax reduction for individual taxpayers

GOSHEN (INDIANA) REDEVELOPMENT COMMISSION

Goshen City - Elkhart Township

ESTIMATED IMPACT OF CAPTURING THE NEW DEVELOPMENT IN THE PROPOSED LIPPERT/DIERDORFF ALLOCATION AREA

Goshen City - Elkhart Township Taxing District	Tax Rate	Net Assessed Value of Taxing Unit	Estimated Property Tax Levy
<u>PRESENT SITUATION</u>			
Represents 2017 taxes payable 2018 property tax levies, assessed valuation, and tax rates.			
Elkhart County	0.3792	\$8,518,836,630	\$32,303,428
Elkhart County Community Center	0.0265	6,253,209,823	1,657,101
Elkhart County Cumulative Capital Development	0.0314	8,518,836,630	2,674,915
Elkhart County Major Bridge	0.0314	8,518,836,630	2,674,915
Goshen Civil City	1.5185	1,123,237,210	17,056,356
Goshen Civil City Cumulative Capital Development	0.0500	1,123,237,210	561,619
Elkhart Township	0.0166	1,240,389,546	205,905
Goshen Community School Corporation	1.4398	1,240,389,546	17,859,129
Goshen Community School Corporation Referendum Debt Fund	0.0322	1,372,985,764	442,101
Goshen Public Library	0.1294	1,240,389,546	1,605,064
 Total Tax Rate (per \$100 AV)	 <u>\$3.6550</u>		

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GOSHEN (INDIANA) REDEVELOPMENT COMMISSION

Goshen City - Elkhart Township

ESTIMATED IMPACT OF CAPTURING THE NEW DEVELOPMENT IN THE PROPOSED LIPPERT/DIERDORFF ALLOCATION AREA

Assumes the incremental assessed value from the New Development is captured.

				Rate Difference From Current	Levy Difference From Current
Elkhart County	\$0.3792	\$8,518,836,630	\$32,303,428	\$0.0000	\$0
Elkhart County Community Center	0.0265	6,253,209,823	1,657,101	0.0000	0
Elkhart County Cumulative Capital Development	0.0314	8,518,836,630	2,674,915	0.0000	0
Elkhart County Major Bridge	0.0314	8,518,836,630	2,674,915	0.0000	0
Goshen Civil City	1.5185	1,123,237,210	17,056,356	0.0000	0
Goshen Civil City Cumulative Capital Development	0.0500	1,123,237,210	561,619	0.0000	0
Elkhart Township	0.0166	1,240,389,546	205,905	0.0000	0
Goshen Community School Corporation	1.4398	1,240,389,546	17,859,129	0.0000	0
Goshen Community School Corporation Referendum Debt Fund	0.0318	1,390,745,764	442,101	(0.0004)	0
Goshen Public Library	0.1294	1,240,389,546	1,605,064	0.0000	0
Total Tax Rate (per \$100 AV)	\$3.6546			(\$0.0004)	\$0

TIF Allocation Fund	Tax Increment Rate	Incremental Assessed Value	Gross Tax Increment	Circuit Breaker	Net Increment
Hotel	\$3.6228	\$5,600,000	\$202,877	(\$34,877)	\$168,000
Assisted Living Facility	3.6228	11,760,000	426,041	(190,841)	235,200
Dunkin' Donuts	3.6228	400,000	14,491	(2,491)	12,000
Illustrative Tax Increment		\$17,760,000	\$643,409	(\$228,209)	\$415,200

Assumes the estimated assessed value from the New Development is NOT captured.

				Rate Difference From Current	Levy Difference From Current
Elkhart County	\$0.3784	\$8,536,596,630	\$32,303,428	(\$0.0008)	\$0
Elkhart County Community Center	0.0264	6,270,969,823	1,657,101	(0.0001)	0
Elkhart County Cumulative Capital Development	0.0314	8,536,596,630	2,680,491	0.0000	5,576
Elkhart County Major Bridge	0.0314	8,536,596,630	2,680,491	0.0000	5,576
Goshen Civil City	1.4949	1,140,997,210	17,056,356	(0.0236)	0
Goshen Civil City Cumulative Capital Development	0.0500	1,140,997,210	570,499	0.0000	8,880
Elkhart Township	0.0164	1,258,149,546	205,905	(0.0002)	0
Goshen Community School Corporation	1.4195	1,258,149,546	17,859,129	(0.0203)	0
Goshen Community School Corporation Referendum Debt Fund	0.0318	1,390,745,764	442,101	(0.0004)	0
Goshen Public Library	0.1276	1,258,149,546	1,605,064	(0.0018)	0
Total Tax Rate (per \$100 AV)	\$3.6078			(\$0.0472)	\$20,032



GOSHEN (INDIANA) REDEVELOPMENT COMMISSION

ILLUSTRATIVE REDUCTION IN CIRCUIT BREAKER TAX CREDITS

Assumes the estimated \$17,760,000 of assessed value from the New Development is added to the tax base of the overlapping taxing units.

<u>Overlapping Taxing Unit</u>	<u>Illustrative Circuit Breaker Reduction</u>	<u>Overlapping Taxing Unit</u>	<u>Illustrative Circuit Breaker Reduction</u>
Goshen Civil City	(\$133,889)	Osolo Township	(104)
Goshen Community School Corporation	(119,092)	Nappanee Public Library	(97)
Elkhart County	(35,327)	Baugo Township	(78)
Goshen Public Library	(10,645)	Bristol Civil Town	(76)
Concord Community School Corporation	(9,298)	Middlebury Public Library	(54)
Elkhart Civil City	(6,717)	Millersburg Civil Town	(35)
Elkhart Community School Corporation	(3,408)	Fairfield Community School Corporation	(28)
Elkhart Township	(2,296)	Jefferson Township	(25)
Elkhart Public Library	(1,545)	Wakarusa-Olive-Harrison Twp Public Library	(10)
Middlebury Community School Corporatio	(1,165)	Locke Township	(8)
Nappanee Civil City	(799)	York Township	(7)
Baugo Community School Corporation	(596)	Clinton Township	(5)
Wa-Nee Community School Corporation	(516)	Union Township	(5)
Concord Township	(393)	Bristol Public Library	(5)
Cleveland Township	(266)	Olive Township	(1)
Middlebury Township	(218)	Washington Township	(1)
Middlebury Civil Town	(146)		
Wakarusa Civil Town	(115)	Total	<u><u>(\$326,970)</u></u>

GOSHEN (INDIANA) REDEVELOPMENT COMMISSION

Goshen City - Elkhart Township

**ESTIMATED IMPACT OF ADDING THE ASSESSED VALUE FROM THE CONSOLIDATED RIVER RACE EDA
AND THE SOUTHEAST EDA TO THE TAX BASE OF THE OVERLAPPING TAXING UNITS**

				<u>Assumes the incremental assessed value from the Consolidated River Race EDA and the Southeast EDA are captured and are NOT added to the tax base of the overlapping taxing units.</u>	
				Rate Difference From Current	Levy Difference From Current
Elkhart County	\$0.3792	\$8,518,836,630	\$32,303,428	\$0.0000	\$0
Elkhart County Community Center	0.0265	6,253,209,823	1,657,101	0.0000	0
Elkhart County Cumulative Capital Development	0.0314	8,518,836,630	2,674,915	0.0000	0
Elkhart County Major Bridge	0.0314	8,518,836,630	2,674,915	0.0000	0
Goshen Civil City	1.5185	1,123,237,210	17,056,356	0.0000	0
Goshen Civil City Cumulative Capital Development	0.0500	1,123,237,210	561,619	0.0000	0
Elkhart Township	0.0166	1,240,389,546	205,905	0.0000	0
Goshen Community School Corporation	1.4398	1,240,389,546	17,859,129	0.0000	0
Goshen Community School Corporation Referendum Debt Fund	0.0303	1,457,519,364	442,101	(0.0019)	0
Goshen Public Library	0.1294	1,240,389,546	1,605,064	0.0000	0
Total Tax Rate (per \$100 AV)	<u>\$3.6531</u>			<u>(\$0.0019)</u>	<u>\$0</u>

TIF Allocation Fund	Tax Increment	Incremental	Gross Tax	Circuit Breaker	Net Increment
	Rate	Assessed Value	Increment		
Current Consolidated River Race and Southeast EDA	\$3.6228	\$129,967,289	\$4,708,455	(\$571,230)	\$4,137,225
Other Lippert Allocation Area Development	3.6228	17,760,000	643,409	(228,209)	415,200
Lippert Building Expansion	3.6228	15,000,000	543,420	(93,420)	450,000
Other Current Development	3.6228	51,773,600	1,875,654	(452,846)	1,422,808
Illustrative Tax Increment		\$214,500,889	\$7,770,938	(\$1,345,705)	\$6,425,233

				<u>Assumes the incremental assessed value from the Consolidated River Race EDA and the Southeast EDA are NOT captured and are added to the tax base of the overlapping taxing units.</u>	
				Rate Difference From Current	Levy Difference From Current
Elkhart County	\$0.3680	\$8,777,235,933	\$32,303,428	(\$0.0112)	\$0
Elkhart County Community Center	0.0254	6,511,609,126	1,657,101	(0.0011)	0
Elkhart County Cumulative Capital Development	0.0314	8,777,235,933	2,756,052	0.0000	81,137
Elkhart County Major Bridge	0.0314	8,777,235,933	2,756,052	0.0000	81,137
Goshen Civil City	1.2345	1,381,636,513	17,056,356	(0.2840)	0
Goshen Civil City Cumulative Capital Development	0.0500	1,381,636,513	690,818	0.0000	129,199
Elkhart Township	0.0142	1,454,890,435	205,905	(0.0024)	0
Goshen Community School Corporation	1.2275	1,454,890,435	17,859,129	(0.2123)	0
Goshen Community School Corporation Referendum Debt Fund	0.0303	1,457,519,364	442,101	(0.0019)	0
Goshen Public Library	0.1103	1,454,890,435	1,605,064	(0.0191)	0
Total Tax Rate (per \$100 AV)	<u>\$3.1230</u>			<u>(\$0.5320)</u>	<u>\$291,473</u>

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GOSHEN (INDIANA) REDEVELOPMENT COMMISSION

Goshen City - Concord Township

**ESTIMATED IMPACT OF ADDING THE ASSESSED VALUE FROM THE CONSOLIDATED RIVER RACE EDA
TO THE TAX BASE OF THE OVERLAPPING TAXING UNITS**

				Rate Difference From Current	Levy Difference From Current
<u>Assumes the incremental assessed value from the Consolidated River Race EDA is captured and is NOT added to the tax base of the overlapping taxing units.</u>					
Elkhart County	\$0.3792	\$8,518,836,630	\$32,303,428	\$0.0000	\$0
Elkhart County Community Center	0.0265	6,253,209,823	1,657,101	0.0000	0
Elkhart County Cumulative Capital Development	0.0314	8,518,836,630	2,674,915	0.0000	0
Elkhart County Major Bridge	0.0314	8,518,836,630	2,674,915	0.0000	0
Goshen Civil City	1.5185	1,123,237,210	17,056,356	0.0000	0
Goshen Civil City Cumulative Capital Development	0.0500	1,123,237,210	561,619	0.0000	0
Concord Township	0.0267	1,824,687,663	487,191	0.0000	0
Concord Community School Corporation	1.3935	1,108,248,394	15,443,441	0.0000	0
Concord Community School Corporation Referendum Fund	0.4050	1,201,954,911	4,867,917	0.0000	7,614
Elkhart Public Library	0.1539	3,708,442,633	5,707,293	0.0000	0
Total Tax Rate (per \$100 AV)	\$4.0161			\$0.0000	\$7,614

	Tax Increment Rate (3)	Incremental Assessed Value	Gross Tax Increment	Circuit Breaker	Net Increment
TIF Allocation Fund					
Current Consolidated River Race EDA	\$3.6111	\$42,018,414	\$1,517,327	(\$176,570)	\$1,340,757
Other Current Development	3.6111	1,880,000	67,889	(11,489)	56,400
Illustrative Tax Increment		\$43,898,414	\$1,585,216	(\$188,059)	\$1,397,157

				Rate Difference From Current	Levy Difference From Current
<u>Assumes the incremental assessed value from the Consolidated River Race EDA is NOT captured and is added to the tax base of the overlapping taxing units.</u>					
Elkhart County	\$0.3680	\$8,777,235,933	\$32,303,428	(\$0.0112)	\$0
Elkhart County Community Center	0.0254	6,511,609,126	1,657,101	(0.0011)	0
Elkhart County Cumulative Capital Development	0.0314	8,777,235,933	2,756,052	0.0000	81,137
Elkhart County Major Bridge	0.0314	8,777,235,933	2,756,052	0.0000	81,137
Goshen Civil City	1.2345	1,381,636,513	17,056,356	(0.2840)	0
Goshen Civil City Cumulative Capital Development	0.0500	1,381,636,513	690,818	0.0000	129,199
Concord Township	0.0261	1,868,586,077	487,191	(0.0006)	0
Concord Community School Corporation	1.3404	1,152,146,808	15,443,441	(0.0531)	0
Concord Community School Corporation Referendum Fund	0.4050	1,201,954,911	4,867,917	0.0000	7,614
Elkhart Public Library	0.1521	3,752,341,047	5,707,293	(0.0018)	0
Total Tax Rate (per \$100 AV)	\$3.6643			(\$0.3518)	\$299,087



GOSHEN (INDIANA) REDEVELOPMENT COMMISSION

ILLUSTRATIVE REDUCTION IN CIRCUIT BREAKER TAX CREDITS

Assumes the estimated \$258,399,303 of assessed value from the Consolidated River Race and the Southeast EDA is added to the tax base of the overlapping taxing units.

<u>Overlapping Taxing Unit</u>	<u>Illustrative Circuit Breaker Reduction</u>	<u>Overlapping Taxing Unit</u>	<u>Illustrative Circuit Breaker Reduction</u>
Goshen Civil City	(2,157,685)	Nappanee Public Library	(1,469)
Goshen Community School Corporation	(1,841,156)	Baugo Township	(1,175)
Elkhart County	(\$723,962)	Bristol Civil Town	(1,151)
Concord Community School Corporation	(342,981)	Middlebury Public Library	(805)
Elkhart Civil City	(211,239)	Millersburg Civil Town	(534)
Goshen Public Library	(165,511)	Fairfield Community School Corporation	(429)
Elkhart Community School Corporation	(60,297)	Jefferson Township	(375)
Elkhart Public Library	(48,454)	Wakarusa-Olive-Harrison Twp Public Library	(150)
Elkhart Township	(26,810)	Locke Township	(124)
Concord Township	(23,047)	York Township	(99)
Middlebury Community School Corporation	(17,455)	Clinton Township	(78)
Nappanee Civil City	(12,080)	Bristol Public Library	(76)
Baugo Community School Corporation	(9,281)	Union Township	(71)
Wa-Nee Community School Corporation	(7,793)	Washington Township	(22)
Cleveland Township	(4,180)	Olive Township	(15)
Middlebury Township	(3,298)	Benton Township	(3)
Middlebury Civil Town	(2,208)	Harrison Township	(1)
Osolo Township	(1,779)		
Wakarusa Civil Town	(1,733)	Total	<u>(\$5,667,526)</u>

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Thank You

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