MINUTES OF A SPECIAL MEETING OF THE
MICHIGAN CITY REDEVELOPMENT COMMISSION
JUNE 10, 2019

The Michigan City Redevelopment Commission met in a special meeting in the
Common Council Chambers, City Hall Building, 100 East Michigan Boulevard, Michigan
City, Indiana, on Monday, June 10, 2019, at 5:00 p.m. local time; the date, hour, and
place duly established for the holding of said meeting.

CALL TO ORDER

President Don Babcock called the meeting to order at approximately 5:04 p.m.

ROLL CALL

Commissioners present:
Don Babcock, Mayor Ron Meer, Charles Oberlie, Pat Kowalski, John Sheets, Non-
voting Commissioner Theresa Edwards

Commissioners absent:
None

Staff present:
Executive Director Craig Phillips, Attorney Alan Sirinek, Administrative Assistant Debbie
Wilson

Staff absent:
None

ANNUAL MEETING WITH OVERLAPPING TAXING UNITS RE: TIF DISTRICTS

Andy Mouser (Baker Tilly Municipal Advisors, Indianapolis IN) addressed the
Commission acknowledging that associate Sam Schrader was also present who helped
put together the numbers in the bonding capacity and cashflow analysis and the
presentation.

Mr. Mouser explained that new legislation was passed which went into effect July 1,
2018 requiring the Redevelopment Commission to hold a public meeting every year with
an invitation open to all overlapping taxing units and the public to discuss the budget for
the Commission’s TIF dollars, cash flow for the Commission’s TIF dollars, and the
impact of the TIF areas on all the overlapping taxing units. Mr. Mouser stated that his
presentation will meet all those requirements.
Mr. Mouser began by giving a history of the TIF areas stating that Community Center No. 1 Expanded Urban Renewal Area (Northside Downtown TIF area) was created in 1986 as a Legacy TIF Area and originally had an unlimited life. There was new legislation in 2015 that limited the life of that TIF area and it now expires at the end 2040.

Mr. Babcock asked if it includes any new area added to the Northside TIF.

Mr. Mouser replied that any new portion would have a new life. The first expansion was in 1997 for Blue Chip Casino and the surrounding area which has a 30-year life and expires in 2027. When the expansion expires there is $95 million of assessed value that is currently captured as TIF which will be returned to the tax base at that time. The most recent expansion in April 2018 to the Northeast side along US 12 has a 25-year life and will expire in 2043. In 2018 the Redevelopment Commission captured about $4.1 million in TIF and in 2019 it is estimated that collections will increase to $4.3 million next year. When the expanded portion goes away in 2028, TIF collections will drop down to about $1.6 million.

Mr. Mouser stated that there are three outstanding obligations payable from the Downtown Northside TIF, all payable from tax increment and backed by property taxes which never had to be used. Backing the bonds with property taxes adds additional security on the bonds and gets the lowest interest rate on the bonds when they are issued. Obligations include the 2010 Lafayette/Barker Bonds which was $9.5 million when issued, has about $6.6 million outstanding, and will be fully paid off in 2033; the 2011 Elston Grove Bonds was $5.7 million when issued, has about $3.7 million outstanding, and will be fully paid off in 2028; the 2015 Wabash Street Bonds was $3.3 million when issued, has about $2.8 million outstanding, and will be fully paid off in 2040.

Mr. Mouser stated that they looked at two projects the Commission identified as potential future projects to be paid from a bond allocation. Those include the Central Plaza project at around $7 million to be paid back over 20 years by 2040, and the South Shore Station block project at around $5 million to be paid back over 20 years by 2040. He noted that even with those additional future obligations, there is plenty of money available for other projects.

Mr. Mouser looked at the Southside TIF area stating that it is similar to the Northside in that it has three different pieces to it; originally set up in 1997 with a 30-year life expiring in 2027. At that time $89 million of assessed value currently captured will go back into the tax base. In 2012 the area was expanded to pick up Dunes Plaza which has a 25-year life and will expire in 2037; Marquette Mall was added in 2015 with a 25-year life and will expire in 2040. In 2018 collections were about $2.9 million and in 2019 collections will increase to about $3.1 million next year. When the original portion expires it will drop to about $400,000 in 2038.
Mr. Mouser stated that there are three outstanding debt obligations for the Southside area and include the 2011 Refunded Bonds (1999 Towne Center Road) which was $2.1 million, has about $480,000 outstanding, and will be fully paid off in 2021; the 2015 Refunded Bonds (2007 400 North) was $3.5 million when issued, has about $2.6 million outstanding, and will be fully paid off in 2028; the 2018 Ohio Street Bonds was $10.3 million when issued, has about $9.6 million outstanding, and will be fully paid off in 2039.

Mr. Mouser stated that they looked at a potential future obligation for the South Shore double track project financing. The Commission’s portion would be around $12.2 million to be paid back from bonds as well as Southside TIF cash on hand. He said around $3.5 million in bonding would keep the TIF coverage at about 150%, but they can refine that once it gets closer to issuing those bonds. Those would be paid back over a 20-year term, expiring in 2039.

The Northeast Roeske Avenue TIF Area (GAF) was created in 1999 with a 30-year life and will expire in 2029. In 2018 collections were about $268,000 and will increase slightly in 2019 to about $273,000. That includes both the real property (land, buildings) and the personal property (equipment) from the manufacturing facility. It has one outstanding obligation and will be paid back by 2021. The City is not obligated to anything beyond the TIF. 90% of the TIF that the Redevelopment Commission collects goes to the repayment of those bonds. The Commission has always accumulated that other 10% which can be used for other projects, and once the bonds are paid off the full 100% will be available for the remaining eight years until the area expires.

Mr. Phillips explained what the City intends to do with the revenues collected once the obligation is complete in 2021. He said it is the City’s intent to partner with the Sanitary District and other agencies to continue making improvements to the Karwick Nature Park and Cheney Run outfall areas.

Mr. Mouser added that in 2021 the Commission will have the full $273,000 available.

Mr. Mouser stated that the final area is the Eastside Area which was created in 2015 with a 25-year life but the Commission has not issued any debt payable from the Eastside TIF. The 25-year clock will start after the date on which the first bond or lease obligation is incurred payable from tax increment. He said that in theory, if the Commission didn’t issue debt the 25-year clock would never start, but he said they may not want to take it beyond 2040. He noted that they believe TIF collections should start to come in on that area in 2020, but they will monitor it.

Mr. Mouser stated the new requirements also necessitate the Redevelopment Commission to look at the impact of TIF areas on the overlapping taxing units. He referred to a graph in the presentation explaining that when a TIF area is set up, the idea is to protect whatever base assessed value is there. When individual buildings are
Mr. Mouser continued explaining that anytime the Commission does not either capture assessed value or pass through assessed value, it is the assessed value that goes to the overlapping taxing units, not the dollars directly. Between the Downtown Northside Area and the Southside Area, the Commission currently captures about $7.4 million in TIF, which comes from $252 million of assessed value. If the Commission was to no longer capture that assessed value and instead pass it through to the overlapping taxing units, the result would be that it would pull the tax rates down by $0.50. Tax rates would drop from about $3.91 to $3.41. If they were to raise that same $7.4 million through a property tax levy it would increase the city’s tax rate by $0.67. The net tax rate impact would be $0.17 increase in tax rate.

Mr. Babcock commented that the things the Redevelopment Commission are doing has had a positive impact on the community. He referred to the Michigan City NOW report from Clarence Hulse of the EDC which indicates since 2012 through 2018 the public funds have been $600 million invested in the community. Mr. Babcock stated that the positive thing is that there has been $400 million in private funds invested in the community. He said this is in part a result of the good work done by the Redevelopment Commission. There has also been a 49% increase in property values in the entirety of the city, not including the lakeshore. He questioned if there was a significant amount of new AV with the increase in those property values that also is a result of some of good work done by leadership of the city and Redevelopment Commission, asking Mr. Mouser if they projected any increase in residential property values.

Mr. Mouser stated that they did not project residential property values and explained that the $252 million is just commercial and industrial growth within the TIF area. Any residential growth would be on top of that as well.

Mr. Phillips added that it would be captured by the existing tax entities who collect that revenue.

President Babcock offered an opportunity for representatives of the overlapping taxing units to make comments or ask questions.
Councilman Johnny Stimley (present on behalf of the City Council) referred to the TIF Districts expiring in 2040 and asked if they have the ability to go back to a TIF District or if they are eliminated.

Mr. Mouser replied that once a TIF area ends, either by choice or expiration, it can be set up as a TIF area again but at that point its base value would be reset to whatever value is there at the time. Giving an example, he stated the $252 million that has been picked up as growth, if the area were to be re-established, the $252 million would be included in the new base value; the only growth that would be captured would be anything above that $252 million.

Mr. Phillips added that the $252 million would go back to the taxing units and the base would be reset, so from that day forward anything new that happens in terms of additional revenues collected through increased development in that area could be captured in the form of a newly established TIF District. Everything established before would go back to the taxing units.

Chip Claussen, Controller-Treasurer of Michigan City Public Library, stated that he was present on behalf of the Library’s Director, Don Glossinger. He stated that a lot of this is new, and at the Library they deal in the circuit breaker. He said that circuit breaker really throws a monkey wrench, although they have been able to anticipate that reduction in revenue they get. They have certain goal posts with which they like to have their budget within. He said a lot of this does not have any impact on them. Mr. Claussen said when talking about 3.9%, it is the multiplier on all the assessed valuation. He stated that he would like to get with Mr. Schultz and say every year there is going to be an increase no matter what on assessed valuation, so they can get increases in salaries and things like that. He said a lot of this is new to him, so he will have to study it, but he didn’t think it really impacts them that much. Mr. Claussen stated that he thinks what the Redevelopment Commission is doing is really good at this point. He said the Library is just a small number compared to the 136 funds the Commission has and everything else that is going on and the special counsel the Commission has. Mr. Claussen again stated that he does not think it impacts them one way or another.

Mr. Phillips added that the significant impact would be as the TIF Districts expire, the revenue is passed back to the taxing units, including the Library. It will be additional revenue back to the Library at that point.

Mr. Claussen commented that the circuit breaker has a big impact. He said he is waiting for the growth portion to be issued, and they will base their budget on that. He said this is all fairly new to them, but they will study the numbers.

President Babcock asked if there were any public comments. There being none, he asked if Commissioners had comments.
Commissioner Oberlie thanked the presenters, Andy Mouser and Sam Schrader. He said in reviewing the report for any questions the Commissioners have had as they talked about timing and things, he felt this was a very comprehensive step especially for a first-time presentation. He said he found it to be very rewarding.

Mr. Babcock added that it is a learning process for everyone and having good counsel makes a big difference. The Commission is trying to eliminate blight and improve quality development in the community; the report is showing that is occurring.

**ADJOURNMENT**
With the purpose of the special meeting having been met, the chair declared the meeting adjourned at 5:30 p.m. and the regular meeting convened.

John Sheets, Secretary
Charles Oberlie, Vice-President