

RESOLUTION NO. 13, 2001

A RESOLUTION GRANTING REAL
PROPERTY TAX

WHEREAS, the Common Council of the City of Valparaiso, Indiana has designated certain real estate within the City of Valparaiso, Indiana as an Economic Revitalization Area by the adoption of the Resolution No. 9, 1992 on June 22, 1992; and

WHEREAS, said Resolution No. 9, 1992, was confirmed by Resolution No. 10, 1992 on July 13, 1992 pursuant to Indiana Code 6-1.1-12.1 et. seq.; and

WHEREAS, Resolution No. 10, 1992 remains in full force and effect; and

WHEREAS, Resolution No. 12, 1995 extended the time period for use of tax abatement from December 31, 1995 to December 31, 2006;

NOW, THEREFORE BE IT RESOLVED, The Common Council of the City of Valparaiso hereby grants a real property tax deduction for new construction for a period of ten (10) years to Ken and Kelly Stokes. This action by the by the Common Council is based upon the following findings which were made by this Council after reviewing a statement of benefits as presented by the applicants. Council finds that:

- (1) That the application of Ken and Kelly Stokes meets the requirements for filing of tax abatement.
- (2) That Ken and Kelly Stokes hereby granted deduction for an amount not to exceed \$1,701,900.00 in costs for improvements to real estate.
- (3) That the final determination of the amount of deduction shall be made by the appropriate County and State agencies.

ADOPTED this 10th day of September, 2001 by a 4-3 vote of all members present and voting.

Aaron Carlberg

Al Eisenmenger

no

Joey Larr

no

Fred Kruger

Donald Ragsdale

no

Jan Dick

Judy Dorris

David A. Butterfield, Mayor

ATTEST:

Sharon Swihart, Clerk-Treasurer

Needs signatures

**STATEMENT OF BENEFITS**

State Form-27167 (R5 / 11-95)

Form SB - 1 is prescribed by the State Board of Tax Commissioners, 1989

**FORM
SB - 1****INSTRUCTIONS:**

1. This statement must be submitted to the body designating the economic revitalization area prior to the public hearing if the designating body requires information from the applicant in making its decision about whether to designate an Economic Revitalization Area. Otherwise this statement must be submitted to the designating body **BEFORE** a person installs the new manufacturing equipment, or **BEFORE** the redevelopment or rehabilitation of real property for which the person wishes to claim a deduction. "Projects" planned or committed to after July 1, 1987 and areas designated after July 1, 1987 require a STATEMENT OF BENEFITS. (IC 6-1.1-12.1)
2. Approval of the designating body (City Council, Town Board, County Council, etc.) must be obtained prior to initiation of the redevelopment or rehabilitation, or prior to installation of the new manufacturing equipment, **BEFORE** a deduction may be approved.
3. To obtain a deduction, Form 322 ERA, Real Estate Improvements and / or Form 322 ERA / PP, New Machinery, must be filed with the county auditor. With respect to real property, Form 322 ERA must be filed by the later of: (1) May 10; or (2) thirty (30) days after a notice of increase in real property assessment is received from the township assessor. Form 322 ERA / PP must be filed between March 1 and May 15 of the assessment year in which new manufacturing equipment becomes assessable, unless a filing extension has been obtained. A person who obtains a filing extension must file the form between March 1 and June 14 of that year.
4. Property owners whose Statement of Benefits was approved after June 30, 1991 must submit Form CF - 1 annually to show compliance with the Statement of Benefits. (IC 6-1.1-12.1-5.6)

SECTION 1 TAXPAYER INFORMATION	
Name of taxpayer Kelly and Kenneth Stokes	
Address of taxpayer (street and number, city, state and ZIP code) c/o Brian J. Hurley PO Box 209 Valparaiso, In.	
Name of contact person Brian J. Hurley	Telephone number (219) 462-2126

SECTION 2 LOCATION AND DESCRIPTION OF PROPOSED PROJECT				
Name of designating body Valparaiso City Council		Resolution number		
Location of property		County	Taxing district	
Description of real property improvements and / or new manufacturing equipment (use additional sheets if necessary) office building office park and commerical business suites		ESTIMATED		
			Start Date	Completion Date
		Real Estate		
	New Mfg Equipment			

SECTION 3 ESTIMATE OF EMPLOYEES AND SALARIES AS RESULT OF PROPOSED PROJECT					
Current number 0	Salaries 0	Number retained ---	Salaries ---	Number additional 58	Salaries 1,980,000

SECTION 4 ESTIMATED TOTAL COST AND VALUE OF PROPOSED PROJECT				
NOTE: Pursuant to IC 6-1.1-12.1-5.1 (d) (2) the COST of the property is confidential.	Real Estate Improvements		Machinery	
	Cost	Assessed Value	Cost	Assessed Value
Current values	land only 218,900	72,966		
Plus estimated values of proposed project	1,483,000			
Less values of any property being replaced				
Net estimated values upon completion of project	1,701,900	567,300		

SECTION 5 WASTE CONVERTED AND OTHER BENEFITS PROMISED BY THE TAXPAYER	
Estimated solid waste converted (pounds) _____ 0 _____	Estimated hazardous waste converted (pounds) _____ 0 _____
Other benefits: Will provide professional offices promoting the local economy with jobs and consumer spending power	

SECTION 6 TAXPAYER CERTIFICATION		
I hereby certify that the representations in this statement are true.		
Signature of authorized representative 	Title Attorney	Date signed (month, day, year) 9/6/01

FOR USE OF THE DESIGNATING BODY

We have reviewed our prior actions relating to the designation of this economic revitalization area and find that the applicant meets the general standards adopted in the resolution previously approved by this body. Said resolution, passed under IC 6-1.1-12.1-2.5, provides for the following limitations as authorized under IC 6-1.1-12.1-2.

- A. The designated area has been limited to a period of time not to exceed _____ calendar years * (see below). The date this designation expires is _____.
- B. The type of deduction that is allowed in the designated area is limited to:
- 1. Redevelopment or rehabilitation of real estate improvements; Yes No
 - 2. Installation of new manufacturing equipment; Yes No
 - 3. Residentially distressed areas Yes No
- C. The amount of deduction applicable for new manufacturing equipment is limited to \$ _____ cost with an assessed value of \$ _____.
- D. The amount of deduction applicable to redevelopment or rehabilitation is limited to \$ _____ cost with an assessed value of \$ _____.
- E. Other limitations or conditions (specify) _____
- F. The deduction for new manufacturing equipment installed and first claimed eligible for deduction after July 1, 1991 is allowed for:
 5 years 10 years The deduction period will be five (5) years unless the designating body has by resolution specified the ten (10) year period.

Also we have reviewed the information contained in the statement of benefits and find that the estimates and expectations are reasonable and have determined that the totality of benefits is sufficient to justify the deduction described above.

Approved: (signature and title of authorized member)	Telephone number ()	Date signed (month, day, year)
Attested by:	Designated body	

* If the designating body limits the time period during which an area is an economic revitalization area, it does not limit the length of time a taxpayer is entitled to receive a deduction to a number of years designated under IC-6-1.1-12.1-4 or 4.5 Namely: (see tables below)

NEW MANUFACTURING EQUIPMENT		
For Deductions Allowed Over A Period Of:		
Year of Deduction	Five (5) Year Percentage	Ten (10) Year Percentage
1st	100%	100%
2nd	95%	95%
3rd	80%	90%
4th	65%	85%
5th	50%	80%
6th		70%
7th		55%
8th		40%
9th		30%
10th		25%

REDEVELOPMENT OR REHABILITATION OF REAL PROPERTY IMPROVEMENT			
For Deductions Allowed Over A Period Of:			
Year of Deduction	Three (3) Year Deduction	Six (6) Year Deduction	Ten (10) Year Deduction
1st	100%	100%	100%
2nd	66%	85%	95%
3rd	33%	66%	80%
4th		50%	65%
5th		34%	50%
6th		17%	40%
7th			30%
8th			20%
9th			10%
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6th		17%	40%
7th			30%
8th			20%
9th			10%
10th			5%

APPLICATION FOR TAX ABATEMENT

To: Valparaiso City Council
Date: 8/21/01
From: Ken and Kelly Stokes c/o Brian J. Hurley
Address: 14 Indiana Avenue Suite 200, Valparaiso, IN 46383
Phone: 219/462-2126

I. THE PROJECT

Please consider this application for tax abatement on the following described property owned by Kenneth and Kelly Stokes. The Stokes plan to construct 3 buildings on 3.98 acres:

Lot 1 in Expo North as per plat thereof recorded in the office of the Porter County Recorder, Porter County, Indiana.

The proposed site is located on the east side of Indiana 49 South of US Hwy 30 near the site of the new jail building.

The plan provides for construction of three buildings for light commercial use which is allowed in the M-1 Zoning classification.

Building 1– 100 X 200, total building area of 20,000 sq. feet consisting of 8 corporate offices split into 2500 sq. feet each;
Cost \$1,483,000

Building 2**– 160 X 80, total building area of 12,800 sq. feet consisting of 6 corporate offices split into 2133 sq. feet each;
Cost \$ 950,000

Building 3**– 160 X 60, total building area of 9000 sq. feet consisting of 6 corporate offices split into 1600 sq. feet each.
Cost \$ 668,000

II. ECONOMIC IMPACT

A. Annual salaries from jobs created

Building 1		
63 employees	16 management level @ 65,000/year	42 clerical @ 20,000
	Total annual incomes from salaries	\$1,980,000

Building 2**		
40 employees	12 management level @ \$65,000/year	28 clerical @ \$20,000
	Total annual incomes from salaries	\$1,340,000

Building 3**		
30 employees	8 management level @ 65,000/year	22 clerical @ \$ 20,000
	Total annual incomes from salaries	\$960,000
TOTAL ANNUAL SALARIES FROM JOBS CREATED		\$4,280,000

B. Impact of improvements to Real Estate

Cost of Land.	3.98 acres X \$55,000/ acre	\$218,900
	Annual taxes on unimproved land	\$7,827.86*
Cost of Improvements.		
Total	3 buildings total sq. feet 41,800	<u>\$3,101,000*</u>
TOTAL COST OF PROJECT		\$3,319,900
Total taxes paid on project with 10 year abatement.....		\$307,342.79
Total taxes paid on unimproved property over 10 years		\$78,278.62

III. TOTAL ECONOMIC IMPACT OF PROJECT

Proceeds from sale of land and construction		\$3,319,900.00
Property tax revenue increase (ten years)	\$307,342.79 - \$78,278.62 =	\$229,064.17
Ten years of salaries from jobs created		<u>\$40,280,000.00</u>
	TOTAL	\$43,828,964.17

*estimated

** Not requesting abatement

Issues on Tax abatement for Lot 1 in Expo North

1. What is tax abatement?
You do not grant tax abatement. You agree, based on Indiana Law, to provide a discount as an incentive for the development of real estate that is for some reason not as attractive for development as other parcels.
2. This business is simply relocating to the Bypass.
The initial startup of the Expo North depends on a going concern relocating to insure some immediate and initial profitability. Without some initial income there is no economic basis to justify commencing the project.
3. What qualifies this parcel for special treatment?
The parcel qualifies under State Law by virtue of its designation by the City Council as an Economic Revitalization Area. The City has deliberated and passed an ordinance qualifying this land for tax abatement.
4. If we grant tax abatement to this petitioner then we will set a precedent and then where do we draw the line?
Only property designated in an ERA qualifies for tax abatement. The City has already designated the districts that qualify. So the line has already been drawn.
5. How much does it cost the City to grant tax abatement?
Obviously it does not cost the City anything to grant tax abatement. The discount is on tax money that is collected through the property tax and thus is provided back to municipalities based on the State Board of Tax Commissioners' formula for Porter County which of course is subject to the so-called "frozen levy" restricting governmental subdivisions to an annual increase of 5%.

The fact is that much more taxes will be collected in the area with development than without it. This justifies the incentive as there will be eight times more revenue collected even with a discount than if the property remained undeveloped.
7. Please tell us people and businesses that have committed to signing leases in the new building.
Under Indiana Law that controls tax abatement, tax abatement cannot be granted to any parcel where construction has begun. The idea is that the statute positions tax abatement as an incentive and if building has begun then why give a discount when the project seems to be already underway. No Tenant would give a commitment on a lease where there is a possibility that the project may never be built.

8. The City Council has determined that the Expo North qualifies for tax abatement by virtue of its inclusion in an Economic Revitalization Area. What reasons support passing a resolution for the Stokes Property.

The Market for the property in the Expo North subdivision is going to be effected by the presence of the new Porter County Security Center. If the area is going to develop in any orderly fashion it is necessary that the marquis lots set the stage. Lot 1 is critical because it is at the pole position of the entire development and has high visibility to what is about to become one of the busiest sections of the bypass. The bypass overlay will protect the integrity of the bypass at this point. But to what end. Someone will have to take the initial risk of putting up an expensive building to house upscale tenants to economically justify the project cost. The risk is compounded by the effect on marketability presented by the location of the jail across the street. It only makes sense that an existing business will have to be available to relocate to the site to provide an initial presence to further attract the type of additional business tenants required to make the venture economically feasible. Under the scenario presented by Ken and Kelly Stokes, their project will promote orderly growth. Without Ken and Kelly Stokes the entire development may remain vacant for an extended period.

YEAR	Amt. Paid	% Discount	TAX	Unimproved Tax
1	-	100%	60,859.96	7,827.86
2	3,043.00	95%		7,827.86
3	12,171.99	80%		7,827.86
4	21,300.98	65%		7,827.86
5	30,429.98	50%		7,827.86
6	36,515.98	40%		7,827.86
7	42,601.97	30%		7,827.86
8	48,687.97	20%		7,827.86
9	54,773.96	10%		7,827.86
10	57,816.96	5%		7,827.86
Total	307,342.79		Total	78,278.62

YEAR	Amt. Paid	% Discount	TAX	Unimproved Tax
1	-	100%	60,859.96	7,827.86
2	9,128.99	85%		7,827.86
3	20,692.39	66%		7,827.86
4	30,429.98	50%		7,827.86
5	40,167.57	34%		7,827.86
6	50,513.77	17%		7,827.86
Total	150,932.70		Total	46,967.18

Bldg 2	33972.01
Bldg 3	23887.69
TOTAL	57859.70