

---

# Indiana Economic Development Association

---

Case Study under HEA 1001  
Buddy Downs, Ice Miller LLP  
Gary Malone, Umbaugh  
June 12, 2008

---

## **Boone County, Indiana**

---

*Medco Health Solutions, Inc.*

## Project Summary

- **Project:** *Medco Health Solutions, Inc.*
- **Objective:** to finance incentives to attract Medco to All Points at Anson in Boone County
- **Estimated Investment:**
  - Buildings and improvements \$ 38,000,000
  - Personal property \$107,000,000
- **# of New Jobs:**
  - Number of employees 1,306
  - Expected annual payroll \$ 69,218,000

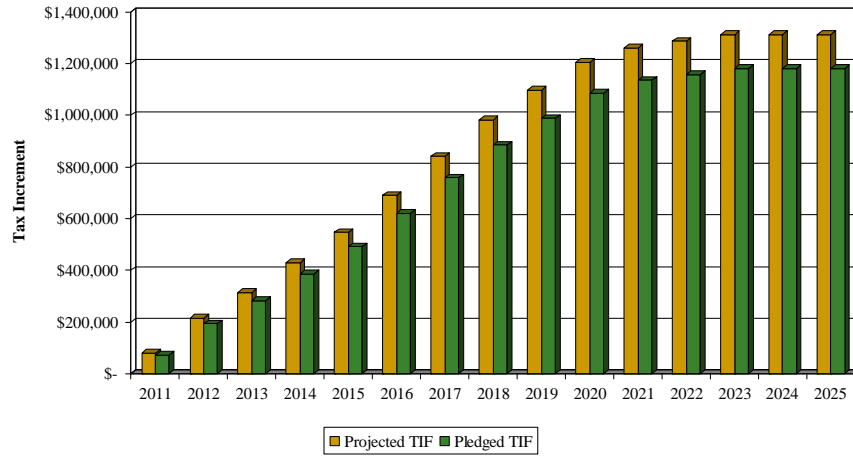
3

## Project Summary

- **Project:** *Medco Health Solutions, Inc. (cont'd)*
- **Financing:**
  - \$5 million Net Proceeds of Tax Increment Capital Appreciation Bonds
    - Proceeds to be used for the purchase of specialized equipment
  - Bond term of 17 ½ years
  - Expected interest rate of 6.5%
  - Pledged Tax Increment limited to 90% of Incremental AV
  - TIF bonds will be purchased by the State of Indiana
    - Bond purchase to be funded by grant proceeds to be received by Boone County and “passed through” to Medco
  - 10 year tax abatement, subject to claw back agreement based upon 90% of expected jobs and payrolls

4

## Comparison of Projected and Pledged Tax Increment



5

## Considerations under HEA 1001

## HEA 1001 Changes TIF and Redevelopment

- Reduces term of allocation areas to 25 years.
- Limits the term of TIF bonds to 25 years.
- Adds nonvoting advisory member of a school board to redevelopment commissions
- As of July 1, 2008 the county council will appoint some of the redevelopment commission members (2 appointments for a five member commission; or 3 appointments for a seven member commission)
- Eliminates "expedited" process to approve changes to declaratory resolutions and plans; requires every amendment, including boundary expansions of less than 20%, to be done through the "long" process

7

## HEA 1001 Changes TIF and Redevelopment

- Provides that enlargement of an allocation may be done only if there are insufficient revenues for the "original project" or if the IEDC, prior to action to enlarge the area, makes findings about job creation or retention, etc.
- Requires legislative body approval of the exercise of eminent domain by redevelopment commission
- Requires legislative body approval of all bonds issued by the redevelopment commission, regardless of principal amount
- Limits use of TIF to projects that are generally located in or physically connected to that allocation area

8

## HEA 1001 Changes TIF and Redevelopment

- Removes ability to capture TIF after expiration of term of allocation area in order to prevent default or impairment
- Provides that TIF bonds may be issued to pay for economic development area activities if no other revenue sources are available for that purpose
- Bonds payable directly from property taxes may be subject to referendum
- Expands information required for redevelopment/economic development plans to include properties – must state the area's boundaries and in addition, property that would be "acquired for" or "affected by" the establishment of a redevelopment project

9

## HEA 1001 Changes TIF and Redevelopment

- Redevelopment Commission must provide a written notice to the County Auditor, the fiscal body and all overlapping taxing units of its determination to pass through excess assessed value or that no excess assessed value if available by July 1<sup>st</sup> of each year

10

## Will the Circuit Breaker Tax Credit Impact the TIF Area?

- Limits a residential homestead taxpayer's property tax liability to 2% of the gross assessed value, before exemptions, in 2008, 1 ½% in 2009 and to 1% beginning in 2010.
- Limits all other residential taxpayer's property tax liability to 2 ½ % of the gross assessed value, before exemptions, beginning in 2009 and to 2% in 2010.
  - Includes agricultural property and long-term care facilities
- Limits all other taxpayer's property tax liability to 3 ½ % of the gross assessed value, before exemptions, beginning in 2009 and to 3% in 2010.
- Could limit the taxes paid by companies (including companies inside TIF Areas), which means tax increment could be limited
- Also, means local taxing units could receive less tax revenue than budgeted

11

## Ways to lessen the impact on the overlapping taxing units ?

- **Only capture a portion of the TIF**
  - Example: Capture 90% of the incremental assessed value and pass through 10% to overlapping taxing units
- **Pass-thru Excess TIF Assessed Value**
- **Keep the term of the TIF Bonds short or pay-off early**
  - Example: 10 – 15 year bond term; capture 100% of the TIF / no tax abatement; within 10 to 15 years, 100% of the new incremental assessed value will be added to the tax base
  - Issue 20-year Bonds, but pay-off early with surplus TIF; structure bonds for 150% coverage to allow build-up of surplus.

12

## HEA 1001 Changes

### TIF Replacement

- Available to replace net revenues lost to actions taken by the General Assembly or an administrative agency that reduces TIF revenues below the amount needed to make all payments that are due in the next calendar year on obligations payable from tax increment and to maintain any tax increment coverage ratios required by an agreement on which any of the obligations are based.
- Three types of replacement authorized
  - -Special benefits tax throughout redevelopment district
  - -Assessment on property located in allocation area
  - -Reduction of base assessed value
- No longer automatic
- Governing body must conduct public hearing and determine type of replacement mechanism to be used
- TIR replacement levies are now included within the maximum levy calculations and are subject to the Circuit Breaker tax credits