

Edwards,Michelle

From: Elliott,Earl
Sent: Wednesday, May 27, 2020 10:49 AM
To: Crossen,Martha; DeBaun,Curtis; Garrison,Neil; Nation,Todd; Azar, George; Auler,Amy; Edwards,Michelle
Subject: Fw: Y ABATEMENT MEMO
Attachments: 4793_001.pdf

Council Members, Please open and read the attachment before our next meeting. If have any questions, comments, concern, please share them or bring them up at the meeting. Thanks, Earl

Michelle, Please forward to Tammy and Cheryl. Thanks, Earl

From: contact@sackrider.com <contact@sackrider.com>
Sent: Tuesday, May 26, 2020 2:40 PM
To: Elliott,Earl
Subject: Y ABATEMENT MEMO

To: Members of the Terre Haute City Council

Re: Y Building Real Property Tax Abatement Request

Council Members:

I believe part of Council's due diligence on abatements should include reviewing and agreeing to the points claimed on our abatement scoring sheet.

Since our last meeting I requested the "Real Property Tax Abatement Guideline Scoring Criteria" from the petitioner. It was promptly provided and provided to you.

I have reviewed the form and the points claimed and have several observations to share but before I do, I will share some more general observations concerning abatements.

In the past, we have observed that the ultimate assessed value of rehabilitation projects and new construction projects frequently end up being much less than the reported rehabilitation/construction costs. This means the amounts of future real estate taxes abated and collected will be less than initially expected. This raises the question as to whether or not the future taxes to be received will more than cover the cost of City services to be provided. This is important and should be considered in all abatement requests.

My observations concerning the points claimed on the scoring sheet follow:

1. Item 1 - New Real Property Investment.

This item references "New Real Property Investment" and 5 points is claimed since the project is over \$3,000,000. Is "New Real Property Investment" the right term or should it be something like "Projected Future Assessed Value from this Investment." That is the amount that matters because that is the amount that impacts future local governmental revenue.

The assessed value of this project is computed using an income approach. Income is low since it is a reduced-rent residential housing project. The fact that it is low income does not reduce the cost to the City of providing services to this property and its occupants.

Items 2 through 5 - Concerning job creation, retention, and job quality.

A total of 5 points are claimed for this one job that will pay about \$36,000. The City's share of local income taxes will be less than \$180 and that assumes the employee will be a resident of Vigo County.

Item 9 - Diverse Workforce

How can a workforce of 1 be diverse? Isn't an affirmative action plan required by law?

Bonus Point Item 1 - Common Construction Wage.

Why wasn't a point claimed here? Is this item still relevant?

Bonus Point Item 2 - Contractors Licensed to do Business in Vigo County

Doesn't local law require this? If it does not, it should.

Bonus Point #3 - Materials and supplies from Vigo County Vendors

How is "a substantial amount of materials and supplies for the construction work" defined? Without a definition how does one know if this bonus point is valid?

Concerning construction labor, only workers that are residents of Vigo County on January 1 of each year pay Vigo County local income taxes. Do we know how many workers on this project live in Vigo County, other Indiana counties and in other states.

A petitioner applying for an abatement may not have these details if they are applying for an abatement early in the project planning and obtaining an abatement is critical to the financial success of the project.

I realize some of the above comments do not directly impact this particular abatement request, but I wanted to get them in the record.

Thank you for reading this far, I encourage Council discussion of the "Real Property Tax Abatement Guideline Scoring Criteria: for the Y project at the next meeting this project is on our agenda.

Sincerely,

O. Earl Elliott
City of Terre Haute
Finance Committee Chairman