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CITY OF FRANKLIN
JOHNSON COUNTY, INDIANA

CITY OF FRANKLIN REDEVELOPMENT COMMISSION
TAX IMPACT STATEMENT

U.S. 31 ECONOMIC DEVELOPMENT AREA
JANUARY 15, 2016

CITY OF FRANKLIN REDEVELOPMENT COMMISSION

STATEMENT DISCLOSING THE IMPACT OF ESTABLISHING THE U.S. 31 ECONOMIC DEVELOPMENT AREA AND THE U.S. 31 NORTH AND U.S. 31 SOUTH ALLOCATION AREAS

The City of Franklin Redevelopment Commission (the "Commission"), is required by Indiana Code 36-7-14, as amended (the "Act), to provide a statement disclosing the impact on the overlapping taxing units of establishing tax allocation areas. This impact statement discloses and explains the impact on the overlapping taxing units caused by establishing the allocation areas and capturing potential Tax Increment (as hereinafter defined).

ESTABLISHMENT OF THE AREAS AND THE PLAN

The Commission adopted a declaratory resolution on December 15, 2015 (the "Declaratory Resolution") establishing the U.S. 31 Economic Development Area (the "Area") and two allocation areas, the U.S. 31 North Allocation Area and the U.S. 31 South Allocation Area, collectively, (the "Allocation Areas") and approving an economic development plan for the Area (the "Plan"). The Area and Allocation Areas are located in the City of Franklin, Indiana (the "City"). The Declaratory Resolution allows for the capture of Tax Increment resulting from the growth in all non-residential real property assessed value within the Allocations Areas in excess of the base assessed value as defined in the Act. The Declaratory Resolution provides that the capture of Tax Increment shall expire no later than twenty-five (25) years after the date on which the first obligation is incurred to pay principal and interest on bonds or lease rentals on leases payable from Tax Increment. Copies of the Declaratory Resolution and attachments are available from the Commission.

In the Declaratory Resolution, the Commission found that the Plan for the Area promotes significant opportunities for the gainful employment of the citizens of the City, will assist in attracting major new business enterprises to the City, may result in the retention or expansion of significant business enterprises existing in the City, as well as benefiting the public health, safety, and welfare, increasing the economic well-being of the City and the State of Indiana (the "State"), and serving to protect and increase property values in the City and State. The Commission further found in the Declaratory Resolution that the Plan for the Area cannot be achieved by regulatory processes or by ordinary operation of private enterprise without resorting to the powers allowed under the act and that the accomplishment of the Plan will be a public utility and benefit as measured by the attraction or retention of permanent jobs, an increase in the property tax base, improved diversity of the economic base and other similar public benefits.

TAX INCREMENT DEFINED

Tax Increment consists of property tax proceeds allocated to the redevelopment district under Section 39 of the Act:

> Except as otherwise provided in said Section 39, the proceeds of taxes attributable to the lesser of the assessed value of the property for the assessment date with respect to which the allocation and distribution is made, or the base assessed value, shall be allocated to and when collected paid into the funds of the respective taxing units. Except as otherwise provided in Section 39, property tax proceeds in excess of those described in the previous sentence shall be allocated to the redevelopment district and when collected paid into an allocation fund for said Allocation Areas. The base assessed

value is described in Section 39 of the Act as the net assessed value of all the property in the Allocation Areas as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the Declaratory Resolution. The base assessment date of the Allocation Areas is March 1, 2015.

PROJECT SUMMARY

The Plan for the Area consists of projects, in, serving or benefiting the Area described as follows: (1) construction of improvements to facilitate pedestrian traffic in the Area; (2) possible acquisition of rights-of-way, as may be determined in the future; (3) surface water drainage and collection infrastructure; (4) water infrastructure; (5) road infrastructure; and (6) sewer infrastructure (collectively, the "Projects"). Several of these proposed projects can be found in the December 2014 Safe Routes to School Plan and the February 2015 Stormwater Master Plan.

The Commission estimates the costs of the Projects to be between $10,000,000 and $20,000,000 and anticipates paying for the Projects with Tax Increment revenues derived from the Allocation Areas.

ESTIMATED TAX INCREMENT

The Commission intends to capture the real property Tax Increment from the future development in the Allocation Areas. The Commission does not intend to capture any Tax Increment from personal property increases and therefore any increases in personal property assessed value will benefit all overlapping taxing units. Two specific new developments have been identified at this time, a Meijer development in the North Allocation Area and a Kroger development in the South Allocation Area.

For the purposes of this impact analysis and for illustrative purposes, we have prepared, for the Commission, an "Estimate of Tax Impact and Circuit Breaker" ("Estimate") revised December 30, 2015, which is included at the end of this analysis (Please see pages 6-9). This Estimate was revised from an earlier estimate prepared for the Commission and discussed in public at the November 17, 2015 Commission meeting. The original estimate was revised to include additional property parcels contiguous to the currently identified developments. The Estimate includes the Meijer and Kroger Developments and the development of vacant property parcels to a level similar to nearby developments. The actual development of the Allocation Areas will vary by circumstance and the assessed value of those developments will be determined by the Johnson County Assessor.

The hypothetical incremental assessed value from the Estimate is ~$27,142,687. The 2015 taxing district rate for the Allocation Areas was $3.3070 (per $100 of assessed value). The hypothetical annual Tax Increment would be ~$814,281, after estimated circuit breaker tax credits based on a 3% cap for commercial property.

ESTIMATED IMPACT OF ESTABLISHING THE ALLOCATION AREAS

Please see pages 6-7 for the Estimate details, assumptions, property parcels, and amounts for the hypothetical incremental assessed value of ~$27,142,687.

The 2015 taxing district rate was $3.3070. Of this tax rate, most property tax levies are controlled by a maximum statutory amount for each unit of government while others are controlled by a maximum statutory rate for specific funds. Of the 2015 rate of $3.3070, $.3156 was attributable to rate driven funds. If all other variables were held constant, the hypothetical assessed value materialized, and the Allocation Areas were <u>not</u> established, then the taxing district rate would be expected to decrease to ~$3.2314 due to the increase in assessed value, (Please see page 8).

With all other variables held constant, a decrease in tax rate would reduce the estimated circuit breaker tax credits proportionately shared amongst the units of government levying taxes in the taxing district. Page 8 shows an annual estimated reduction of circuit breaker tax credits of ~$268,686 as well as the proportion attributable to each government unit. The vast majority of this reduction in circuit breaker tax credits would result in each unit of government collecting additional property tax revenue. However, some of the reduction in circuit breaker tax credits would reduce certain individuals' property tax bills.

In addition to circuit breaker tax credits, each unit of government with a rate driven fund could levy more property tax if the hypothetical assessed value materialized and the Allocation Areas were not established. Further, each dollar of property tax levy draws a distribution of other taxes including auto and aircraft excise, commercial vehicle excise, and financial institutions tax. Page 9 illustrates those property and other tax dollars, with property tax equal to ~$85,662 and other tax equal to ~$7,710 shared amongst the County, City, and School.

Therefore, the annual hypothetical tax and circuit breaker impact would be: ~$ 34,958 to the County, ~$128,460 to the City, ~$190,725 to the School, ~$1,560 to the Township, ~$5,752 to the Library, ~$601 to the Solid Waste District, for a total of ~$362,058 (Please see Page 9).

IMPACT SUMMARY

The Commission has determined that the capture of increases in assessed value from the future development in the Allocation Areas for payment toward projects in the Plan is more beneficial than the impact on anticipated revenues or tax rates of the overlapping taxing units of the Allocation Areas. The establishment of the Allocation Areas does not increase property taxes on the current tax payers above their current levels. The establishment of the Allocation Areas redirects new tax money from the new developments to the Commission toward fulfillment of the projects in the Plan. The Commission further determined, in the Declaratory Resolution, that the Plan for the Area cannot be achieved by regulatory processes or by ordinary operation of private enterprise without resorting to the powers allowed under the act and that the accomplishment of the Plan will be a public utility and benefit as measured by the attraction or retention of permanent jobs, an increase in the property tax base, improved diversity of the economic base and other similar public benefits. Without the Plan and the establishment of the Allocation Areas, the Commission lacks the funding necessary to encourage additional economic growth in the area. Neither the Commission nor the City has the financial capacity to fund all the needed improvements. After the Allocation Areas are ended, the incremental assessed value will be added to the tax base of all the overlapping taxing units.

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

ECONOMIC AND OTHER TAX IMPACTS

The future developments may include depreciable personal property, which not all may be designated and captured as Tax Increment, and this non-captured amount would flow into the overall tax base of the overlapping taxing units. Additional revenue sources, which would potentially increase as a result of new business enterprises which could locate in or around the Allocation Areas include: motor vehicle

highway funds, local road and street funds, and excise taxes. All of which would benefit certain of the overlapping taxing units.

The future developments would create new jobs. Additional local income taxes could be generated from the new jobs from those employees which would reside in Johnson County. Increases in employees and or wages, could increase local spending, commercial activity, and or residential growth.

City of Franklin Redevelopment Commission
Estimate of Tax Impact and Circuit Breaker
Potential New US 31 Economic Development Area (Kroger & Meijer Allocation Areas)
Revised December 30, 2015 {DRAFT}

US 31 North Allocation Area (Meijer)

Vacant Parcel ID	41-08-10-012-001.000-009	19.488 Acres
	41-08-10-022-003.000-008	3.33 Acres
	41-08-03-043-004.000-009	2.051 Acres
	41-08-03-043-008.000-009	2.19 Acres
	41-08-03-043-002.000-009	1.509 Acres
	41-08-10-012-006.000-009	5.746 Acres
	41-08-10-012-001.001-009	.941 Acres

Developed Parcels are assumed to remain as is, even though may redevelop into best use.

	Current 2015	Meijer Store	Meijer Gas	Potential Outlots	Potential Outlots
Land-Homesite 1ac	28,000	(28,000)			
Land-Homesite Ag .714ac	1,131	(1,131)			
Land-Ag 23.52ac	50,469	(50,469)			
Land-Meijer Store 17.22ac		1,796,959			
Land-Meijer Detention 3.33ac	7,140	1,622		(7,140)	
Land-Meijer Gas 1.76ac US31			352,000		
Land -'41-08-03-043-004.000-009	5,400			(5,400)	410,200
Land -'41-08-03-043-008.000-009	5,800			(5,800)	438,000
Land -'41-08-03-043-002.000-009	3,700			(3,700)	301,800
Land -'41-08-10-012-006.000-009	13,350			(13,350)	599,612
Land -'41-08-10-012-001.001-009	1,600			(1,600)	98,196
Improvement -'41-08-03-043-004.000-009	-				1,020,662
Improvement -'41-08-03-043-008.000-009	-				1,089,834
Improvement -'41-08-03-043-002.000-009	-				750,940
Improvement -'41-08-10-012-006.000-009	-				1,450,917
Improvement -'41-08-10-012-001.001-009	-				237,611
Land-Potential Outlot 1.21ac US31	-				242,000
Improvement-Existing Home	118,600	(118,600)			
Improvement-Estimate	-	4,765,618	186,988	-	602,146
Total	235,190	6,365,998	538,988	(36,990)	7,241,918

Parcel ID	41-08-10-012-004.000-009	.457 acres, land only ($160,000)
	41-08-10-012-003.000-009	2 acres, land only ($4,100)
	41-08-10-013-002.003-009	8.45 acres, ($136,900 Land & $29,100)

	Current 2015	Meijer Store	Potential Outlot	Potential Outlot
Land-Commercial Vacant .457ac	160,000	(123,440)	(36,560)	
Land-CommVct - AgUse 2.0ac US31	4,100		(4,100)	
Land-CommVct & AgUse 8.45ac	136,900			(136,900)
Land-Potential Outlot 2.457ac US31			491,400	
Land-Potential Outlot 3.45ac US31				690,000
Land-Potential Outlot 5.00ac				521,765
Improvement US31 (2.457ac & 3.45ac)			1,222,704	1,716,861
Improvement (5ac one lot off US 31)	29,100	-	(29,100)	1,262,545
Total	332,115	(123,440)	1,644,344	4,054,271

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US 31 South Allocation Area (Kroger)

Parcel ID	41-08-15-014-027.000-009 (11.54 acres)
	41-08-15-011-001.006-009(7.99 acres)
	41-08-15-011-023.000-009(2.21 acres - retention pond)
	41-08-15-011-015.000-009(.54 acres)

Developed Parcels are assumed to remain as is, even though may redevelop into best use.

	Current 2015	Kroger Store	Potential Outlot
Land 11.54ac	21,600	(21,600)	
Land -41-08-15-011-001.006-009(7.99ac)	24,500		(24,500)
Land 41-08-15-011-023.000-009(2.21 ac)			1,076
Land 41-08-15-011-015.000-009(.54 acres)	43,200	(43,200)	56,351
Land-Kroger Store 11.54ac		1,204,234	
Land-Potential Outlot			1,082,767
Improvement-Estimate Kroger		3,052,969	
Improvement-Estimate Outlot (7.99ac)			2,017,547
Improvement 41-08-15-011-015.000-009(.54 acres)			136,355
Improvement-Estimate	4,400	(4,400)	-
Total	93,700	4,188,003	3,269,595

Total	27,142,687

Assumptions:

US31 Frontage Land Value	200,000	Per acre based on proximate current property values.
One lot off US 31 Land Value	104,353	Per acre based on proximate current property values.
Discount Store Improvement Value	24.70	Per square footage of building based on other Meijer.
Gas Station Improvement Value	106,243	Per acre based on other Meijer.
US31 Improvement Value	497,641	Per acre based on proximate current property values.
One lot off US 31 Improvement Value	252,509	Per acre based on proximate current property values.

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City of Franklin Redevelopment Commission
Estimate of Tax Impact and Circuit Breaker
Potential New US 31 Economic Development Area (Kroger & Meijer Allocation Areas)
Revised December 30, 2015 {DRAFT}

Local Unit	2015 AV	2015 Rate	2015 Rate Driven Funds	2015 AV Driven Funds	Potential TIF AV	Rate with New AV	2015 Rate Driven Funds	New Rate W/ Driven Funds
Johnson County	5,956,669,571	0.3152	-0.0316	0.2836	27,142,687	0.2823	0.0316	0.3139
Franklin Township	771,941,694	0.0192	0.0000	0.0192	27,142,687	0.0185	0.0000	0.0185
Franklin City	820,934,684	1.4176	-0.0449	1.3727	27,142,687	1.3273	0.0449	1.3722
Franklin School	1,206,258,826	1.4768	-0.2391	1.2377	27,142,687	1.2098	0.2391	1.4489
Johnson Library	4,800,136,474	0.0708	0.0000	0.0708	27,142,687	0.0704	0.0000	0.0704
JC Solid Waste	5,956,669,571	0.0074	0.0000	0.0074	27,142,687	0.0074	0.0000	0.0074
Total		3.3070	-0.3156	2.9914		2.9158	0.3156	3.2314

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New Rate	3.2314	3,522,476

	Rate	CB
2014	3.2667	3,635,354
2015	3.3070	3,791,162
2013	3.5188	4,505,216

Estimated Reduction of Circuit Breaker $ 268,686

		% of Dist Rate
Johnson County	$ 25,609	9.53%
Franklin Township	$ 1,560	0.58%
Franklin City	$ 115,177	42.87%
Franklin School	$ 119,986	44.66%
Johnson Library	$ 5,752	2.14%
JC Solid Waste	$ 601	0.22%
	$ 268,686	100.00%

City of Franklin Redevelopment Commission
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Tax Loss (Fixed Rate Funds & Excise, Etc.;)				Circuit Breaker Impact:	
	Property Tax	Other Tax ($.09/$1)	Total Tax	Circuit Breaker	Total Impact
County (CCD)	8,577	772	9,349	25,609	34,958
City (CCD)	12,187	1,097	13,284	115,177	128,460
School (CPF)	64,898	5,841	70,739	119,986	190,725
Township	0	-	-	1,560	1,560
Library	0	-	-	5,752	5,752
Solid Waste	0	-	-	601	601
Total	85,662	7,710	93,372	268,686	362,058

City of Franklin Redevelopment Commission
Estimate of Tax Impact and Circuit Breaker
Potential New US 31 Economic Development Area (Kroger & Meijer Allocation Areas)
Revised December 30, 2015 {DRAFT}

New Development AV	27,142,687
District Tax Rate	3.3070
Property Taxes	897,609
3% Tax Cap	814,281
Circuit Breaker	(83,328)
Annual Revenue	$ 814,281
24 years of revenue	$ 19,542,735