In the Council Chambers of the Showers City Hall on Wednesday, June 26, 2013 at 7:30 pm with Council President Darryl Neher presiding over a Special Session of the Common Council.

COMMON COUNCIL
SPECIAL SESSION
June 26, 2013

Roll Call: Mayer, Ruff, Sandberg, Volan, Granger, Sturbaum, Neher, Spechler
Absent: Rollo

ROLL CALL

Council President Neher gave the Agenda Summation

AGENDA SUMMATION

REPORTS

- ANNUAL TAX ABATEMENT REPORT

Danise Alano Martin, Director of Economic and Sustainable Development and Jason Carnes, Assistant Director of Economic Development for Small Businesses gave the Annual Tax Abatement Report.

Alano Martin gave the parameters of tax abatements, the phase-in schedule for 10 year abatements (for both real estate and personal property schedules), and the roles of both the common council and the city's Economic Development Commission (EDC) in reviewing, recommending, authorizing and annual monitoring of the city's tax abatements. She summarized the economic impact of the tax abatements regarding new investment in property and real estate, the number and salaries of jobs created and retained and the increase in the assessed value for properties.

Alano Martin and Carnes stepped through each project that had been awarded a tax abatement and reviewed information that had been submitted by each awardee in the required annual filings. Alano Martin finished the report with the information on one new project and a list of abatements that had recently expired.

Alano Martin also noted two properties on which no CF-1 reporting form had been filed. One was for a residential housing project in its last year of abatement. She noted that the EDC recommended finding this owner to be in substantial compliance so that they could receive the abatement despite their lack of filing.

The other report that had not been filed was from Woolery Ventures LLC, an abatement project that had been authorized by common council Resolution 04-01. The project was a mixed use conversion of an historic limestone mill with a hotel, apartments, condos, a climbing gym, brew pub and other recreational amenities that would be built to the Secretary of the Interior standards. She noted that no progress had been made on the project, no investment had been made and therefore, technically, no report needed to be filed. She further explained that the state required a form to be submitted to trigger the beginning of the abatement deduction after all investment was made. Woolery had not submitted that form to the Auditor as no investment had been made. She said that this had not been required in 2004, but could be another method of evaluation included in the review of tax abatements in the future.

She said the Economic Development Commission had, in its 2012 review of tax abatements, recommended the rescission of the Woolery abatement because eight years had passed since approval, and that while there had been significant public investments in the area, the actual project had not begun. She said the petitioner wanted to have more time to keep the project moving. She said that staff believed that the tax abatement approval was an important part of the financing of the project and saw the economic development benefit of the project if it were completed.

Annual Tax Abatement Report *(cont'd)*

Alano Martin said that many events had been held on the site and that the staff would like to see the abatement continued. She said that the EDC discussed amending the original approval with perhaps setting a time limit to the underlying Economic Revitalization Area (ERA) which allowed the tax abatement to proceed. She said that the project could be required to be started within that specific time. She said that the EDC would hear a proposal to put a time limit on the ERA at their next meeting and that this would allow time to get financing in order, and also allow the public some assurance that the project would proceed.

She said that at this point the council didn't need to do anything with the abatement, but that the EDC would send a recommendation later in the year to consider an amendment to the ERA.

Council Questions on Tax Abatement Report

Volan asked about the possible amendment discussed above. Alano Martin said that the project was approved before current guidelines were implemented. She said that a negotiated Memorandum of Understanding might supplement the current application and give the city some way of keeping in touch with the project during the initial development.

Volan asked if there was any practical hope of a project at this site, noting the time since the original approvals. Alano Martin said there was no new assessed value, the owners were not receiving a tax abatement, but the city was not getting any benefits from no new assessed value on the property. She said the developers had a strong desire to see the project through and the staff had a desire to help them.

Volan asked for clarification on the estimated vs. actual new employment with the Rogers Property Management, LLP at IMA East. He noted Alano Martin's statement about hiring more technicians than physicians. Alano Martin noted that this was a headquarters site for IMA's administrative services in addition to being an outpatient facility. She said that administrative and back office functions had been moved there from other facilities.

Volan said his issue with promised salaries and actual salaries was that with the present staffing the salaries were less than half of what the company said would be the average salary. He wondered what to make of the 'promise vs. the delivery.' Alano Martin said she did not know the breakdown of doctors to support staff, and noted that there was a need for primary health care on the east side of town and that they were fulfilling that need. Volan said that he would like to see the actual promises and explanation of the project and asked Alano Martin to forward that information to the council.

Spechler began his questioning by saying that he was asking a question in principle. He asked if additional renovations or improvements beyond the original approved tax abatement would also have a tax abatement automatically applied. Alano Martin said she would want to check how the Assessor's and Auditor's office would administer this issue. Spechler said that it was clear to him that the value of the abatement increased with the amount of assessed value on the property, even with the phasing in of taxes due. He said there would be, in the instance of his question, an incentive for the developer to have a low immediate declared investment in getting the abatement and then would benefit from any add-ons. He said additional investments should be judged just as worth of the original abatement was and not just added to the abatement with no review. He said to do that would deprive the taxing unit of revenue without sufficient oversight.

Alano Martin said that there were no current abatements that fit Spechler's scenario. She said that the city judiciously and selectively approved abatements. She said abatement applications that went before

the council were judged to be in line with the city's economic development strategies and provided the kinds of benefits that would actually be beneficial to the community.

She said that because tax abatements were figured on new assessed value, the existing tax base was not eroded by tax abatements. She said that someone who'd been paying taxes on property would continue to pay those taxes and those new taxes would be phased in on a sliding scale. She said she didn't view it as a loss of taxes at all; she viewed it as a way to add to the tax base.

Spechler asked if TIF Funds could be used in the Woolery area to encourage the kind of development that would be helpful for tourism or affordable housing.

Alano Martin said that Woolery was in the Tapp Road TIF district. She said the TIF had a lot of obligations and that a good deal of the TIF funds had been used on the Tapp Road project. She added that there hadn't been a whole lot of money coming into the TIF and it did not have a large balance. She added that there were a number of public infrastructure projects slated for the TIF. She said that Hoosier Energy was building in the TIF now, but their project was awarded a tax abatement and therefore that revenue would be phased in over time. She said the TIF team, Redevelopment Commission and the Administration could certainly look at eligible expenses related to the Woolery Project.

Sandberg asked about the status of a gymnastics facility recently approved near the Woolery property. Alano Martin said the gymnastics facility was not included in the abatement for the Woolery Project and added that the abatement was only for the limestone mill. She said the parcel that abutted the gymnastics and soccer facility was a separate parcel. She said it was up and running and doing well.

Sandberg asked about the status of the sales of the homes in the Evergreen Village. She asked if there was a problem with the property that was not sold. Alano Martin said it wasn't an issue with the property itself, but finding a buyer being qualified with regards to income and who would want that type of home. She said she would talk to the Director of Housing and Neighborhood Development about that issue. Sandberg asked if there was implication for further projects of this nature. Alano Martin said that lessons were learned and that partnering on low income housing tax credits projects and providing home dollars for affordable housing projects was a better fit for the city than developing projects on its own.

Neher asked if a possible amendment to the Woolery abatement would become standard language in future abatements or if it would be developed for each project as it came along. Alano Martin said it could be either but said she would recommend that a timeline be set on future ERA designations, noting that five years was probably sufficient time for a project to be started. She said that different time schedules could also be at the discretion of the common council or dependent on the recommendation of the EDC.

Volan referred to the employment at the First Technology Initiative LLC asking if Pro Logic retained the former employees of the former tenants. He specifically asked if any new jobs were created by this project or if they were "retained" rather than new. Alano Martin said that the abatement stays with the property and there were no jobs at that location before the abatement and the construction of the office building. She said she didn't know the breakdown of the jobs that stayed in the building vs. the jobs that were new to the building with a new owner.

Annual Tax Abatement Report *(cont'd)*

Volan said he would like more information on the breakdown on the new vs. retained jobs so that he could better determine the benefits of this abatement. Alano Martin said she would follow up with that request for information.

Volan noted the magnitude of the Cook Pharmica project and asked if this type of project would happen again soon. Alano Martin, referring to her analysis of economic impact of new and retained jobs and salaries as presented in the report, said that without Cook Pharmica the average wage was still in the $40,000 range which, she said, was above the median income.

Volan asked Alano Martin if tax abatements were an effective tool that could be used more. She said it was one of many effective tools provided by the state of Indiana, and that the city had done a good job in making sure the abatements were used to benefit the community in more ways than adding jobs or retaining jobs. She said there were a number of factors that resulted in fewer tax abatements in recent years, and specifically noted the slow-down in the economy. She said the state of Indiana had provided a number of automatic abatements to increase development, and noted the city's 2010 guidelines had allowed local government to also make needed adjustments.

A call for public comments brought no one forth to speak.
Final council comments on the report:

COUNCIL COMMENTS ON TAX ABATEMENT REPORT

Spechler said it had come to his attention that a group that formerly held a show of minerals and rocks at the fairgrounds found that the Woolery Mill was not conducive to having their convention there and that they made arrangements to meet in Bedford for the next two years. He noted that the limestone mill was an underused asset for the development of tourism. He wondered if the city needed to be more proactive in promoting and drawing conventions for the hotels, retailers and restaurants. He said it would be a value to the city as a whole to develop that project.

Volan reiterated his interest in being able to compare the Rogers property and the First Technology properties so that he could quote data about tax abatements benefits with 100% confidence. He said he was not sure about the details of those two cases and looked forward to getting that data from Alano Martin's office. He thanked her for putting together the presentation and report.

Sandberg thanked Alano Martin and Carnes and said it was important to her to hear the reports each year as a way to gauge progress in these matters. She said this information helped in making decisions in the future.

It was moved and seconded to accept the Tax Abatement Report.
The motion was approved by a voice vote.

COUNCIL SCHEDULE

There were no changes to the council schedule at this time.

ADJOURNMENT

The meeting was adjourned at 8:45 pm.

APPROVE:

Darryl Neher, PRESIDENT
Bloomington Common Council

ATTEST:

Regina Moore, CLERK
City of Bloomington