MARCH 11, 2014

PLAN COMMISSION
CITY OF MISHAWAKA, INDIANA

A regular meeting of the Mishawaka Plan Commission was held Tuesday, March 11, 2014, at 7:00 p.m. in the Council Chambers, City Hall, 600 East Third Street, Mishawaka, Indiana. Commission members attending: Matt Lentsch, Ross Portolese, Murray Winn, Don McCampbell, Nick Troiola, Edward Salyer, and Rosemary Klaer. Absent: Gary West and Dale "Woody" Emmons. In addition to members of the public, the following were also in attendance: David Bent, Ken Prince, Greg Shearon, Peg Strantz, and Kari Myers.

Mr. Winn explained the Rules of Procedure.

The Minutes of the February 11, 2014, meeting, were approved as distributed.

Conflict of Interest was not declared.

PUBLIC HEARING:
PETITION #14-03 A petition submitted by the City of Mishawaka Redevelopment Commission requesting to rezone vacant property **west of 119 East Donaldson Avenue** from C-5 Neighborhood Commercial to R-1 Single Family Residential.

Ken Prince, City Planner, appeared on behalf of the Redevelopment Commission. He said this property was overlooked when the City rezoned various parcels along Main Street last year. Mr. Prince said this was still identified as C-5 and should be R-1 to blend with the neighborhood.

Mr. Winn closed the Public Hearing on Petition #14-03.

Staff Recommendation
The Planning Department recommends approval of Petition 14-03 to rezone property located west of 119 E Donaldson Avenue from C-5 Neighborhood Commercial to R-1 Single-Family Residential. This recommendation is based on the following findings of fact:

1. *Given the property's close proximity to the existing residential uses, the R-1 Single Family Residential zoning classification would be compatible with the surrounding residential uses;*

2. *Use and value of the area adjacent to the property included in the rezoning will not be affected in a substantially adverse manner because given the context of its location, its relationship to surrounding properties, staff feels that the most desirable use for this property is the R-1 Single Family Residential zoning classification;*

3. *Because the parcels sizes are small and not appropriate for commercial and/or industrial development, the proposed R-1 Single Family Residential zoning classification is a desirable use for these properties;*

4. *The R-1 Single Family Residential zoning classifications will have a favorable and stabilizing impact on the neighborhood, conserving property values in the immediate and surrounding area by continuing the existing residential use within the area;*

5. *The proposed R-1 Single Family Residential zoning is consistent with the City's Comprehensive Plan which indicated Low Density Residential for this area. The proposed R-1 Single Family Residential zoning classification is consistent with the existing residential uses in the area.*

MOTION: Ross Portolese moved to forward Petition #14-03 to the Common Council with a favorable recommendation. Don McCampbell seconded; motion carried with a vote of 7-0.

RESOLUTION #14-01 A RESOLUTION OF THE CITY OF MISHAWAKA PLAN COMMISSION, APPROVING A RESOLUTION OF THE CITY OF MISHAWAKA REDEVELOPMENT COMMISSION DESIGNATING AND DECLARING CERTAIN AREAS AS ECONOMIC DEVELOPMENT AREAS, AMENDING THE BOUNDARIES OF THE NORTHWEST AREA IMPROVEMENT PROJECT, CONSOLIDATING THE SOUTHSIDE ECONOMIC DEVELOPMENT AREA AND THE NORTHWEST AREA IMPROVEMENT PROJECT INTO ONE AREA, AND AMENDING THE ECONOMIC DEVELOPMENT PLAN FOR THE CONSOLIDATED AREA IMPROVEMENT PROJECT.

Ken Prince, City Planner, presented Resolution #14-01 and provided below is information he presented to the Commission:

Expiration of TIF Districts: The proposed expiration of our TIF Districts that were established before July 1, 1995 is extremely harmful to business, economic development, and our City in general. As part of our Federal Consent decree, we have agreed to provide an estimated 140 to 160 million dollars' worth of sewer separation projects over the next twenty years. These projects are massive and it will require a full 20 years to construct. As part of our on-going capital improvements we have pledged/allocated over 3 million dollars a year from our TIF district in concert with numerous rate increases to fund these necessary federally mandated infrastructure improvements. Since TIF revenue is collected over time simultaneously with the needed improvements, there wasn't a need to issue any bond or debt for the allocated TIF funds**.** If this provision passes, the City will be forced to issue a bond and pay millions of dollars in interest that we otherwise could have funded as we go over time. This would ultimately increase our sewer rates even higher, hurting business, schools, individuals, and economic development unnecessarily.

Telecommunication Equipment: Virtually every new road the City constructs has a telecommunication component that we fund with TIF Dollars. It is much cheaper to install empty conduit on our schedule and have telecommunication companies, such as the St. Joseph Valley Metronet, come in after the fact and pull their respective lines in the conduit. Also, without a mandate on required installation times for telecommunication companies, this requirement could unnecessarily delay construction projects. In Mishawaka, we also own our own electric utility that includes a portion of fiber optic cable that was installed to promote economic development. Prohibiting the use of TIF would place the burden directly on rate payers and could be a significant deterrent in expediently meeting the demands of business. In this era where telecommunication and speed is vital,

this provision goes against the very reason TIF was created to build infrastructure, attract jobs, and promote economic development.
House Bill 1266:

<u>12% Limitation</u>: In St. Joseph County, we are one of the counties where this provision would be applicable. In St. Joseph County, we have a large steel production facility, a regional airport supported by tax dollars, a large automobile production facility, and by some reports, the second largest consolidated retail and service area in the state- all very high dollar investments, all surrounded by large TIF districts so that infrastructure improvements can be made to attract, retain and grow business around these facilities. The arbitrary 12% number would cap potential in those areas. In addition, we have multiple incorporated areas in the County and two second class cities. Placing this cap county wide means that the County, the cities, or towns could no longer independently promote economic development through the creation or modification of a TIF without asking someone else to remove their area. It will remove healthy competition and thus would be a detriment to attracting business and jobs.

At this point we do not know if this legislation will move forward, or not. Both Mayor Wood and the City of South Bend have written to express our collective concerns on these matters either directly through our local legislators or through IACT. That being said, we did not think holding off on this TIF amendment request was worth chancing.

What is the amendment trying to accomplish?
As part of our ongoing 2033 planning process, we specifically wanted to identify areas for growth, inventory the vast majority capital improvement projects on the horizon, and project current and future TIF revenues relative to the current circuit breaker, the changes written into the law for 2019, and the planned expiration of portions of the TIF, based on their adoption date.

Although we normally look 3-5 years out, what is different about this process is that we are trying to look 20 years into the future. The planning process itself, specifically starting with the proposed TIF amendment, is appropriate because funding mechanisms will dictate to a large degree, what goals we create and what is realistic to accomplish over a 20 year timeframe. To that end, Exhibit E, the Economic Development Plan Project Needs, was a planning exercise so that we could evaluate our perceived need relative to the projected funds to be received from TIF. Although many projects are listed, a great number of these will not be constructed or acted on in the 20 year timeframe. As projected, it appears that approximately half the funding for these projects could be provided by TIF. As such, the intent is to use the economic development plan as a tool to develop priorities, create partnerships, apply for grants, negotiate with INDOT, and do everything we can to maximize the impact of the funds. Projects will be further reviewed, refined and developed as part of the planning process. For the purposes of the TIF amendment, the fact to concentrate on is that need greatly exceeds the projected revenue. The intent and merit of individual projects will be reviewed in more detail over the summer as part of the Comprehensive Plan process.

Amendment of existing boundaries and consolidation of TIF areas
This idea came about when staff was drawing proposed boundaries for both districts and had trouble distinguishing where one would begin and another would end. Upon review with our legal counsel, it was thought that one consolidated TIF district would be justifiable because of the dense compact nature of the City. For reference, the City of Mishawaka is denser in persons per square mile than the City of Indianapolis, and most large cities in Indiana. The proposed consolidation of the TIF is a benefit to the City because of the ability

to move funds freely within the TIF area. For example, if the City wanted to use funds to improve 12th street, the amount of revenue generation in the current southside TIF area, currently being small, could require a bond issue, thus incurring financing debt that could be removed in a consolidated area with revenue management.

The map showing boundary adjustments has been provided in Exhibit E. The boundary amendments proposed fall into four basic categories-

1) Additions that will result in additional revenue over time. These primarily include the area between Fir and Capital, north of the Toll Road. The Penn Farm north of Douglas East of Fir Road, the Great Lakes Capital Project at the northwest corner of Gumwood and SR 232)
2) Additions not expected to generate additional revenue. These include privately held property such as the Dodge Property/Former RMG foundry and Downtown former St. Joseph Hospital.
3) Areas to be removed. These include various single family areas where improvements are now complete or not currently envisioned, as well as, cemetery property. Some of these are generating revenue that will be released.
4) City/Publicly owned property/rights of way. Currently, the City is allowed to spend TIF funds in areas outside of the district where the improvement will benefit the district. A good example of this is the connector road that will provide a better connection from the Indiana Toll Road to the retail/service area on the north side of the City. Upon reviewing this issue with counsel, we felt it was important to identify and include corridors and public property with anticipated needs that contribute to the TIF, so that should the law be changed in the future, that TIF revenue could still be used to fund improvements in those areas. It is important to note that no revenue will ever be generated from the inclusion of these areas.

Although the overall amendment addresses more property because of the right-of-way/public property, relative to the area itself, the two most important areas to consider relative to other taxing units are the TIF areas proposed to be added that will likely generate additional revenue over time and the areas to be removed. The area proposed to be added is 479 acres. The area proposed to be removed is 207 Acres. The net resulting increase in TIF areas between these two classifications is 272 acres.

Impact to other Taxing Units/Schools

The City relies on our financial consultant, H.J. Umbaugh & Associates to prepare specific financial projections. They have identified that the removal of current TIF area as proposed will reduce the amount of assessed valuation captured by approximately 10 million dollars. Although not significant relative to the overall assessed valuation, this release will reduce the tax rate, and provide an immediate positive affect for affected school corporations and other taxing units. As you can see in the projections, the positive impact is negligible just from the sheer size of our community. It should also be noted given the well published financial condition of the School City of Mishawaka, that only about 2% of TIF revenue is actually generated within the limits of School City. Although speculative on my part, even a complete release of TIF would probably negatively impact School City (and every other utility customer) because of the resulting shift of expenses from TIF to utility rates. Relative to the new property being added, no additional revenue will be obtained from these areas until new development/increases in assessed valuation would occur.

Revenue

The City TIF areas reached a high in 2008 generating 24.6 million dollars. Despite development continuing in those areas over that period of time, the economic downturn reduced the overall assessed valuation. For reference, even with 4 years of additional growth, the revenue from both districts was 22.6 million in 2013. For reference, the range of revenue projected by H.J. Umbaugh over the 20 year planning period, <u>including the growth projected into the proposed areas to be added</u>, ranges between 17.5 million dollars and 21 million dollars of revenue per year. <u>Thus, if approved, the proposed TIF modification will provide a relatively constant revenue stream, but is not projected to increase revenue over current levels.</u>

Although we know there is always scrutiny relative to the establishment and use of TIF funds, it is important to note some of the major projects and consequences if this revenue did not exist. TIF funds demolished Uniroyal, built infrastructure for Edison Lakes, paid for most of the Main Street Underpass, constructed infrastructure around the St. Joseph Regional Medical Center, and represents the only significant source of funds for economic development initiatives in the City. The City has also used this for large utility infrastructure projects that otherwise would have resulted in utility rate increases.

Opposition:
Robert Raz, 10760 Kubitschek Drive, Osceola, said he has long been a student of TIF and thinks it's a terrible attack on the rest of the tax base. Mr. Raz presented written testimony and read from it (it is hereby an attachment to the minutes and won't be duplicated here).

Mr. Lentsch asked Mr. Raz if he can acknowledge and appreciate the work that has been done and the need to keep improving. Mr. Raz said yes, but he thinks we need to get realistic and pay for these improvements, but not by taking money away from South Bend and Penn schools. He said he has a lot of respect for city planning offices and they do excellent work. But Mr. Raz thinks it's a big problem across the entire state that we are not facing up to the reality by not doing proper bonding. Take a look at the City's 10 year history of bonding.

Mr. Troiola asked Mr. Raz if this was such a poor plan, then why aren't County officials here tonight and as alarmed as he is. Mr. Raz said he had no idea. He worked in Michigan and found that many elected officials don't understand what TIF is all about and they see it as a bucket of gold. He feels County officials should be here.

Mr. Raz said he also thinks school districts are afraid. This has to come from us the taxpayers and not officials. It's difficult to dig thru the County Auditor's office and it's structured to hide most things.

Mr. Winn asked Mr. Raz if it was his assumption that all this would happen if not for TIF. Would there be a University Park Mall with TIF, or expansion on the far north side without TIF. Mr. Winn said yes, there is a good that is laying the golden egg, but would that goose exist without TIF? Mr. Raz said yes, some states don't have TIF and they do well. They have to face reality and say we may have to raise taxes to do these things.

Mr. Prince said he appreciates public involvement in such issues. He said the ongoing changes to the tax code combined with TIF and tax abatement are extremely complicated. He said Umbaugh was asked if TIF expires as the State wants it to, where does that money go. Umbaugh said 1% gets nothing, 2% gets nothing, the money that is released goes to tax relief to the 3% bracket. That break goes to the big retailers up north and does nothing to help economic development. One-half would go to the City as a one-time payment.

Mr. Prince also said that it was worth noting that the tax rate for South Bend, PHM, and Mishawaka schools are very close across the board with or without TIF. He also said he's offended when the news wire from the State says that money would be sent back to the taxing unit, but in reality that doesn't happen. The reality is when you talk about chicken or egg; it's far more complex than saying if we eliminate TIF it would be a benefit for everyone. Mr. Prince said until everyone gets rid of TIF, we would lose projects because someone else would be willing to work with them. He also said the City has only issued about 50 tax abatements since 1986 mostly to manufacturing facilities.

Mr. Winn closed the Public Hearing for Resolution #14-01.

Mr. Lentsch said he commended Mr. Prince and the Planning Department for research that has been done. He also said he appreciates Mr. Raz being here, but the reality is we have to look out for the best interests of the City and future growth. Mishawaka is a destination point and being so also benefits the County.

MOTION: Mr. Lentsch moved to approve Resolution #14-01. Mr. Portolese seconded; motion carried with a vote of 7-0.

ADJOURNMENT: 7:57 p.m.

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Kenneth B. Prince, City Planner

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Kari Myers, Administrative Planner