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American Institute of CPA's
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February 6, 2018

Distribution List:

Re: Aurora Redevelopment Commission (RDC) – Aurora Consolidated Economic Development Area Tax Impact Statement

Please find, enclosed, a copy of the Tax Impact Statement relative to the proposed Aurora Consolidated Economic Development Area within the City of Aurora, Indiana. The RDC will conduct a public hearing on the Declaratory Resolution that would establish the proposed Economic Development Area on February 19, 2018 at 4:00 pm in the Aurora City Hall (see Notice of Public Hearing included within the enclosed Tax Impact Statement). The Official Notice of the Public Hearing will be published in The Journal Press and the Dearborn County Register at least 10 days prior to the Public Hearing.

Should you or anyone receiving copies of the enclosed Tax Impact Statement have questions, please do not hesitate to contact Benny Turner, Clerk Treasurer, or me.

Very truly yours,
O. W. KROHN & ASSOCIATES, LLP

James W. Treat
Partner

Enclosure

Cc: Aurora RDC

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**CITY OF AURORA
DEARBORN COUNTY, INDIANA**

**AURORA REDEVELOPMENT COMMISSION
TAX IMPACT STATEMENT**

**CONSOLIDATED AURORA
ECONOMIC DEVELOPMENT AREA
FEBRUARY 19, 2018**

**O.W. Krohn & Associates, LLP**
CPA's and Consultants

AURORA REDEVELOPMENT COMMISSION

STATEMENT DISCLOSING THE IMPACT OF THE ESTABLISHMENT OF THE CONSOLIDATED AURORA ECONOMIC DEVELOPMENT AREA

The City of Aurora ("City") Redevelopment Commission ("Commission") is required by Indiana Code 36-7-14, as amended, to provide a statement disclosing any impact on the overlapping taxing units of establishing, expanding or consolidating tax allocation areas. This impact statement discloses and explains the impact on the overlapping taxing units caused by expanding and consolidating the areas and capturing potential tax increment.

BACKGROUND ON THE AREAS AND PLANS

The Commission adopted declaratory resolutions establishing the Southeast Aurora Economic Development Area and related allocation area and the Cochran Economic Development Area and related allocation area in accordance with IC 36-7-14-39 for the purpose of capturing property taxes generated from the incremental assessed value of real property located in the Areas; and approving the Economic Development Plan. The Commission has now adopted an amended declaratory resolution ("Declaratory Resolution"), Resolution No. 2017-012 to (i) expand the Southeast Aurora Economic Development Area and related allocation area, (ii) expand the Cochran Economic Development Area and the related allocation area, (iii) consolidate the Southeast Aurora Economic Development Area, as so expanded, and the Cochran Economic Development Area, as so expanded, into a single economic development area designated as the Consolidated Aurora Economic Development Area (the "Consolidated Area"), (iv) consolidate the expanded allocation areas into a single allocation area designated as the Consolidated Aurora Economic Development Area Allocation Area, and (v) consolidate the Southeast Aurora Economic Development Plan and the Cochran Economic Development Plan into a single economic development plan designated as the Consolidated Aurora Economic Development Plan, ("Plan"). Copies of the Declaratory Resolutions, with attachments, are available from the office of the Clerk Treasurer.

The Declaratory Resolution allows for the use of tax increment resulting from the growth in all real property assessed value within the Consolidated Area in excess of the base assessed value defined in IC 36-7-14-39. The respective base assessment dates for the two existing allocation areas referred to above and all previous expansions thereto shall remain the same as the base assessment dates of each prior to the consolidation of such allocation areas. The base assessment date for the 2017 expansion areas described in (i) and (ii) above is January 1, 2017.

In the Declaratory Resolution, the Commission found that the Plan for the Consolidated Area will benefit the public health, safety, morals and welfare of the citizens of the City; will increase the economic well being of the City and the State of Indiana; and will serve to protect and increase property values within the City. The Plan is designed to promote significant opportunities for the gainful employment of citizens of the City, assist in the attraction of new business enterprises to the City, provide for local public improvements in, serving or benefiting the Consolidated Area, attract permanent jobs, increase the property tax base and improve the diversity of the economic base. Furthermore, the Commission found that the Plan cannot be achieved by regulatory processes or by the ordinary operation of private enterprise without resort to the powers allowed the Commission under IC 36-7-14 due to: (1) the lack of local public improvements and because the cost of infrastructure improvements needed to develop the

Consolidated Area prevents the improvements from being accomplished by private enterprise; and (2) there is no regulatory process available to build infrastructure or provide incentives to encourage economic growth.

PROJECT SUMMARY

In order to accomplish the Plan, the Commission will encourage the development of the Consolidated Area by funding the construction of road and street improvements, stormwater improvements, sanitary sewer infrastructure improvements, water infrastructure improvements and other site improvements, in, serving or benefiting the Consolidated Area (“Project”) to facilitate the orderly development of the Consolidated Area. The Plan also provides for the funding of acquisition or construction of projects to enhance public safety and cultural attractiveness of the entire City, including the Consolidated Area. If additional projects are necessary in order to fully develop the Consolidated Area, the Commission will amend the Plan in accordance with the Act.

TAX INCREMENT

The Commission and the City intend to finance the Project through a combination of tax increment financing (TIF) bonds and other sources. The ultimate funding combination will be determined based upon the potential tax increment from specific commercial and / or industrial projects that locate in the Consolidated Area. The Commission intends to capture the increases in real property assessed value from commercial and industrial developments within the Consolidated Area. All increases in personal property assessed value are not being captured and will immediately benefit all overlapping taxing units.

Example: Assume that the Company Project is constructed in the Consolidated Area and invests \$1,000,000 in real property improvements and \$500,000 in personal property (equipment). Further assume that the real property assessment amounts to 100% of the investment and the personal property assessment amounts to 30% of the investment. Finally, assume that the net effective tax rate amounts to \$2.00.

The annual **real property tax increment to be captured** by the Redevelopment Commission would amount to the following:

$$\$1,000,000 \times 100\% \times \$0.02 = \$20,000$$

The **personal property assessed value would not be captured, but would flow through to the overlapping taxing units.** While increases in assessed value do not directly translate into increases in property tax revenues, the increased assessed value would have a positive impact on the property tax rates.

Of course, if tax abatement is granted, these annual revenues would be phased in over a period of time (i.e. up to 10 years).

ESTIMATED IMPACT OF ESTABLISHING CONSOLIDATED AREA -

The estimated tax impact on the overlapping taxing units is illustrated in the Present Situation tables below. The increase in real property assessed value to be captured by the Commission will not reduce the existing tax levy of any of the overlapping taxing units. In fact, the incremental assessed valuation of the personal property in the Consolidated Area will have a favorable impact on the overlapping taxing units. The pay 2017 tax base, tax rates and estimated property tax levies of the overlapping taxing units are as follows:

PRESENT SITUATION:

003 - Aurora City - Center Township

| <u>Taxing Unit</u> | <u>Net Assessed Value</u> | <u>Tax Rate</u> | <u>Tax Levy</u> |
|------------------------------------|---------------------------|-----------------|-----------------|
| Aurora | \$123,933,981 | \$1.1250 | \$1,394,257 |
| Center Township | 158,331,201 | 0.0160 | 25,333 |
| Aurora Library | 542,782,930 | 0.1532 | 831,543 |
| South Dearborn Community School | 542,782,930 | 1.3005 | 7,058,892 |
| Solid Waste District | 2,102,035,267 | 0.0340 | 714,692 |
| County | 2,102,035,267 | 0.4874 | 10,245,320 |
| | | <hr/> | |
| Total Tax Rate (per \$100 NAV) | | <u>\$3.1161</u> | |

PRESENT SITUATION:

015 - Aurora City - Lawrenceburg Township

| <u>Taxing Unit</u> | <u>Net Assessed Value</u> | <u>Tax Rate</u> | <u>Tax Levy</u> |
|--------------------------------|---------------------------|-----------------|-----------------|
| Aurora | \$123,933,981 | \$1.1250 | \$1,394,257 |
| Lawrenceburg Township | 687,059,716 | 0.0063 | 43,285 |
| Lawrenceburg Library | 1,559,252,337 | 0.0802 | 1,250,520 |
| Lawrenceburg Community School | 687,059,716 | 0.7882 | 5,415,405 |
| Solid Waste District | 2,102,035,267 | 0.0340 | 714,692 |
| County | 2,102,035,267 | 0.4874 | 10,245,320 |
| | | <hr/> | |
| Total Tax Rate (per \$100 NAV) | | <u>\$2.5211</u> | |

SCHEDULE A: (assumes the Area is created and increases in real property assessed value are captured by the Commission - Circuit Breaker Loss Ratios remain unchanged)

003 - Aurora City - Center Township

| <u>Taxing Unit</u> | <u>Net Assessed Value</u> | <u>Tax Rate</u> | <u>Tax Levy</u> | <u>Difference</u> | <u>Circuit Breaker Credit</u> | <u>Percentage of Certified Levy</u> | <u>Percentage of Certified Budget</u> |
|---------------------------------|---------------------------|-----------------|-----------------|-------------------|-------------------------------|-------------------------------------|---------------------------------------|
| Aurora | \$123,933,981 | \$1.1250 | \$1,394,257 | \$0 | \$187,736 | 13.46% | 8.04% |
| Center Township | 158,331,201 | 0.0160 | 25,333 | 0 | 2,724 | 10.75% | 3.90% |
| Aurora Library | 542,782,930 | 0.1532 | 831,543 | 0 | 40,379 | 4.86% | 3.55% |
| South Dearborn Community School | 542,782,930 | 1.3005 | 7,058,892 | 0 | 342,776 | 4.86% | 4.44% |
| Solid Waste District | 2,102,035,267 | 0.0340 | 714,692 | 0 | 23,004 | 3.22% | 2.39% |
| County | 2,102,035,267 | 0.4874 | 10,245,320 | 0 | 329,771 | 3.22% | 1.55% |
| | | <hr/> | | | | | |
| Total Tax Rate (per \$100 NAV) | | <u>\$3.1161</u> | | | | | |

SCHEDULE A: (assumes the Area is created and increases in real property assessed value are captured by the Commission - Circuit Breaker Loss Ratios remain unchanged)

015 - Aurora City - Lawrenceburg Township

| <u>Taxing Unit</u> | <u>Net Assessed Value</u> | <u>Tax Rate</u> | <u>Tax Levy</u> | <u>Difference</u> | <u>Circuit Breaker Credit</u> | <u>Percentage of Certified Levy</u> | <u>Percentage of Certified Budget</u> |
|--------------------------------|---------------------------|------------------------|-----------------|-------------------|-------------------------------|-------------------------------------|---------------------------------------|
| Aurora | \$123,933,981 | \$1.1250 | \$1,394,257 | \$0 | \$187,736 | 13.46% | 8.04% |
| Lawrenceburg Township | 687,059,716 | 0.0063 | 43,285 | 0 | 2,442 | 5.64% | 2.30% |
| Lawrenceburg Library | 1,559,252,337 | 0.0802 | 1,250,520 | 0 | 33,124 | 2.65% | 1.84% |
| Lawrenceburg Community School | 687,059,716 | 0.7882 | 5,415,405 | 0 | 305,524 | 5.64% | 5.87% |
| Solid Waste District | 2,102,035,267 | 0.0340 | 714,692 | 0 | 23,004 | 3.22% | 2.39% |
| County | 2,102,035,267 | 0.4874 | 10,245,320 | 0 | 329,771 | 3.22% | 1.55% |
| Total Tax Rate (per \$100 NAV) | | <u><u>\$2.5211</u></u> | | | | | |

IMPACT SUMMARY

The Commission has determined that capturing the increases in real property assessed valuation in the Consolidated Area would not have a negative impact on anticipated revenues or tax rates of the taxing units that are wholly or partially located in the Consolidated Area, because neither the increases in assessed value from residential real property and business personal property can be captured and the increases in assessed value from non-residential real property is dependent upon the construction of the infrastructure contemplated in the Plan.

In fact, the establishment of the Consolidated Area and the construction of the Project will have several positive impacts on the taxing units and taxpayers of the City. The increased real property assessed value from development of the Consolidated Area will be captured as Tax Increment and used to repay Bonds issued to accomplish the Plan and construct the Project. The taxing units, and subsequently the taxpayers of the City, would benefit from increases in local income taxes from: (1) the additional jobs, (2) any additional revenues that may be generated or restored due to the economic ripple effect that economic development would provide; and, (3) the increases in residential and personal property assessed value flowing through immediately.

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

It should be further noted that this tax impact analysis attempts to show the impact in a simplified manner. Normally, tax rates would decrease if the assessed value increases, but this

analysis assumes no impact because the assessed value growth would not occur without the creation of the Consolidated Area and construction of the Project to spur the private investment and assessed value growth. Another consideration relates to the Circuit Breaker (tax caps). Normally, if assessed value increases there would likely be a corresponding reduction in the Circuit Breaker loss ratio for the overlapping taxing units. Because the Redevelopment Commission will not be capturing (taking away) any existing tax base, the TIF program is not causing an adverse impact on the Circuit Breaker loss ratio.