Columbus Redevelopment Commission City Hall February 26, 2007 – 1:22 p.m

Tom Vujovich Chair called the special meeting to order at 1:22 p.m. with the following members in attendance: Corey Carr, Matt Souza, Rich Stenner Staff: Ed Curtin

Guests – Mike Claytor, Crow Chizek Rich Starke, Barnes & Thornburg
Dave / Mark (Cummins)
Jim Clouse (NTN)

Agenda Items

1. Creation of a TIF district related to the new Cummins engine line.

Mike – summarize what is being asked of the Redevelopment Commission.

- In terms of the tax increment financing the Cummins project is being carved out as a separate TIF, both real and personal property. Designating that area as an individual TIF. Talked about what the process will be - value for the period of time of the increase in assessed value of real and personal property for that specific area will be used at the economic development incentive for Cummins specifically. A few days away from 3/1/2007, because you are being asked to do that today, what that will do is designate the area as of this past March 1st. Therefore anything that has been done between those dates, between the previous and this current March 1st would be attributable. I do not know if there is anything there to capture but the reason that we do back those dates up is to get as early a date as possible, typically to get as low a base value as possible. What we will do then is work with the company to establish what personal property is in that area as of 3/1/2006 and then that will be the base of the personal property value. Will then get from the County Auditor and County Assessor the base real property value and those will be the base values from which future increases would be measured. The process itself with the coordination of abatement with tax increment, the net amount that is available after abatement is what would be used to create a bond issue, an equivalent amount of bone issue that will pay for the incentive for the company.
- Question When we segregate this out do you file with the Auditor then or does Cummins give us the documents then that will separate the assessed evaluation of personal property into the two districts? The district versus other property?

Mike -

• Cummins files a personal property tax return with each taxing district where they have property located. Technically they will only file one personal property return going forward in that area. What we will ask them to do and will need to work out with the company is for them to file an informational return that includes only the personal property within that specific area. The reason we do

that is because the way that the personal property assessment system works, you have what is called a 30% floor of the personal property. If Cummins were to file two separate property tax returns, because the TIF area would have newer equipment, the value of the older equipment property tax return would be artificially too high and Cummins would in fact be overpaying their personal property tax. We use the informational return only to tell the County Auditor how much of the value to pull out of the TIF and their main property tax return that the Assessor uses for taxation.

Question – The boundaries of the new district, all the investment that Cummins is going to be making is within those? At the City Council meeting there was some talk about test cells, that is not going to the Tech Center, that is going somewhere on the Plant 1 property?

- Correct, new test cells are going into the Plant 1 property and not across the street at the Tech Center.
- Question So those boundaries work for all the investment? Yes

Tom? – Procedurally what the commission is being asked to do today is to invoke a public hearing and then pending the outcome of that hearing to adopt the resolution that is prepared. After that what are the steps required of the commission in order to put this in place?

Mike -

- This is an amendment to an existing area so under statute you only have to amend your public area and adopt the resolution. You will then file before 3/1/2007 with the Auditor all the maps and plats and parcel numbers that have been designated, as well as the fact that this has been designated as a personal property TIF with the Auditor and that would conclude what you need to do in order to set this up as a new allocation area for Cummins. Obviously subsequent to that if you ever issue any debt or do anything else you would have other steps that you need to accomplish in order to do that but to set up the area at this meeting, which is all you need to do.
- Question Mike, what impact, if any, does the creation of this TIF have on the commissions ability to pay bond indebtedness, especially the bond we anticipate in the next few months?

Mike -

- We have not considered any change in value of the Cummins property in the
 previous studies that we have done in terms of parking garage bond or any other
 indebtedness that the commission has been considering. So, carving this out
 separately will not have an impact on the commission's ability to do any other
 debt that is being contemplated.
- Question In the period of time that applies to creation of this district is how long?

- There is a statutory timeframe. What we have been taking about in terms of what would be an eventual financing for the Cummins TIF, what we typically look at is about a 22-1/2 year bond issue which gives 20 years of revenue. You started out, because you have a year that something is built and a year that is assessed and then the year it starts hitting the revenue, it usually works out to be 22-1/2 years 23 years depending on timing. That gives the company 20 years worth of revenue on the project.
- Question At the conclusion of that period of time, assuming this commission is still in place, what happens then?
- Once the bonds are paid off you would still have that allocation area for the statutory period and you could be collecting TIF, you could release that value back to the underlying jurisdictions. I suppose you could fold it into the main TIF once again, I don't know that's a good question Rich.

Tom – At the end of the period in which the 22-1/2 years, if we kept the allocation area in place through the statutory limit, could we undesignated them for personal property? Keep the real property TIF in place but undesignated them for personal property at the end of that bonding period?

Mike- I think you could. From a practical point of view, passing it through, passing anything you collect then from personal property back through the taxing units would accomplish the same thing. So, from a practical point of view, to keep flexibility you probably would need to decide to pass through or keep TIF, you would probably just pass that through if you were not going to use it. You could, because this is a designation that you decide as a commission, you could undecided that as well if there are no obligations outstanding.

Question – One about geography. Was this property at the edge of our central economic development area? Carving it out does not create a hole? It will make it go around it but it came up to the intersection and then followed basically the road around up to 6^{th} street. That was the boundary, three of the sides of this were the boundary of our TIF area.

Tom – Dave/Mark (Cummins representatives)

- You've heard the presentation by Mike Claytor and Rich Starke from that side of the equation, is there anything that you would want to add to that or clarify for the commission?
- Dave/Mark This sounds accurate to me, I think it is consistent. We listened to Mr. Carr's comments from the last time and came back and worked a bit on personal property tax issue. Mike and Rich put together a very good process for us to follow. One question that we might have is "how quickly do you want to move forward on the bond issue". We are prepared to move forward if you are.

Tom - We had a brief conversation last week with ______ about timing and I think from his standpoint, the timing of the bond issue really becomes one more if the necessity for you than for us. It really just requires you to determine when you want to move on that and getting with either Rich or Bruce to get that process started.

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• Dave/Mark – What I heard today, Mr. Chairman, is we probably need to spend time first and foremost working out what the revenue stream is going to be on the personal property and putting together a return sheet to present to the Council and to you in terms of how we see the financing being structured and going from there.

Tom – Commissioners any questions?

- If you don't mind to go back over a point that was covered earlier. I just want to get clear on it. Could you talk us through again, Mark, the logic for backdating this to March 2006 from the Cummins perspective?
- Mark From the Cummins perspective of the real property, it is to have a lower value as of 3/1/2006 than of 3/1/2007. Some questions got asked from the personal property side will that really be the lowest, it is difficult when we carve out this particular area and Mike really did speak to that and in a very informative way, we still think that is the better time to do that rather than trying to do it as of 3/1/2007. It really is a judgment call on the part of the company and I think that is probably the low point for base assessed value in that area. The time to capture the most income over the time period.
- An uninformed question in terms of taxes from the time period of 3/1/2006 to date. I'm not familiar with how the collection process works and what that means in terms of what we are doing here with the back dating, so is there somebody who can educate me?

Mike -

What was assessed from 3/2006 has not been paid to us yet anyway. Right – 06/07 – what is assessed 3/1/2006 is paid in 2007. What would be assessed, if there is anything different that is there, starting 3/1/2007 – that is not going to be captured anyway. There may be a little bit but probably not enough to talk about. The one thing and I probably should have covered this, that it is a little unusual, 3/1/2006 payable in 2007 for real property purposes started what we call "trending" in Indiana. All the assessed values are going to rise based on more or less an inflationary factor but when you establish a tax increment district the department local government finance looks at the trended numbers and they will neutralize the base. If assessed value generally went up 10% they will not give the commission that 10%, they will carve the first 10% off on the real property side and adjust the base to the new base and that will actually happen every year in all of your application areas for real property purposes. Any time there is a base adjustment or any time there is a trending adjustment, your base will be adjusted. None of that applies to personal property which is typically the large chunk in a manufacturing operation, the personal outweighs what the real is. There may be a little bit of personal there but probably not anything on the real property side for what would then be 2007, payable 2008.

<u>PUBLIC HEARING SEGMENT</u> – No public comments received.

Motion – Carr - Move to adopt the resolution as written to create the TIF for both real and personal property. Second – Souza. Passed unanimously.

2. Tax abatement request for NTN.

Jim Clouse – At a previous council meeting for the City of Columbus, NTN Driveshaft requested personal property tax abatement on some manufacturing equipment that they will be purchasing over the coming years. The investment value is \$70 million in personal property. This is part of the TIF district at the Woodside Park area. Hiring an additional 200 full-time employees and combined salaries for those additional jobs will be in excess of \$7 million annually, with benefits. Council did act favorably on this request.

Tom – this is the request that I contacted commissioners by phone, requesting their support. Rich – you were not available, Rich did see E-mail on topic. Contacted four of the commissioners and all four agreed to the abatement request and indicated at that time that we bring it back to the commission at this time to ratify that decision. Unless then are any questions of Jim, I would ask for a motion.

- This does not involve any real property? No impact to the commission in terms of TIF revenue, NTN is not designated for personal property?
- No

Motion to ratify – Souza. Second – Carr. Passed unanimously.

Next meeting 3/5/2007 – one request for tax abatement through Mayor's office, placed on Council agenda on 3/7/2007, personal property request.

Meeting adjourned 1:46 p.m.