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**CITY OF FRANKLIN INDIANA REDEVELOPMENT
COMMISSION,
JOHNSON COUNTY, INDIANA**

TAX IMPACT STATEMENT

**FRANKLIN SUNBEAM MALORES ECONOMIC
DEVELOPMENT ALLOCATION AREA
NOVEMBER 5, 2020**

CITY OF FRANKLIN INDIANA REDEVELOPMENT COMMISSION

STATEMENT DISCLOSING THE IMPACT OF ESTABLISHING THE SUNBEAM MALORES ECONOMIC DEVELOPMENT ALLOCATION AREA

The City of Franklin Indiana 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 or expanding tax allocation areas. This impact statement discloses and explains the impact on the overlapping taxing units caused by establishing the allocation area and capturing potential Tax Increment (as hereinafter defined).

ESTABLISHMENT OF THE AREAS AND THE PLAN

The Commission adopted a declaratory resolution on November 17, 2020 (the “Declaratory Resolution”) to establish the Franklin Sunbeam Malores Economic Development Allocation Area (the “Area”) and approving an economic development plan for the Area (the “Plan”). The Area is located in the City of Franklin, Johnson County, 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 Area 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 revenues derived from the Area. 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 said 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 area designated as the “Franklin Sunbeam Malores Allocation Fund”, and may be used by the redevelopment district to do

one or more of the things specified in Section 39(b)(3) of the Act, as the same may be amended from time to time. Said allocation fund may not be used for operating expenses of the Commission. Except as otherwise provided in the Act, before June 15 of each year, the Commission shall take the actions set forth in Section 39(b)(4) of the Act. The base assessed value is described in Section 39 of the Act as the net assessed value of all the property in the allocation area as finally determined for the assessment date immediately preceding the effective date of the allocation provision of the Declaratory Resolution.

Further, the Commission found that the Designated Taxpayer is a designated taxpayer for purposes of Section 39.3 of the Act. The Commission hereby found with respect to the Designated Taxpayer that:

(a) taxes to be derived from the depreciable personal property of the Designated Taxpayer to be located in the Franklin Sunbeam Malores Allocation Area, in excess of the taxes attributable to the base assessed value of such personal property, are needed to pay debt service or to provide security for bonds issued under Section 25.1 of the Act or to make payments or to provide security on leases payable under Section 25.2 of the Act, in order to provide local public improvements in or directly serving or benefiting such Franklin Sunbeam Malores Allocation Area;

(b) the property of the Designated Taxpayer in the Franklin Sunbeam Malores Allocation Area consists primarily of industrial, manufacturing, warehousing, research and development, processing, distribution or transportation related projects or regulated amusement devices and related improvements; and

(c) the property of the Designated Taxpayer in the Franklin Sunbeam Malores Allocation Area will not consist primarily of retail, commercial or residential projects, other than an amusement park or tourism industry project.

Based upon the foregoing and in accordance with Section 39.3 of the Act, the Commission hereby determines that the term “property taxes,” referred to herein shall mean taxes imposed under IC 6-1.1 on real property and taxes imposed under IC 6-1.1 on the depreciable personal property located and taxable on the site of operations of the Designated Taxpayer in the Franklin Sunbeam Malores Allocation Area.

The base assessment date of the allocation area is January 1, 2020.

PROJECT SUMMARY

The Plan for the Area consists of projects, in, serving or benefiting the Area described as follows: (1) construction of road and other infrastructure improvements (collectively, the “Additional Projects”).

The Commission estimates the costs of the Additional Projects to be between \$25,000,000 and \$35,000,000 and may pay for the Additional Projects with Tax Increment revenues derived from the allocation area, grants, other funding sources, and or bond proceeds.

ESTIMATED TAX INCREMENT

The Commission intends to capture the real property Tax Increment from the future development in the Area. The Commission also intends to capture Tax Increment from personal property increases of certain taxpayers. Multiple specific new developments, in the Area, have been identified at this time.

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 November 5, 2020, which is included at the end of this analysis (Please see pages 6-9). This Estimate includes data from property parcels proximate to the Area. The Estimate includes the development of mostly vacant property parcels to a level similar to nearby development. The actual development of the Area 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 ~\$17,591,518. The 2020 taxing district rate for the Allocation Area is \$3.3080 (per \$100 of assessed value). The hypothetical annual Tax Increment would be ~\$527,746, after school referenda and estimated circuit breaker tax credits.

ESTIMATED IMPACT OF ESTABLISHING THE ALLOCATION AREA

Please see page 6 for the Estimate details, assumptions, property parcels, and amounts for the hypothetical incremental assessed value of ~\$17,591,518.

The 2020 taxing district rate is \$3.3080. 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 2020 rate of \$3.3080, \$.0746 was attributable to rate driven funds. If all other variables were held constant, the hypothetical assessed value materialized, and the allocation area was not established, then the taxing district rate would be expected to decrease to ~\$3.2683 due to the increase in assessed value, (Please see page 7).

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 ~\$21,708 as well as the proportion attributable to each government unit. This reduction in circuit breaker tax credits would result in each unit of government collecting additional property tax revenue.

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 area was 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 ~\$13,123 and other tax equal to ~\$1,181 attributable to the County and City.

Therefore, the annual hypothetical tax and circuit breaker impact would be: ~\$8,591 to the County, ~\$54 to the Township, ~\$17,188 to the City, ~\$9,647 to the School, ~\$479 to the Library, ~\$53 to the Solid Waste District, for a total of ~\$36,012 (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 area 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 area. The establishment of the allocation area does not increase property taxes on the current tax payers above their current levels. The establishment of the allocation area 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 area, 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 area ends, 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 area. 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 area 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.

Parcel ID		<u>Acres</u>	Base	<u>Improvements</u>	AV Less
			Assessed Value (AV)		Improvements
	41-07-18-041-002.000-018	33.150	43,000	-	43,000
	41-07-18-042-013.000-018	4.470	58,100	-	58,100
		37.62	101,100	-	101,100

Property Proximate to New Allocation Area	Parcel ID	<u>Development</u>	Land	<u>Acres</u>	<u>Improvements</u>	Building
			Assessed Value			Square Footage
	41-07-20-032-006.005-018	Tippman	5,028,600	70.08	27,419,300	874,345
	41-07-20-023-001.000-018	Tippman	-	-	-	-
	41-07-19-011-002.000-018	Cooper	5,444,000	42.56	22,981,000	806,916
	41-07-18-044-015.001-018	Sunbeam	5,813,700	61.30	23,715,600	933,504
	41-07-19-011-001.003-018	Sunbeam	-	-	-	-
	41-07-17-033-002.000-018	Tech Park	486,500	19.00	2,923,000	146,505
			16,772,800	192.94	77,038,900	2,761,270

Average Land AV Per Acre	\$ 86,932.27
Average Improvement AV Per Acre	\$ 399,287.35
Tippman Land AV Per Acre	\$ 71,754.11
Tippman Improvement AV Per Building Square Footage	\$ 31.36
Sunbeam Land AV Per Acre	\$ 94,840.13
Sunbeam Improvement AV Per Building Square Footage	\$ 25.40

Potential Development		Potential	Potential	Less	Potential
		Land AV	Improvement AV	Base AV	Increment AV
	41-07-18-041-002.000-018	3,143,950	12,446,435	(43,000)	15,547,385
	41-07-18-042-013.000-018	423,935	1,678,298	(58,100)	2,044,133
Estimated Real Property		3,567,886	\$ 14,124,732	(101,100)	17,591,518

Assumptions:

Parcels 41-07-18-041-002.000-018 and 41-07-18-042-013.000-018 are expected to develop proportionate to the Land AV Per Acre and Improvement AV Per Building Square Footage of the proximate Sunbeam parcels based on the building square footage estimates provided by the RDC.

All amounts are estimated without tax abatement or post tax abatement period.

City of Franklin Indiana Redevelopment Commission
Estimate of Tax Impact and Circuit Breaker
Franklin Sunbeam Malores Economic Development Allocation Area
Revised November 5, 2020 {DRAFT}

Local <u>Unit</u>	2020 <u>AV</u>	2020 <u>Rate</u>	2020 Rate <u>Driven Funds</u>	2020 AV <u>Driven Funds</u>	Potential <u>TIF AV</u>	Rate with <u>New AV</u>	2020 Rate <u>Driven Funds</u>	New Rate <u>W/ Driven Funds</u>
Johnson County	7,229,240,698	0.3128	-0.0333	0.2795	17,591,518	0.2788	0.0333	0.3121
Needham Township	339,116,969	0.0077	0.0000	0.0077	17,591,518	0.0073	0.0000	0.0073
Franklin City	1,029,289,527	1.3143	-0.0413	1.2730	17,591,518	1.2512	0.0413	1.2925
Franklin School Referenda	1,611,980,138	0.2300	0.0000	0.2300	-	0.2300	0.0000	0.2300
Franklin School	1,446,845,688	1.3678	0.0000	1.3678	17,591,518	1.3512	0.0000	1.3512
Johnson County Library	5,910,210,609	0.0679	0.0000	0.0679	17,591,518	0.0677	0.0000	0.0677
Johnson County Solid Waste	7,229,240,698	<u>0.0075</u>	<u>0.0000</u>	<u>0.0075</u>	17,591,518	<u>0.0075</u>	<u>0.0000</u>	<u>0.0075</u>
Total		<u>3.3080</u>	<u>-0.0746</u>	<u>3.2334</u>		<u>3.1937</u>	<u>0.0746</u>	<u>3.2683</u>

City of Franklin Indiana Redevelopment Commission
 Estimate of Tax Impact and Circuit Breaker
 Franklin Sunbeam Malores Economic Development Allocation Area
 Revised November 5, 2020 {DRAFT}

		Estimate
<u>New Rate</u>	<u>3.2683</u>	<u>1,787,686</u>

	Rate	CB
2020	3.3080	1,809,394

Estimated Reduction of Circuit Breaker	<div style="border: 1px solid black; padding: 2px;">\$ 21,708</div>
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		% of <u>Dist Rate</u>
Johnson County	\$ 2,206	10.16%
Needham Township	54	0.25%
Franklin City	9,269	42.70%
Franklin School Referenda	-	0.00%
Franklin School	9,647	44.44%
Johnson County Library	479	2.21%
Johnson County Solid Waste	<u>53</u>	<u>0.24%</u>
	<u>\$ 21,708</u>	<u>100.00%</u>

City of Franklin Indiana Redevelopment Commission
Estimate of Tax Impact and Circuit Breaker
Franklin Sunbeam Malores Economic Development Allocation Area
Revised November 5, 2020 {DRAFT}

Tax Loss (Fixed Rate Funds & Excise, Etc.):

	<u>Property Tax</u>	<u>Other Tax</u> <u>(\$.09/\$1)</u>	<u>Total Tax</u>
Johnson County	\$ 5,858	\$ 527	\$ 6,385
Needham Township	-	-	-
Franklin City	7,265	654	7,919
Franklin School Referenda	-	-	-
Franklin School	-	-	-
Johnson County Library	-	-	-
Johnson County Solid Waste	-	-	-
Total	<u>\$ 13,123</u>	<u>\$ 1,181</u>	<u>\$ 14,304</u>

Circuit Breaker Impact:

	<u>Circuit</u> <u>Breaker</u>	<u>Total</u> <u>Impact</u>
	\$ 2,206	\$ 8,591
	54	54
	9,269	17,188
	-	-
	9,647	9,647
	479	479
	53	53
	<u>\$ 21,708</u>	<u>\$ 36,012</u>