

“TIF is a Gift for Future Generations”

Mayor Jim Brainard

“You’re burdening our children and grandchildren with too much debt for all the redevelopment projects.” I have heard this comment too many times recently and nothing could be further from the truth.

The truth is that the tax base we are building through the efforts of the Redevelopment Commission and the City Council have resulted in 29 million of new annual tax revenue, all of which will go on the general tax rolls in future years. The truth is that Carmel is building architecturally significant structures that attract good employees and employers and increase the city’s value. The truth is that redevelopment focuses attention on improving older established areas of the city where it costs less to build. The truth is that redevelopment brings vibrancy and pride back to neighborhoods that felt long forgotten. The truth is that Carmel would not be the thriving city it is today, able to compete globally for commerce, without our redevelopment efforts.

Let me explain. A large portion of taxpayers’ money is spent building and maintaining streets, water and sewer systems, fire stations and storm water systems as well as providing police patrols and other government services. When developers build new neighborhoods in green fields, away from existing structures and services, it costs taxpayers more than redeveloping areas where city services already exist. Many cities have virtually abandoned and underused sections in their older areas that are not attracting new residents businesses or capital. Many times environmental problems are present in the soils because they formerly were used as industrial sites. The city and its taxpayers, however, long ago built and paid for roads, bridges, fire stations and water and sewer lines and are continuing to pay to maintain those services in these older areas.

Cities do require developers building new neighborhoods to help financially with the cost of the infrastructure, but those contributions never come close to covering the true costs of expanding a city. That burden falls on existing taxpayers. For instance, to convert a mile of country road to a lane of city street costs between \$5 million and \$7 million per mile. A new fire station with equipment costs \$2.5 million and staffing that new station comes close to \$2 million each year. In addition, gas and water lines, sanitary sewers, TV cables all have to be added. Police patrols have to be added, snow has to be plowed and all this new infrastructure has to be repaired as it ages.

Unfortunately, we have created a system in the United States where it is easier, cheaper and less risky for developers and their bankers to tear up and build in green fields, leaving a legacy of increased expense for the taxpayers. This system is not financially sustainable and is why Carmel has chosen to redevelop its older areas where expensive infrastructure and city services already exist.

We also know that for redevelopment to work it has to be a partnership between the city and real estate developers. Neither government nor business can successfully redevelop older areas without each other.

The primary tool provided by state law to encourage redevelopment is tax incremental financing (TIF).

This is how TIF works: An economic redevelopment area is designated with specific boundaries and a base tax year is established. Then, for a period of up to 25 years, all increases in business property taxes, not single family house taxes, in excess of the amount received in the base year go into a fund for redevelopment. That redevelopment fund is used to pay interest and principal on loans to redevelop the area. The proceeds of the bonds are used to facilitate the redevelopment of the project, sometimes for parking structures, streetscapes and other improvements.

Carmel is aggressively using the tools provided by state law to redevelop our older areas where we already have multimillion dollar roads, police and fire protection and underground utilities in place. The funds to build the Palladium, which is the anchor of our downtown City Center redevelopment project, along with the Studio and Tarkington Theaters and the parking garage came from TIF bonds.

We are also redeveloping the old town Arts & Design District and City Center with higher densities because we understand that for a community to be successful over time, it must provide a variety of housing types and styles. While we already have many great suburban style neighborhoods, previously we did not have many housing options for residents that desired townhomes, condominiums and downtown apartments.

Redeveloping may seem expensive but it is not nearly as expensive as the long term costs of green field development, where the true costs tend to be hidden and not always readily identified up front when a zoning change is made. Many cities across the United States have allowed so much sprawl that it becomes too expensive to maintain and severely limits their ability to provide the funds needed for good schools and basic maintenance of their streets and parks.

The TIF bonds are carefully timed to be paid in full when the TIF districts expire. The taxes that were going toward TIF bond payments then come directly back to the community in the form of city, county, township, library and school tax income. In Carmel, if the TIF districts ended today, over \$29 million annually would be returned to the general tax rolls and of that amount, 60 percent or about \$17 million will come to the City of Carmel. This \$17 million totals more than half of total property tax revenues in Carmel. Our Carmel redevelopment districts are producing record breaking new revenue which will allow future city leaders to maintain our already low property rates and probably lower them again. This is even before inflation or any future growth of our TIF districts is taken into account.

We are able to create this type of benefit for future generations because we work with a 10-year fiscal plan. Our fiscal plan not only forecasts our tax revenues and expenses but allows us to ask "if we do this, what will the financial impact be years down the road." As a result, we can ensure that our property taxes stay low and tax funds are allocated in a way that benefits taxpayers for years to come.

The current benefit of the TIF funds is that it has allowed us to build the Palladium and other structures in The Center for the Performing Arts, pave roads, build parking structures and improve infrastructure in our redevelopment areas. This has breathed new life and attracted private sector investments into aging and underused areas of the City.

In addition to the financial gain, future generations are also left with beautiful amenities, architecturally significant structures, increased property values, commerce, culture and sustainable development in the central core of the city. TIF is not a burden but a gift to future generations.