

## Redevelopment/Economic Development

### Quality of Life:

- A community's ability to offer "Quality of Life" is now usually at the top of the list for companies looking for a new location.
- Quality of Life includes having the amenities available that most people enjoy – parks, recreation, safe and walkable streets, cultural activities, restaurants, movie theaters, shopping, quality schools, ease of transportation, internet connectivity, etc.
- Because the educated and skilled young people are flocking to areas that offer Quality of Life, companies that need an educated and skilled workforce are realizing that a community's ability to provide Quality of Life is often times more important to them than are tax incentives.
- Surveys show that most graduating students choose *where* they want to work first and then start looking for a job.

### Tax Increment Financing:

- Except for the pay-as-you-go programs, TIF is a 25 year investment.
- TIF is a mechanism for projects to pay for themselves without burdening taxpayers.
- When a TIF area is planned for development, local governments pay for the upstart costs usually by bonding. Then, after the development occurs, the new taxes generated by the development are used to repay the local government over a period of 25 years.
- Taxes paid and revenue generated *before* the development stay the same and continue to fund government.
- After 25 years, the new assessed value generated by the development is rolled into the tax base, so that the tax rate is lowered for all taxpayers.
- Each year, the redevelopment commission is required to make a determination as to whether any assessed value being captured could be rolled into the tax base ahead of schedule. If so, they order the release of the portion that is not needed for projects in the TIF plan.
- Pay-as-you-go TIF is where the local government does not issue bonds or take out debt for a TIF area. Rather, projects are paid for over time by the tax increment that is captured.
- The Indiana Economic Development Corporation (IEDC) depends on cities, towns and counties to provide incentives as part of the package that is offered to companies looking to locate in our state. Almost always, these incentives (which may include building a new highway interchange or rail spur, building a fire station to serve the company, providing water or sewer lines, offering training assistance for employees) are paid for through TIF revenues.
- The new taxes that the company will pay over the next 25 years will go to reimburse the local government for all of the company's upstart needs. Then, after 25 years, the company's taxes will no longer be captured and their taxes will go toward regular local government expenses.
- There are several TIF reporting requirements that need to be consolidated to improve government efficiency. IACT will be working on this initiative in the 2015 session.

### Tax Abatement:

- Tax abatement is another important economic development tool for local governments.
- With tax abatement, local governments can decide on a case-by-case basis whether or not it is justifiable to provide incentives based on the company's level of commitment, jobs created, salaries paid, etc.
- In recent years, the General Assembly has greatly expanded local governments' ability to offer tax abatements. Under SEA 1-2014, tax abatements can be offered at 100% for up to twenty years.

## Misconceptions and Facts about TIF

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**MISCONCEPTION 1: Hurts Schools**      **FACT:** Schools receive the same tax base they always have. Legislation enacted in 2013 addressed prior problems so that the base is held “neutral” regardless of how the TIF performs.

**MISCONCEPTION 2: Mayors’ Slush Fund**      **FACT:** Plans are approved by councils in public meetings. TIF is one of the primary tools municipalities have to create economic development in our communities.

**MISCONCEPTION 3: Go on Forever**      **FACT:** TIF is limited to 25 years after a municipality bonds. Otherwise, it is considered “pay as you go.”

**MISCONCEPTION 4: Aren’t Needed (the State is the Main Driver)**      **FACT:** State, locals and communities all play a role in economic development.

***“TIF is a powerful and important tool for economic development and one of the primary tools locals use when we are working with them.”***

(IEDC President Eric Doden, BPPT Commission, 10/23/14)

**FACT:** TIF is a tool that allows communities to be “shovel-ready” with essential infrastructure in place and ready for new business.

**FACT:** Without TIF, redevelopment and economic development in our communities would be much more difficult.