IMPACT STATEMENT

LAFAYETTE CENTER CORNER ECONOMIC DEVELOPMENT AREA PLAN

As required by I.C. 36-7-14-17, the purpose of this impact statement is to set forth the costs and benefits of the above-noted Economic Development Area (EDA) as well as the financial impact on each of the tax units within the allocation area.

COSTS AND BENEFITS OF THE LAFAYETTE CENTER CORNER EDA

I.C. 36-7-14-17(c)(2) requires the estimation of the economic benefits and costs of an Economic Development Area, as measured by both increased employment and anticipated growth of real property assessed values.

COSTS ASSOCIATED WITH THE LAFAYETTE CENTER CORNER EDA

The purpose for designating the Lafayette Center Corner EDA is to allow the Redevelopment Commission to use tax increment financing (TIF) to assist with the development of Allen County's first speculative industrial building project and public infrastructure projects in the area. While there are several Economic Development Areas in the immediate area none include the parcels of the Lafayette Center Corner Economic Development Area and Allocation Area.

BENEFITS ASSOCIATED WITH THE LAFAYETTE CENTER CORNER EDA

The Lafayette Center Corner EDA will provide an alternative source of funding for projects to support the continued growth in the area. Since the 1990s, the Allen County Redevelopment Commission has established 11 Economic Development Areas and Allocation Areas to collect incremental property taxes from new industrial and commercial development for use in key water, sewer and road infrastructure projects. The area is home to major employers including General Motors, Vera Bradley, Android Industries, Ground Effects and One Resource Group. Combined they have over 5,100 employees.

IMPACT ON TAXING UNITS ASSOCIATED WITH LAFAYETTE CENTER CORNER EDA

There are several methods for funding infrastructure improvements in Indiana. However, most of these entail a direct tax on the incomes or property of a community's citizens. Tax increment Financing (TIF) is a method which is not a direct tax. Basically, TIF is a mechanism which uses the increase in assessed value from a designated property. Except for reassessment years, if there is no growth within an allocation area, there is no increment or increase in assessed value.

How does using the increase in assessed value to fund public infrastructure impact other taxing units? First and foremost, since tax increment financing only relies on the increase in assessed value, the other taxing units retain the assessed value that they received prior to the Economic Development Area designation. Also, during reassessment years, the Indiana Department of Local Government Finance uses a formula to neutralize the effect of reassessment allowing the other taxing units to benefit from reassessment.

The formula used in establishing tax rates precludes the other taxing units from being impacted except in rare instances. These instances are situations where a taxing unit has a set rate established (e.g. a cumulative building fund). Since a taxing unit determines its budget and this budget is divided by the assessed value of the taxing unit, historically the only impact on other taxing units that using tax increment financing has is on the rate. By not being able to use the increase in assessed value, taxing units' tax rate may be slightly higher than if the taxing units were allowed to use the increase in assessed value. However, the introduction of rate caps that limit the amount of property taxes that can be paid can result in foregone revenue in variable rate funds.

The specific impact depends on the assessed value of a particular taxing unit and the amount of increased assessed value as well as whether taxpayers have hit the rate cap. It is impossible to specifically make a determination as to the impact on your taxing unit's rate and the revenues of your taxing unit. However, staff has developed a model to estimate the impact based on similar commercial developments. This model assumes that there is no change in the tax rate and no change in the levy. The projection in this case assumes an investment of $5.2 million in the Lafayette Center Corner EDA. The $5.2 million investment represents the construction costs of the county's first speculative industrial building. In addition, this building received a ten-year property tax phase-in, so the potential impact represents the full effect once the phase-in expires. Attached is the potential impact on your taxing unit.