



May 31, 2006

The City of Indianapolis, in partnership with Near Eastside Collaborative Task Force and many other community partners, is pursuing a Redevelopment Area designation for an area comprising a substantial portion of the near eastside.

This designation will allow the City and its partners to move forward with economic, infrastructure and housing development to assist in spurring growth in the area through creation of a housing tax increment financing district (HoTIF). Creation of a HoTIF will provide a means to improve housing, sidewalks, streets, and meet other important needs in the area. This Frequently Asked Questions guide is designed to provide information to the residents of the area and others who are interested in knowing about this important project and how it may affect them.

### **What does it mean to be a “residentially distressed or blighted area” or a Redevelopment Area?**

The designation itself does not impact property values.

The Indiana Code defines a Redevelopment Area as “an area in which normal development and occupancy are undesirable because of lack of development; cessation of growth; deterioration of improvements; character of occupancy; age; obsolescence; substandard buildings; or other factors that impair values or prevent a normal use or development of property.”

In a property-by-property survey of the proposed redevelopment area (Mar/Apr 2006) we found:

- Vacant housing units in the area have increased 27% since 1990 (2,247 vacant housing units)
- Some form of rehabilitation is required for 3,670 properties (43% of all properties)
- Population has declined by more than 4,600 (19%) since 1980
- Homeownership rate is 46%

In the proposed area HoTIF area:

- 786 parcels have vacant structures, boarded structures, are on the tax sale list, or are vacant lots (38% of all HoTIF-area parcels)
- 42% of parcels in the HoTIF area have one or more of the following characteristics:
  - Dwelling unit on the parcel is not permanently occupied,
  - Parcel is the subject of a governmental order...requiring the correction of a housing code violation or unsafe building condition,
  - Two or more property tax payments are delinquent, and/or
  - The parcel is owned by local, state or federal government

### **What is a HoTIF, and where does the money come from?**

Within a Redevelopment Area, state law provides a financing mechanism that can be used to aid in redevelopment. HoTIF (HOusing Tax Increment Financing) is that mechanism. The Metropolitan Development Commission (MDC) can designate a HoTIF, where property taxes—generated by development within the area—are used to pay for improvements in or near the HoTIF area.

In essence, the development generates funds that will help improve the area. For example, a vacant lot may pay \$100/year in taxes. If that lot is developed with a new house, the property may pay \$2000/year in taxes. The increment (\$1900) would be used for the new projects in or near the boundaries of the HoTIF, and the original \$100 would go to the previously dedicated tax pool.

### **What can HoTIF money be used for, who decides, and how can I have input?**

The guidelines for using revenue generated in a HoTIF area (also known as an “allocation area”) are quite specific, and set forth in the Indiana Code.

Permitted uses:

- construction, rehabilitation, or repair of residential units within the allocation area
- construction, reconstruction, or repair of infrastructure (such as streets, sidewalks, and sewers) within or serving the allocation area
- acquisition of real property and interests in real property within the allocation area
- demolition of real property within the allocation area
- financial assistance to enable individuals and families to purchase or lease residential units within the allocation area. (However, financial assistance may be provided only to those individuals and families whose income is at or below the county's median income).
- financial assistance to neighborhood development corporations to be used for the purpose of enabling individuals and families to purchase or lease within the allocation area

Within these permitted uses, it is our intention to hear input regarding longer-term priorities from near eastside neighborhoods during a planning process, such as Great Indy Neighborhoods. In the meantime, the City may begin to address infrastructure needs such as streets, sidewalks and sewers.

### **What is the impact of a HoTIF on other taxing authorities (i.e. IPS)?**

The City hired a private accounting firm to determine the impact to other taxing units in the HoTIF area. The report has been delivered to all of those entities.

The maximum impact to IPS is a redirected Assessed Value (AV) amount of \$53,469,280. The net result in revenues from property taxes attributed to this AV is -\$448,821 to IPS. The school district can, however, recover this revenue decrease by receiving an increase in aid from the State School Funding Formula. This adjustment will have a neutral effect on property tax receipts to IPS and will happen without school action, or automatically, with the designation of the HoTIF area.

**Will my property taxes increase?**

Homeowners in the HoTIF area will not pay more in property taxes. The HoTIF revenues will be sufficient to pay for the proposed projects as well as to provide the Property Tax Replacement Credit to individual homeowners.

**Will the City issue bonds to finance work on the near eastside?**

No decision has been made whether to bond or “pay as we go” on the near eastside. In the City’s other two HoTIF areas (Barrington and Fall Creek Place) the increment taxes are being used to pay bonds, which have financed new infrastructure. This approach has been effective, and we are exploring it as an option for the near eastside.

**How will properties be purchased; will eminent domain be used?**

After July 1, and upon adoption of the Redevelopment Area plan by the MDC, the City will begin to acquire property through tax sales and surplus sales, using the improved abandoned property tools provided by the state legislature.

The City will only pursue acquisition of properties that are vacant or abandoned (land and housing). No owner-occupied housing will be pursued. The acquisition list is available for review.

For properties the City may acquire outside of tax and surplus sales, the City is required to obtain two independent appraisals for each. The two appraisals are averaged and that amount is offered to the property owner. The property owner has 25 days to respond to the offer. If the property owner does not agree with the offer amount, the City and the property owner may negotiate at that point.

The City intends to work with every property owner in a fair and equitable manner. In Fall Creek Place, the City’s eminent domain powers were used sparingly, and recent changes to state law have since made the use of eminent domain even more difficult. Eminent domain may, however, be useful for certain properties where an owner cannot be located.

Currently, all property in the Redevelopment Area is on the acquisition list, but that does not mean that the City intends to buy all of it. We are not certain, at this point, what will need to be purchased to improve the area, so everything is on the list for now. If the City cannot acquire enough properties to make the area viable, we will not pursue the project.

**What percentage of houses will be low- to moderate-income, will any remain rental units?**

The goal of the redevelopment area is to promote and augment redevelopment activity that is already taking place in the area and to embrace the diversity of the area.

Nonetheless, homeownership in the area (46%) continues to appear out-of-balance with rental occupancy. While the rate of overall homeownership should be increased—with both affordable and market rate opportunities—attention must be paid to the need for safe, decent, rehabilitated rental housing.

**How will historic preservation concerns be addressed?**

The City has approached Historic Landmarks Foundation of Indiana and other potential partners who have interest and expertise in historic preservation. The response has been encouraging and we are exploring specific, meaningful ways in which to partner.

**How many houses will be demolished?**

The idea is not to clear large tracts of property for redevelopment. The near eastside's built environment is an asset and presents opportunities to apply new thinking to the way we carry out comprehensive community development.

**If “city money” goes into new streets, sidewalks, and curbs for the HoTIF area, will other nearby neighborhoods get slighted?**

There has been no discussion of reprogramming other monies to finance infrastructure improvements in the HoTIF area. Revenue from the HoTIF will be sufficient to cover the cost of infrastructure.

**How long will the proposed HoTIF remain in effect?**

The HoTIF will remain in place until the designation is removed by the MDC. The timing of such a removal depends on a number of factors, including overall project costs and whether the project uses bond financing or a “pay as we go” basis.

**How does a TIF differ from a HoTIF?**

Tax Increment Financing (TIF) is most often associated with large-scale economic development projects, while Housing Tax Increment Financing (HoTIF) is suited for residential redevelopment.

**Why are the proposed boundaries of the HoTIF smaller than the entire Redevelopment Area boundaries?**

The proposed HoTIF area closely reflects a “focus area” brought to the City by the Near Eastside Collaborative Task Force. The amount of local tax revenue captured within the entire Redevelopment Area, and redirected, would have a substantial negative impact on other taxing districts.