

Summary of Minutes

BLOOMINGTON INDUSTRIAL DEVELOPMENT ADVISORY COMMISSION MEETING WAS HELD ON WEDNESDAY, JANUARY 4, 2017 AT 12:00 PM IN THE KELLY CONFERENCE ROOM OF CITY HALL AT SHOWERS, 401 NORTH MORTON STREET, BLOOMINGTON, INDIANA

Call to Order

The meeting of the BIDAC was called to order at 12:00 p.m.

Roll Call/Introductions

Members present: Cindy Kinnarney (First Financial Bank), Anne Bono (Bloomington Chamber of Commerce), Bruce Calloway (Duke Energy), Richard Rampley (Workforce Development/WorkOne Center)

Members absent: Joyce Poling

Staff present: Alex Crowley (Director, ESD), Jeff Underwood (City Controller), Thomas Cameron (City Legal), Laurel Waters (ESD)

Staff Report

Thomas Cameron gave a history of the BIDAC, even though he realizes some members pre-date him. This group does not meet regularly, but rather on an “as needed” basis. BIDAC approves expenditures out of the Industrial Development Fund. Two maps were provided of the City’s two CRED Districts, Thomson and Downtown. The CRED statutory provision was originally created to deal with the RCA/Thomson Plant closing. Later, the City was able to add the Downtown CRED. There has been exciting development over the years due to several expenditures from the CRED Districts.

The BIDAC is not able to spend CRED money on its own. BIDAC approves a resolution that recommends to City Council that they approve the expenditure of CRED Money. That said, the City Council cannot spend CRED money without the recommendation from BIDAC. This provides balance to the system, whereby both groups have to be in agreement about the proposed expenditure. Thomas also explained that between he and Jeff Underwood, there will never be a proposed expenditure brought to the BIDAC that is not a permissible use of the funds. CRED monies can be used for many things, such as operating expenses, training, buildings (new & rehab), and equipment. There are many economic development type funding that can come out of this source.

Cindy Kinnarney asked where the recommendations for the funding come from. Thomas stated historically those have come from City staff, generally the person sitting in Alex’s chair. It is trying to make the best incentive available for the business which also make sense for the City. If there is something members of BIDAC hear about, don’t hesitate in bringing it to staff.

Richard Rampley added when BIDAC begin it did come in that manner, and would come from the BEDC, or the Chamber of Commerce and then City staff would become involved in looking at the details.

Thomas further explained after City Council approves funding then an agreement is executed between the City and the recipient of the funding, which includes all fund provisions about claw-backs, what happens if they don't meet their benchmarks, which are protective measures to make sure what was thought to happen does happen.

Thomas explained that the CRED is an overlay district of which the City has many. The Downtown CRED largely overlays with what is now the Consolidated TIF. The Consolidated TIF, which is overseen by the Redevelopment Commission, captures incremental property tax. The CRED captures incremental sales tax and payroll withholdings from businesses in the area. Projections for the CRED are \$5.2 million in the Thomson and \$8.3 million in the Downtown. This money is disbursed from the State of Indiana. There are two forms the incentives can take out of the CRED, one is up-front payment. The other way incentives can be structured is where the employer gets a percentage of the taxes attributable to them back.

Cindy asked about the maximums distributions listed on each CRED. Thomas stated those are per year. Downtown CRED max per year is \$750,000 and the Thomson CRED max per year is one million.

Cindy asked who establishes the benchmarks. Thomas stated it is this Board that does the first setting of benchmarks which is in conjunction with staff and the developer/business. Cindy asked who then reviews the ongoing performance. Thomas explained the Memo of Understanding lists the reporting requirements and those go to the person in Alex's chair. The City does insure compliance, then if a claw-back is necessary action will be taken. This has not happened to date.

Financial Report

Jeff Underwood stated under statute there is a maximum reimbursement back to the City. The City has received the maximum the last few years. Interest in earned on this money.

Jeff Underwood reported there is one active incentive with Cook Pharmica, and this is their second. The maximum on that is two million dollars. This is a combination of infrastructure investment, and well as employment. They have to meet so much in equipment and payroll, as well as employment. There is just under \$1.3 million that the City could owe them, and that has been preserved. This agreement began in 2012.

Jeff explained if its infrastructure it is usually five years with possible declining percentages paid back to them. Infrastructure it typically a reimbursement.

There was more discussion on the categories these funds were applicable to. This is an expansive list and Thomas stated he would send out the list to the Board. Thomas could not

come up with anything that was absolutely excluded. Cindy asked if non-profits were eligible. Thomas stated they are eligible.

Bruce asked if there was any type of development that would not be eligible. Thomas stated, legally, just about any development could qualify which does not mean it would receive staff support, or support from this Board, or support from the Council.

Cindy asked how the maximums are established. Alex explained the \$750,000 and one million are not per deal maximums, they are reimbursement maximums. Jeff Underwood explained these are just what they can get in a year. The incentives are staff recommendations.

Cindy asked what due diligence is used. Jeff stated staff will look at history as far as being a good corporate partner, employment, how long have they been around, in some cases financials are looked at, involvement in community, current on all taxes, etc.

Thomas added there are other pieces of the puzzle that must be looked at. Example, if they are getting EDGE credits from the State that would have an effect on what can be done. Also, sometimes tagging the value to another incentive which they could receive.

Alex added in the end it is an economic development tool, so is about job retention, cultivating/supporting existing companies to grow jobs to the extent that they can, potentially about attracting jobs that aren't here yet, but really about trying to stimulate the activity within the footprints of each of the different CREDs.

Alex added the Thomson CRED expires in 2019 and the Downtown CRED expires in June of 2022.

Cindy asked what happens if there are still funds in the CRED. Thomas stated there is no renewal process. The State Legislature decided to change the time horizons for the CREDs after they were created. Originally they were 15 years from creation. The legislation changed to be 15 years from when you first received money. The end of the period is the end of the State's fiscal year after 15 years. In 2015 the original resolutions creating the CREDs were amended to take advantage of those changes. If there are no ongoing projects when the CREDs expire the money will go back into the General Fund, and not back to the State.

Anne asked about the first expense on the Thomson Cred "Downtown CRED receipted into Thomson CRED." Jeff stated he was not here at the time but believed it was an accounting error, and the money was receipted into the wrong account.

Other Business

Alex stated the reason today's meeting was called, and will ask for another meeting next week, is to discuss and vote on a possible expenditure. Alex explained City staff has learned about Envisage's plans to build out at their current location in Fountain Square Mall as they have had tremendous growth. BIDAC helped them move there in 2009. They have more than doubled their employee base, and cobbled together a suite of offices. They have taken a step back, and to

be more thoughtful in their growth plans moving forward, they would like to reconfigure the space and make it more useable and accommodating to the needs of the business. Envisage has approached the City with a rough estimate of those costs which is around \$350,000 and asked the City for help. For the City, Envisage represents a very appealing employer. They are high technology, they are growing, they are a higher wage employee set with the average wage currently at \$74,000. They are projecting growth into the future but at lower potential wages on average, but will be a mix of technology and non-technology. Alex explained the plans going forward, will include a memo detailing the background of what has been done for Envisage in the past, what Staff feels will be an appropriate use of Downtown CRED funds against their needs in order to retain the company and help it grow in its current location, cultivate into the future and help stage what could be some fairly aggressive growth numbers in the next several years.

The plan is to have a meeting next week to go through the memo along with a Resolution that would align with the recommendation. The State is also offering some pretty aggressive growth based incentives. This would push the BIDAC toward more retention based incentives, and shorter term.

Thomas alluded to possible complications because they have received CRED funds in the past which will put a few constraints on how this incentive package could be structured. Everyone is working to put together a package that will make sense for everyone.

Bruce asked if there was a timetable because they could outgrow this space soon.

Alex stated Fountain Square Mall has 95,000 square feet of office space of which Envisage is currently consuming 14,000 square feet. CFC is interested in keeping them in place and will probably continue to do what they are doing which is as people's leases expire not to renew them creating more space. Envisage currently has a little more space than they need which sets them up for some of that growth. This is a technology company with less traditional use of office space. CFC could accommodate growth, as well as accommodating growth elsewhere in the Trades District, for example, which would be a great use of Trades District office space.

Bruce Calloway asked what the driver is on the time. Alex explained Envisage is interested in extending their commitment to CFC as soon as possible. In order to do that this all will need to be staged for City Council review and approval as quickly as possible. This is all contingent on BIDAC review of the Resolutions staff will put forward in the next meeting of BIDAC.

Jeff Underwood stated there is also a certain comfort level with this company. They have received incentives before, which makes the due diligence not as deep as it would be for a newer company the City has not dealt with before. There have been staff discussions on how this would be structured.

More discussion reference procedures continued.

Meeting adjourned at 1pm.