

Memorandum



Date: November 19, 2012; updated December 4, 2012
To: Councillor Leroy Robinson
From: Midtown, Inc.
Subject: City-County Council Economic Development Committee Questions
Regarding North Midtown Tax Allocation Area (NMTAA)

SUMMARY: Successful neighborhoods are the key to a healthy and growing tax base. Midtown is home to 40,000+ residents and many of the City's finest tourist destinations and institutions of culture and learning. This area represents more than \$3 Billion in Assessed Value. Yet, during the past 20 years, Midtown has lost nearly 3,000 families, particularly those with school age children, who are fleeing to the suburbs. This trend has taken its toll in the steady decline of Midtown's infrastructure, housing stock, and commercial centers. The ripple effect is the single biggest threat to Midtown and the City. The proposed North Midtown Tax Allocation Area is designed to function as a significant piece of the comprehensive strategy aimed at improving Midtown through concentrated reinvestment.

We look forward to collaborating with the Council and the Administration to move forward at the earliest opportunity so the entire community can begin to realize the benefits.

Question #1: *The TIF district seems large. Why?*

Response: There are approximately 6,000 acres in the Midtown District. The North Midtown Economic Development Area as passed by the City-County Council in 2011 (Resolution No. 011-R-038) represents 1,504 Net Parcel Acres. The proposed TIF area represents 534 Net Parcel Acres: 35.51% of the established Economic Development Area (EDA) and 8.9% of the Midtown District. The boundaries of the proposed TIF area were selected to coincide with critical commercial corridors within Midtown. Neighborhoods prioritized the commercial centers they deemed most in need of development and/or redevelopment. The proposed TIF boundaries link neighborhoods within the EDA to ensure that the success of development in one neighborhood bolsters and stimulates development in adjacent communities. Further, each community selected targeted "catalyst" sites that would be the priority development area or project and would be most effective in spurring additional development to increase AV.

Clarification Request #1: *Question 1 response refers to 534 "net parcel acres." What is that?*

Response: Net Parcel Acres refers to the land area within a given area, exclusive of street rights of way.

Clarification Request #2: *Question 2 response refers to 1971 parcels. Can the question 1 response be rephrased to refer to number of parcels so that the discussion is consistent and that they are relative to one another? Or, both responses could include both acreage and parcel count. That would actually provide a clearer illustration.*

Response: To clarify: we are dealing with 1,971 parcels **inside** of the proposed TIF and those parcels collectively are equal in size to 534 Net Parcel Acres. The Economic Development Area (as established by the MDC and the Council in 2011) contains 5,825 parcels which is equal to 1,504 Net Parcel Acres. Question 1

referred to the size of the TIF therefore the response refers to size or geography of the area involved. We also wanted to use terminology consistent with language used by DMD in its analysis and documentation: Net Parcel Acres.

Question 2 sought details on the amount of additional AV that would be generated. We provided the number of parcels to show the source of the base AV. We believe that both numbers have value. It is important to know both the quantity of parcels involved and the size of those collective parcels. To use only one or the other would not provide an accurate or comparable analysis.

Question #2: *How much additional AV would the project place into a TIF district?*

Response: The AV in the North Midtown TIF is \$361,747,600 generated from 1,971 parcels; this amount will remain in the base. The North Midtown TIF is part of a comprehensive strategy to leverage future projects for maximum impact. It is proposed as one tool to deal with quality of life and economic development issues throughout Midtown. In 2011, the Department of Metropolitan Development prepared calculations to assess the potential impact of the North Midtown TIF. DMD estimated that the long term reinvestment in the EDA could add as much value as \$9,830,880 if the vacant land in the Project Area were developed at the average assessed value of Marion County or \$27,214,000 if the entire area were to increase in value equal to the Project Area average. We believe this is extremely conservative and are convinced that the catalyst projects alone could achieve additional AV in excess of \$80 Million.

Clarification Request #3:

- *Is the \$9.8 million estimated growth in vacant land related to parcels inside the TIF district or outside the TIF district?*
- *Is the \$80 million additional AV growth projection related to parcels inside or outside the TIF district?*
- *Please provide the calculations referred to – used to assess potential impact of TIF, long term reinvestment increases and the project area increase.*

Response: The \$9.8 million figure refers to the estimated growth in vacant land related to parcels inside of the Economic Development Area. The vacant land area is equal to 57.02 acres. According to DMD the breakdown of vacant land is 28.57 acres (50.1%) are inside of the TIF and 28.29 acres (49.9%) are outside of the TIF.

The \$80 million estimate is for projected additional AV growth inside of the TIF using the catalyst projects identified by Midtown neighborhoods. Preliminary development cost estimates for these collective projects would be approximately \$159.30 million of which \$108.15 million is “Hard Cost”. The projected increase in AV resulting from those projects is based on a pro forma projection of 80% of the hard cost: \$108.15m x 80% = \$86.5 million in additional AV.

Question #3: *Why does the project require capturing the Broad Ripple parking garage, which is already under development?*

Response: By law, parking meter funds collected in a specific district should be used in the area. In the case of Broad Ripple that investment was deferred for many years. The garage is located in the TIF area and construction began well after the Midtown Economic Development Area was established. The City's \$6.35 million investment in the garage project can now produce funds to leverage additional investment through the TIF and impact many more projects throughout the district. It's a good example of how the use of multiple economic tools can achieve a greater impact.

Question #4: *What do revenue projections look like without including the parking lot?*

Response: Approximately \$300,000 in taxes annually would be lost for reinvestment within the TIF boundary. According to the City, this is the amount the garage is expected to produce based on \$12 million in assessed value and a 3 percent tax rate minus current taxes at \$30,000.

Question #5: *Are there any existing abatements or other economic development tools in use in the area?*

Response: There are only two active property tax abatements. Fresh Market, 5415 N. College Avenue, received a five year real property tax abatement in 2007. The abatement was activated in 2009 to pay 2010, so the abatement will end in 2014. DeveloperTown, 5255 Winthrop Avenue, was granted a two year vacant building abatement in 2011. The abatement was activated in 2012 and will end in 2014. These two projects represent the only significant tax generating reinvestment projects in decades in the Midtown area and to date, they have not stimulated additional investment. The subsidies they received are tax dollars lost and not tax dollars put to work to generate additional AV.

Question #6: *Which community groups have been involved in the decision making about the project? Schools?*

Response: This proposal is the result of extensive community input from planning meetings between 2008 and 2012. Two complementary community plans were generated: 1) Midtown Master Plan 2010 and 2) Mid-North Quality of Life Plan 2012. These plans represent the sustained cooperation of numerous organizations over the past five years. A sampling of the organizations involved in the multiple planning processes include City of Indianapolis Department of Metropolitan Development, Midtown, Inc., Maple Road Development Association, Mapleton Fall Creek CDC, Butler Tarkington Neighborhood Association, Meridian Street Foundation, Broad Ripple Village Association, Meridian Kessler Neighborhood Association, College Avenue Development Organization, Martin Luther King Community Center, Historic Meridian Park and Historic Watson McCord. For a full list of participants and/or partner organizations visit www.midtownindy.org/TIF and www.midnorthplan.org.

Question #7: *How has the planning included notice and outreach to other community organizations?*

Response: All planning meetings were and continue to be open to the public. Multiple sessions were held in each of the respective communities for a total of 30 sessions in the Midtown Master Plan alone. Notice and/or stories about planning efforts generally and the TIF specifically appeared in *the Indianapolis Star*, *NUVO*, *Urban Times*, *Broad Ripple Gazette* and *the Indianapolis Business Journal*. In addition, letters to the editor and lively online debates via blogs have given all sides an opportunity to comment on the proposed TIF. Information has been distributed via neighborhood association newsletters and email communications networks. Participants in each meeting were invited to subsequent meetings and received notices with informational updates. The plans and meeting notes have been available online at www.midtownindy.org and www.midnorthplan.org. What makes the North Midtown TIF so unique is that it is a community driven plan for future developments. It encourages developments to start at the community level and reinforce the adopted neighborhood plans. Community representatives appointed by the neighborhood associations will review proposed projects to ensure compliance with community plans and alignment with neighborhood needs.

Clarification Request #4: *Question 7 response: Planning sessions seem to have been extensive. Are there specific organizations that may have been missing in the process?*

Response: As with any community driven planning effort, ours was extensive by design. All major Midtown neighborhood organizations have been engaged and we continue to respond to any community groups who have submitted questions and/or offered input. The outreach process will continue as specific projects are considered by the proposed Midtown Economic Council.

Question #8: *How long will the project take to complete? Is that the minimal time in which to realize a quality outcome?*

Response: The strategy is designed to provide targeted investment in the catalyst sites over the next five to ten years and additional ancillary development over the 25 year fixed term attached to the proposed TIF. The request for TIF or other tools was made in March 2010 and had it been implemented then, it is likely that additional private investment would have been leveraged in the interim.

Clarification Request #5: *Question 8 Response: Was the request that was made in March 2010 denied? If so, why?*

Response: The request was not “denied,” rather deferred. Following the planning and visioning sessions conducted throughout 2008, 2009, and early 2010, Midtown (HARMONI at the time) requested that the City initiate designations for an allocation district for the approximate area now under consideration. The City spent considerable time evaluating this request but was unwilling to schedule this matter for hearing with the MDC and Council until late 2011. Subsequently, the TIF Study commission was established and all parties were asked to hold off submission of any new TIF areas until the commission completed its work.

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Question #9: *How does the project compare or relate to quality of life plans and countywide community development plans?*

Response: See answers 6 and 7.

Question #10: *How will the project spur local business development? What kind of businesses?*

Response: A preliminary market study completed as part of the planning exercise identified appropriate business types for the district. Local business investment was considered a priority. Service related businesses were deemed essential to support a strong residential platform. Specific catalyst projects will be targeted and strategic. For example, prospective development at 38th and Illinois may bring a mix of boutique retail and restaurant shops, while developments at 29th and Central could establish senior housing. It should be noted that concurrent with planning efforts, the Midtown Loves Local campaign emerged as the best example of the community's commitment to helping local businesses flourish. In addition to spurring local business the proposed TIF is strategically designed to impact future transit improvements along the area's two most critical transit corridors, 38th Street and College Avenue.

Question #11: *What has been the growth in AV in the proposed TIF district over the past 5 years? How will this plan affect that growth record?*

Response: Overall, growth in the proposed Allocation Area parcels has exceeded those outside of the Allocation Area, though it fluctuates year by year. These changes in AV could be due to trending (i.e. annual reassessment) or improvements or losses due to actual change (such as addition of new property or deteriorating value). In fact, 90% of the Midtown District lies outside of the Allocation Area. The proposed investment strategy is designed so that the majority of growth would be retained in the base (thus to the benefit of the taxing units).

Clarification Request #6: *Question 11 Response: Would you provide the numbers that support the narrative.*

Response: Using DMD's gross AV figures, Crowe Horwath created the table below of the AV of the EDA and the parcels within the proposed allocation area.

Year	Total EDA	TIF Allocation Area	Outside of Allocation Area	TIF AV as % of EDA	Allocation Area Growth	EDA Growth	Difference
2008	\$754,679,400	\$299,659,300	\$455,020,100	39.71%	-3.46%	-1.37%	-2.09%
2009	\$777,018,700	\$316,553,200	\$460,465,500	40.74%	5.64%	1.20%	4.44%
2010	\$813,530,400	\$358,792,100	\$454,738,300	44.10%	13.34%	-1.24%	14.58%
2011	\$807,077,100	\$346,896,000	\$460,181,100	42.98%	-3.32%	1.20%	-4.52%
2012	\$871,317,500	\$358,381,700	\$512,935,800	41.13%	3.31%	11.46%	-8.15%
2013	\$895,380,800	\$382,495,200	\$512,885,600	42.72%	6.73%	-0.01%	6.74%
				Average Growth (2008-2013)	3.71%	1.87%	

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Question #12: *Ask for the financial projections that show how much revenue the project is expected to generate.*

Response: This is a very important question which will be given utmost scrutiny and attention. The community has identified several key projects that would provide the best opportunity to bring about needed redevelopment consistent with the communities' respective plans. As we have discovered, the market has not and will not undertake these or other projects without some form of public investment to deal with the challenges that must be overcome. Under the proposed North Midtown TIF, each individual development would grow AV in key areas of the district and generate increment to invest in subsequent development projects to not only stabilize the district's tax base but to stimulate growth throughout. It is clear that no single project will reverse the trends and the key catalyst projects are dependent upon one another. The MDC and the Council will review each proposed development on its merits with full financial disclosure and have ultimate control over the distribution of the TIF funds as they are proposed for use.

Question #13: *How much is expected to be bonded?*

Response: As little as possible to incentivize the necessary reinvestment.

Question #14: *Will the tax increment revenue cover the expected bond debt?*

Response: When decisions are made to bond fund projects, it is the City's goal that projects will be self-funded, meaning the estimated TIF revenue generated by such projects will be sufficient to pay the principal and interest associated with the project.

Question #15: *Provide a schedule of projected revenue and an impact statement for the other taxing units (schools, libraries, etc.).*

Response: DMD and/or third party consultants will analyze the specifics of each proposed project and present findings to the Metropolitan Development Commission and the City-County Council for analysis prior to allocation of funds.

Clarification Request #7: *Questions 13 – 15 Responses: Based on conversations about the TIF District during my meeting, specific projects are still being evaluated; however, it would be useful to have some quantitative information about the expected projects and revenue as soon as it is available, even if the information provided is as a range of values.*

Response: Beyond the preliminary development costs of the catalyst projects identified by the community we do not have additional calculations available at this time. Prior to the distribution of any proposed TIF revenues or bonding of any proposed project these calculations will be made readily available to the MDC and Council and will be a priority consideration to the Midtown Economic Development Council as a core component of its analysis.

Additional Information Request: *I think I requested a list of all the parcels in the TIF district.*

Response: Attached is a PDF of Declaratory Resolution No. 2012-4-030 adopted by the MDC 7-18-12 listing all parcels in the North Midtown Economic Development Area TIF.