



City of Bloomington Common Council

Legislative Packet

Special Session

immediately followed by

Committee of the Whole Discussion

11 May 2011

*Please consult the 04 May 2011 [Legislative Packet](#)
for legislation and background material.*

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Packet Related Material

Memo

Agenda

Calendar

Notices and Agendas:

- Notice of the Budget Advance at 5:30 p.m. on Wednesday, May 11th in the McCloskey Room

Legislation for Special Session on Wednesday, May 11th:

- **Res 11-08** To Approve an Enterprise Zone Investment Deduction (EZID) in the Thomson Tax Increment Financing (TIF) District - Re: Cook Pharmica, 1300 and 1400 South Patterson Drive
 - Memo to Council from Doris Sims, Assistant Director of HAND;
 - Map of Enterprise Zone and Intersecting Tax Incremental Finance (TIF) Districts;
 - Balance Sheet for Thomson Tax Incremental Finance (TIF) District
 - Table Comparing Tax Abatements with Enterprise Zone Investment Deductions

Contact: Doris Sims at 349-3510 or simsd@bloomington.in.gov

Legislation and Background Material for Discussion at the Committee of the Whole on Wednesday, May 11th (Immediately After the Special Session):

- **App Ord 11-02** To Specially Appropriate from the General Fund Expenditures Not Otherwise Appropriated (Appropriating Funds for the Creation of a Graffiti Removal Pilot Program)
Contact: Susie Johnson at 349-4111 or johnsons@bloomington.in.gov

Please See the [4 May 2011 Council Legislative](#) packet for the legislation, memo and summary for this item.

Memo

Reminder: Jack Hopkins Social Services Funding Committee Holds Pre-Allocation Meeting on Tuesday, May 10th at 5:00 p.m.

Budget Advance, Special Session, and Committee of the Whole on Wednesday, May 11th

There are three meetings next Wednesday evening.

- The first the Budget Advance at 5:30 p.m. when Council members will be given an opportunity to give their priorities for the 2012 Budget.
- The second is a Special Session at 7:30 p.m. in the Council Chambers. The sole purpose of the meeting is to consider **Res 11-08** (included in this packet) which would approve an Enterprise Zone Investment Deduction (EZID) for Cook Pharmica.
- The third is the usual Committee of the Whole scheduled for the second Wednesday of the month. The one item ready for discussion at that meeting is **App Ord 11-03** which appropriates \$18,300 for a program to remove graffiti on private property.

Item for Special Session on Wednesday, May 11th Res 11-08 - Approving Enterprise Zone Investment Deductions for Cook Pharmica at 1300 and 1400 South Patterson Drive

It's the time of year when companies seek Enterprise Zone Investment Deductions (EZIDs) from the City Council and this year **Res 11-08** is coming forward to grant a deduction for Cook Pharmica at 1300 and 1400 South Patterson Drive.

EZIDs Available in the Enterprise Zone and Must be Filed by May 15th

These deductions (EZIDs) were created by the State Legislature in 2005 and are available to properties within an Urban Enterprise Zone (Enterprise Zone). The Bloomington Urban Enterprise Association (BUEA) is a private non-profit organization which has contracted with the City's HAND department to administer the Enterprise Zone. For that reason, Doris Sims, Assistant Director of the HAND Department, has requested this action and provided the memos and maps to help

with your decision. Please note that it is coming forward now because the tax payer needs to file its application by May 15th. In the event the Council needs a second evening to deliberate on these matters, there are extensions and waivers the applicant may seek.¹

Enterprise Zone Investment Deduction (EZID) – 10 Year, 100% Deduction for Qualified Investments

In some ways, the EZID is similar and in other ways dissimilar to a tax abatement. They are similar, in that both provide a deduction from property taxes for investments in real estate and/or certain personal property that are located in specially designated areas of blight. In both cases, the deduction is tied to the assessed value of investments which are made after a base year and may last for as long as 10 years. They are dissimilar in that the eligible investment for the deduction (known as a “qualified investment”) is broader than for an abatement and the deduction, itself, stays at 100% for the full period of deduction, rather than gradually decreasing as it does under an abatement. Also, the investment is made *before* the deduction application as opposed to *after* the abatement application. The approvals differ as well: the County Auditor and not the Council approves the deduction except, as is happening here, when the property also lies within a TIF District. This suggests that the Council acts as a fiscal check on the reduction of revenues to the TIF District. Please note that for one year, 2009, approval of the deductions for properties within the TIF were done by the Redevelopment Commission. Please also see the attached table for a comparison of these tax incentive devices.

Fee Equal to 20% of the Deduction Goes to the Enterprise Zone

One other difference between this deduction and an abatement is that 20% of the deduction is returned to the Enterprise Zone to implement its programs. According to Sims’ *Memo*, the Enterprise Zone has received revenue of about \$69,475 from this fee and approximately \$388,610 from a Loan Interest Credit² since 2007. Her *Memo* briefly describes the history and activities of the Enterprise Zone. It was created in 1991 and, after three renewals, is set to expire in 2017. As mentioned earlier in this summary, the HAND department is under contract to staff the Bloomington Urban Enterprise Association, which is the non-profit organization

¹ I.C. 6-1.1-45-10 provides for the County Auditor to grant as much as a 30 day extension for various “good and sufficient reasons” and for the BUEA to waive the failure to file a timely or complete application.

² The Loan Interest Credit is available for certain bank loans made within the Enterprise Zone and this revenue is based upon a fee for that credit.

empowered to administer the Enterprise Zone and its programs and activities. These programs and activities are designed to aid in the economic development of the Enterprise Zone by providing education and training, encouraging entrepreneurship, rehabilitating business facilities and improving the aesthetic character of historic buildings within it.

Res 11-08 – Approves a Deduction for Cook Pharmica for Property on South Patterson Drive

Res 11-08 approves a deduction for Cook Pharmica at 1300 and 1400 South Patterson Drive for approximately \$10.7 million of real estate improvements and \$35.2 million in additional personal property (e.g. machinery), which amounts to a savings of \$994,663 for the petitioner before the \$178,933 fee to the Enterprise Zone.

Cook Pharmica is a contract pharmaceutical enterprise that was established in 2004 and has been expanding its operations in a warehouse vacated when Thomson left town in the 1998.³ This enterprise formulates pharmaceuticals that are then placed in vials and syringes and packaged for delivery to those who sought these services (otherwise known as a “contract formulation, fill and finish operation”). The investments in real estate improvements have exceeded \$50.7 million and have included renovations and structural improvements to the building that support a new laboratory, office and manufacturing areas. The investments in machinery (i.e. personal property) have exceeded \$35 million and equipped two “pharmaceutical filling lines.” The investments tied to this deduction should add approximately “100 full-time positions, including chemists, scientists, engineers, business operations personnel, IT personnel, logistics personnel and hourly production workers” with an anticipated annual payroll of \$6 million.

Estimated Value of the Deduction and Fee – Real Estate

	Assessed Valuation	Value of Taxes / Deductions	Zone Fee
After Investments	\$38,235,400	\$744,596	
Base Year	- \$27,493,993 ⁴	-\$535,418	
Deduction	\$10,741,407	\$209,178	\$41,836

³ Along with these deductions, Cook Pharmica also received assistance from the Community Revitalization Enhancement District (CRED) and the related Industrial Development Fund (IDF) in the form of \$500,000 in public improvements (Res 08-12) and \$2 million for private improvements (Res 08-11).

⁴ This figure accounts for the increase in market value from last year (i.e. “trending”).

Estimated Value of the Deduction and Fee – Personal Property

	Assessed Valuation	Value of Taxes / Deductions	Zone Fee
After Investments	\$35,200,000 ⁵	\$685,485	
Base Year	\$0	\$0	
Deduction	\$35,200,000	\$685,485	\$137,097

General Fiscal Impact

The granting of these deductions would divert the money - in this case amounting to approximately \$178,933 – from the Thomson TIF. Sims notes that the Thomson TIF had a balance of \$1.71 million at the end of April.

Happy Birthday Tim Mayer – May 14th

⁵ Doris indicated at the Internal Work Session that this figure accounts for depreciation and represents approximately 40% of the full value of those investments.

**NOTICE AND AGENDA
BLOOMINGTON COMMON COUNCIL
SPECIAL SESSION & COMMITTEE OF THE WHOLE
7:30 P.M., WEDNESDAY, 11 MAY 2011
COUNCIL CHAMBERS
SHOWERS BUILDING, 401 N. MORTON ST.**

SPECIAL SESSION

I. ROLL CALL

II. AGENDA SUMMATION

III. LEGISLATION FOR SECOND READING AND RESOLUTIONS

1. Resolution 11-08 To Approve an Enterprise Zone Investment Deduction (EZID) in the Thomson Tax Increment Financing (TIF) District - Re: Cook Pharmica, 1300 and 1400 South Patterson Drive

Committee Recommendation: N/A

IV. ADJOURNMENT

(and immediately reconvene for)

COMMITTEE OF THE WHOLE

Chair: Brad Wisler

1. Appropriation Ordinance 11-02 To Specially Appropriate from the General Fund Expenditures Not Otherwise Appropriate (Appropriating Funds for the Creation of a Graffiti Removal Pilot Program)

Asked to Attend: Daniel Grundmann, Director, Human Resources



**City of Bloomington
Office of the Common Council**

To: Council Members
From: Council Office
Re: Calendar for the Week of 09-14 May 2011

Monday, 09 May 2011

4:30 pm Plat Committee, Hooker Room
5:30 pm Plan Commission, Council Chambers

Tuesday, 10 May 2011

8:00 am Bicycle Planning Seminar, Council Chambers
2:00 pm Bed Bug Seminar, Council Chambers
4:30 pm Commission on Aging, Hooker Room
5:00 pm Jack Hopkins Social Services Funding Committee Pre-Allocation Hearing, Council Library
5:30 pm Bloomington Public Transportation Corporation, Public Transportation Center, 130 W Grimes Lane
5:30 pm Board of Public Works, Council Chambers
6:00 pm City of Bloomington Commission on Sustainability, McCloskey
7:30 pm Telecommunications Council, Council Chambers

Wednesday, 11 May 2011

4:00 pm Board of Housing Quality Appeals, McCloskey
4:00 pm Commission on the Status of Black Males, Hooker Room
4:00 pm AICP Webinar: Renewable Local Energy, Council Chambers
5:30 pm Common Council Budget Advance, McCloskey
7:30 pm Common Council Special Session *immediately followed by a* Committee of the Whole, Council Chambers

Thursday, 12 May 2011

8:00 am Indiana Arts Commission Regional Initiative Grant Panel Review, Council Chambers
12:00 noon Housing Network, McCloskey
12:00 noon Platinum Biking Task Force, Hooker Room
4:00 pm Bloomington Historic Preservation Commission, McCloskey
4:00 pm Solid Waste Management District, Monroe County Courthouse, Judge Nat U. Hill, III Room

Friday, 13 May 2011

1:30 pm Metropolitan Planning Organization Policy Committee, McCloskey

Saturday, 14 May 2011

8:00 am Bloomington Community Farmers' Market, Showers Common, 401 N. Morton

Happy Birthday Councilmember Tim Mayer!

Posted and Distributed: Friday, 06 May 2011



City of Bloomington
Office of the Common Council

MEETING NOTICE

Common Council

Budget Advance

Wednesday, May 11, 2010

5:30 pm

McCloskey Conference Room, Room 135

The Common Council will hold a *Budget Advance* Wednesday, May 11, 2011 at 5:30 pm in the McCloskey Conference Room (#135). Because a quorum of the Council will be present, this meeting constitutes a meeting of the Council under the Indiana Open Door Law.

This statement is provides notice that this meeting will occur and is open for the public to attend, observe, and record what transpires.

Dated & Posted: Friday, May 6, 2011

RESOLUTION 11-08

**TO APPROVE AN ENTERPRISE ZONE INVESTMENT DEDUCTION (EZID)
IN THE THOMSON TAX INCREMENT FINANCING (TIF) DISTRICT -
Re: Cook Pharmica, 1300 and 1400 South Patterson Drive**

WHEREAS, Passage of HEA 1001 has amended Indiana Code with regard to approval authority of Enterprise Zone Investment Deductions (EZID) in Tax Increment Financing Districts (TIF); and

WHEREAS, Authority to approve the EZID in a TIF District now falls to the appropriate legislative body, which in this case is the Bloomington Common Council; and

WHEREAS, Cook Pharmica is applying for approval of the EZID deduction for the property at 1300 and 1400 South Patterson Drive, which is located in the Thomson TIF district; and

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA, THAT:

The Common Council hereby approves the request of Cook Pharmica to receive the Enterprise Zone Investment Deduction.

PASSED AND ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this _____ day of _____, 2011.

SUSAN SANDBERG, President
Bloomington Common Council

ATTEST:

REGINA MOORE, Clerk
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this _____ day of _____, 2011.

REGINA MOORE, Clerk
City of Bloomington

SIGNED and APPROVED by me upon this _____ day of _____, 2011.

MARK KRUZAN, Mayor
City of Bloomington

SYNOPSIS

This resolution approves an Enterprise Zone Investment Deduction (EZID) for Cook Pharmica located at 1300 and 1400 Patterson Drive. The EZID allows a property tax deduction for a qualified investment within an Urban Enterprise Zone (I.C. 6-1.1-45). In most cases, this deduction (which is similar to tax abatement) is automatic with the proper and timely application to the County Auditor. However, effective July 2008, when the investment is in an allocation area defined by IC 12-19-1.5-1 (TIF District), the deduction must be approved by the area's legislative body. Therefore, any EZID in the City's TIF must be approved by the Common Council.

(Over)

Basic information about the EZID is listed below:

- EZID is defined as the property tax deduction available from the increased value of an Enterprise Zone business property due to real and personal property investment by the business.
- The deduction equals the difference between the assessed property value following the qualified investment and the assessed property value of a base year (the year preceding the qualified investment).
- The amount of the deduction (100%) will be the same for each year (it is nongraduated).
- The added valuation may be deducted for up to ten years and can extend past the expiration of the Enterprise Zone (Bloomington's zone designation will expire in March 2017).

Memo

To: Bloomington City Council
From: Doris Sims, Assistant Director, Housing and Neighborhood Development
CC: Lisa Abbott, Danise Alano
Date: May 6, 2011
Re: Enterprise Zone Investment Deduction (EZID) Council Resolution

Enterprise Zone Investment Deduction

The Enterprise Zone Investment Deduction (EZID) allows a property tax deduction for a qualified investment within an Urban Enterprise Zone (I.C. 6-1.1-45). In most cases, this deduction (similar to a tax abatement) is automatic with the proper and timely application to the County Auditor. However, effective July 2008, when the investment is in an allocation area defined by IC 12-19-1.5-1, the deduction must be approved by the area's legislative body. Therefore, any EZID in the City's TIF must be approved by the Common Council. In addition, taxpayers receiving the EZID must pay a participation fee to the local enterprise zone board. This fee, paid to the Bloomington Urban Enterprise Association (BUEA), is 20% of the savings received from the EZID.

Basic information about the EZID is listed below:

- EZID is defined as the property tax deduction available from the increased value of an Enterprise Zone business property due to real and personal property investment by the business.
- The deduction equals the difference between the assessed property value following the qualified investment and the assessed property value of a base year (the year preceding the qualified investment).
- The amount of the deduction (100%) will be the same for each year (it is non-graduated).
- The added valuation may be deducted for up to ten years and can extend past the expiration of the Enterprise Zone (Bloomington's zone designation will expire in March 2017).

- Claimants must pay a 20% participation fee annually to the BUEA on the savings received and 1% to the State of Indiana on any savings over \$1,000.
- Qualified investment within an Enterprise Zone location includes:
 1. purchase of a building, or new manufacturing or production equipment;
 2. costs associated with the repair, rehabilitation or modernization of an existing building and related improvements;
 3. onsite infrastructure improvements;
 4. construction of a new building; and
 5. costs associated with retooling existing machinery.
- To claim the deduction a taxpayer must fill out Form EZ-2 and file it annually with the County Auditor between March 1 and May 15. The Auditor determines the eligibility of each investment and is required to notify each applicant of his/her determination by August 15. If the Auditor approves the deduction, taxpayers can take it the following year.
- Claimants must also annually file a Form EZB-R with the Indiana Economic Development Corporation and BUEA by June 1.

Bloomington Urban Enterprise Association

Urban Enterprise Zones are established under State Law. Zones are created for a period of ten (10) years, with the ability to apply for two (2) five year renewals, and a final five (5) year extension. The Bloomington Urban Enterprise Zone (BUEA) was originally designated in 1991 and received its third five (5) year renewal in June of 2010 and is set to expire in 2017. The BUEA is a private, nonprofit organization responsible for the Zone's day-to-day activities. It contracts with the City of Bloomington's Housing and Neighborhood Development (HAND) Department to provide administrative support in overseeing the programs and activities of the Zone. Over the last five years, the BUEA has utilized HAND staff to operate six regular programs, as well as a number of special projects, all of which are respectively designed to aid in the economic development of the Zone by providing education and training, encouragement of entrepreneurship, rehabilitation of business facilities, and improvements to the aesthetic character of historic buildings.

Financial Information

The EZID provides a portion of the funds used to support BUEA programs. BUEA revenues for the last four years are shown in Table 1. Table 2 illustrates the current fund balance for the Thomson TIF.

Table 1: BUEA Income for years 2007-2009

Year	Source	Amount
2007	Investment Deduction	\$1,559
	Loan Interest Credit	\$121,987
2008	Investment Deduction	\$7,815.49
	Loan Interest Credit	\$101,547
2009	Investment Deduction	\$20,746
	Loan Interest Credit	\$105,151
2010	Investment Deduction	\$39,354.23
	Loan Interest Credit	\$59,925.51

Table 2: Tax Increment Financing (TIF) Fund Balance

Date	TIF District	Amount
4/30/2011	Thomson	\$1,711,234.17

Impact of Cook Pharmica EZID

Improvements

The property is located at 1300 and 1400 South Patterson Drive. Since March 1, 2010, Cook Pharmica has completed and placed in service its contract formulation, fill and finish operations. The renovations and structural improvements included preparation of existing, unfinished building infrastructure to support new laboratory, office and manufacturing areas. The manufacturing equipment purchased includes two pharmaceutical filling lines and all necessary ancillary equipment needed to support those two lines in operation. Cook Pharmica's capability offering with this expansion includes the ability to fill liquid vials, lyophilized vials and pre-filled syringes for the biopharmaceutical industry on a contract basis. In addition

to primary filling, the expansion includes facilities and equipment for secondary packaging of product. Additional improvements included a new cafeteria, roof, fire suppression system, shipping/receiving docks, generators and boiler systems.

Impacts

To support this expansion, Cook Pharmica will add approximately 100 full-time positions, including chemists, scientists, engineers, business operations personnel, IT personnel, logistics personnel and hourly production workers. The annual payroll for this expansion, including benefits, is anticipated to be \$6 million.

The impact of approving this resolution on the Thomson TIF fund for real property improvements is shown below.

Real Property

Base Year Assessed Value of Property Improvements	\$26,846,700
Increase in Assessed Value of Property Improvements due to trending	\$647,293
New Assessed Value of Improvements because of trending	\$27,493,993
Assessed Value of New Improvements (Property Tax Deduction)	\$10,741,407
New Assessed Value of Improvements	\$38,235,400
Property Tax Liability Before IZID Deduction (\$38,235,400 x 1.9474)	\$744,596
Property Tax Liability After IZID Deduction (\$27,493,993 x 1.9474)	\$535,418
Property Tax Savings	\$209,178

20% Fee to BUEA of Tax Savings	\$41,836
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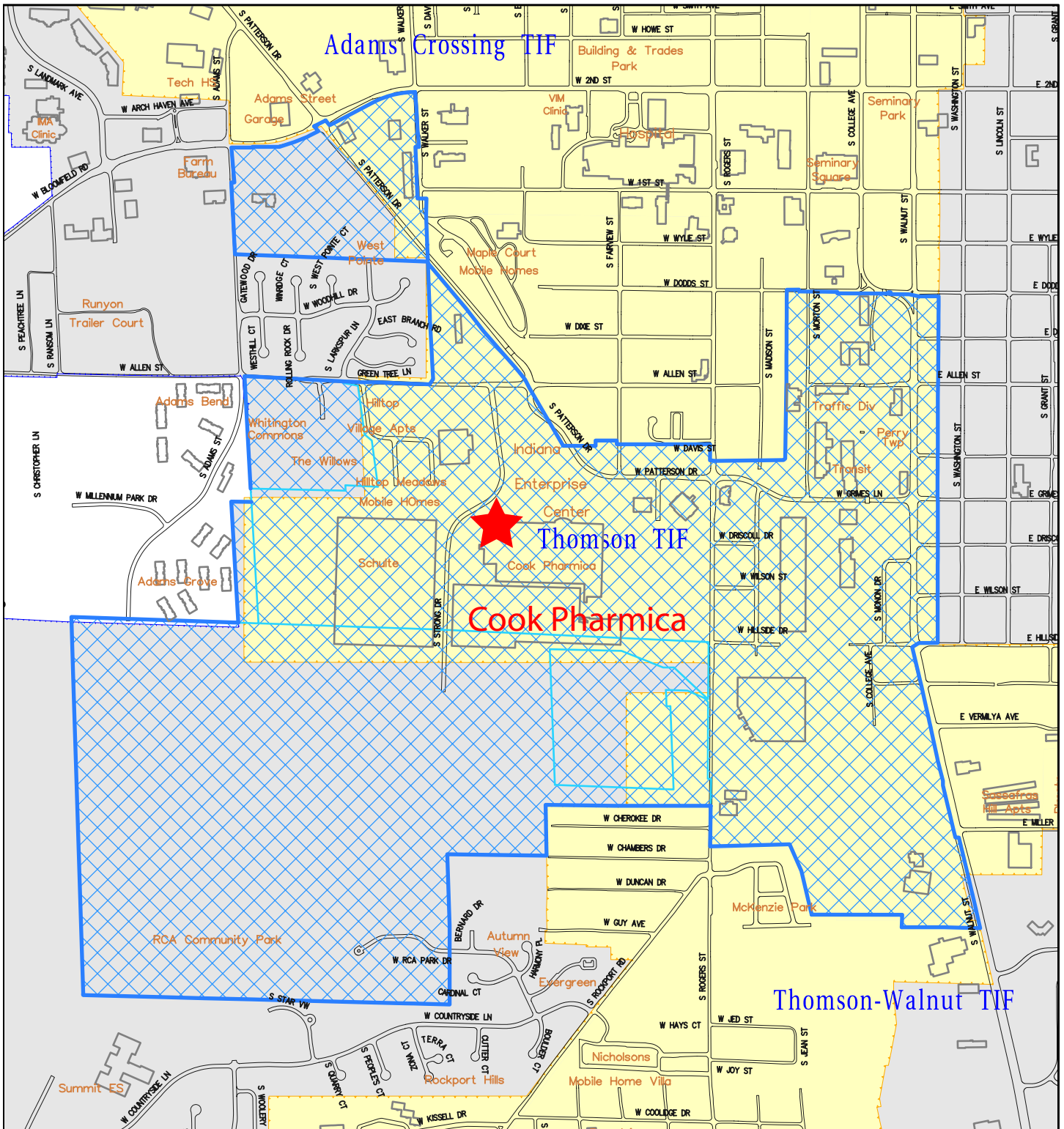
Personal Property

Base Year Assessed Value of Personal Property Improvements (New Equipment)	\$0
Assessed Value After Improvements	\$35,200,000
Property Tax Deduction	\$35,200,000
Property Tax Liability Before Deduction (\$35,200,000 x 1.9474)	\$685,485
Property Tax Liability After Deduction (\$0 x 1.9474)	\$0
Property Tax Savings	\$685,485
20% Fee to BUEA of Tax Savings	\$137,097

Recommendation

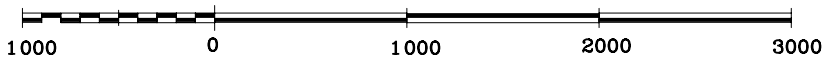
The Bloomington Urban Enterprise Association and the Office of Economic and Sustainable Development support the approval of the request from Cook Pharmica.

Cook Pharmica

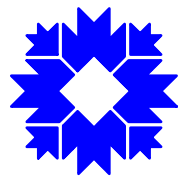


Thomson TIF District & Bloomington Urban Enterprise Zone

Scale: 1" = 1000'



City of Bloomington
HAND Department



Geographic Information System

Apr 22, 2010

For use as map information only, information is NOT warranted.

CITY OF BLOOMINGTON
Statement Of Cash Position

Report Date: 04/30/2011

Fund	Beginning Balance	M-T-D Revenues	Y-T-D Revenues	M-T-D Expenses	Y-T-D Expenses	Unexpended Balance
Fund Category: Govt - Governmental						
Fund Type: Capital - Capital Funds						
448 - TIF - Thomson Walnut Winslow	\$1,450,386.14	\$1,750.66	\$1,174,553.26	\$112,773.05	\$913,705.23	\$1,711,234.17
Fund Type Capital - Capital Funds Subtotal:	\$1,450,386.14	\$1,750.66	\$1,174,553.26	\$112,773.05	\$913,705.23	\$1,711,234.17
Fund Category Govt - Governmental Subtotal:	\$1,450,386.14	\$1,750.66	\$1,174,553.26	\$112,773.05	\$913,705.23	\$1,711,234.17
Grand Total:	\$1,450,386.14	\$1,750.66	\$1,174,553.26	\$112,773.05	\$913,705.23	\$1,711,234.17

**Table Comparing
Tax Abatements with Enterprise Zone Investment Deductions (EZIDS)
(Prepared by Council Office)**

<u>Type of Deduction</u>	<u>Tax Abatement</u> ¹	<u>Enterprise Zone Investment Deduction</u>
Statutory Authority	I.C. 6-1.1-12.1	I.C. 6-1.1-45
Legislative Determination of Blight	Economic Revitalization Area (ERA) Note: Designation must follow an advertised public hearing.	Urban Enterprise Zone
Eligible Investment	Redevelopment or rehabilitation of real property or the acquisition of new manufacturing, research and development, logistical distribution or new information technology equipment.	“Qualified Investment” in real estate as well as machinery and production equipment. This includes buying, constructing, and renovating buildings and infrastructure. It also includes buying and retooling machinery.
Restriction on Land Use	Never allowed for certain uses like hot tub, sun tan, or tennis facilities; but may be allowed for retail and certain residential facilities when the governing body establishes an Economic Development Target Area (EDTA).	None
Time of Approval	Before investment – Unless subject to specific waiver.	After Investment
What Must be Submitted for Approval	An Application and a Statement of Benefits, which sets forth benefits tax payer commits to in the event the abatement is approved.	EZ-2 Form
Basis of Approval	Benefits are reasonably likely to occur and the totality of the benefits justify the deduction. (Note: Localities are authorized to adopt a resolution establishing guidelines for making this determination.)	Investments were “qualified” – which is a determination that is virtually automatic outside the TIF District.

¹ This table does not reflect tax abatements for “residentially distressed” (e.g. unsafe) properties because we have not pursued that program in Bloomington.

Period of Deduction	1 – 10 years	10 Years
Calculation of Deduction	Difference between assessed value before and after the investment.	Same.
Amount of Deduction	Graduated, descending deduction starting at 100%	100% Deduction for 10 Years
Annual Obligation	File CF-1 indicating compliance with Statement of Benefits	File Form EZB-R with Indiana Economic Development Corporation by June 1
Annual Review	Governing Body considers a Tax Abatement Report and may rescind deductions where the tax payer did not substantially comply with the terms of the Statement of Benefits.	Nominal review by County Auditor
Fee	Nominal Application Fee – “sufficient to defray actual processing and administration costs.”	Return 20% of the value of the deduction to the BUEA and 1% on amounts over \$1,000 to the State