REDEVELOPMENT TAX CREDIT (RTC)
PROGRAM POLICY

PROGRAM PURPOSE

RTC Awards are made to taxpayers that propose to redevelop or rehabilitate vacant properties that have demonstrated barriers to their development including:

» Market challenges requiring public assistance to attract private investment

» Other qualities of the site that present barriers to private investment

IEDC RTC awards are intended to:

» Facilitate population attraction/retention by improving the quality of place in the community

» Promote regional economic development and collaboration

» Stimulate economic activity, in particular private sector job creation and capital investment

PROJECT ELIGIBILITY

Project priority will be based on the following:

» Adaptive reuse

» Talent attraction/retention—likelihood the project will help attract or retain people within the community

» Level of need in the surrounding community (significant market barriers are present, limiting opportunities for development or investment)

» Job creation, incentive amount awarded per job, average wage compared to county/region average

» IEDC sector priorities—Agriculture, Defense, Tech, Life Science, Manufacturing

To be considered vacant, at least 75% of available floor space under roof or 75% of the available acreage (if vacant land or brownfield with no buildings) cannot be occupied.

» Land is considered vacant if not being used for income producing purposes or if the value of the land and the surrounding properties are being depressed by current use

» If buildings on the site were demolished and the site is now vacant land, to be eligible for tax credit awards for vacant buildings, the application must contain documentation from the local unit with jurisdiction over the property showing steps were taken under the state's unsafe building law, actions which ultimately led to the demolition of the building(s)

The underlying land must be zoned commercial or industrial, or otherwise be designated as commercial or industrial in the local unit's comprehensive land use plan at the time an application is submitted to the IEDC and, once complete, will be owned by a for-profit organization and primarily used for commercial or industrial purposes.

» Exception may be made for projects that are owned by a nonprofit organization (zoned as exempt property), but primarily used for the benefit of for-profit organizations (e.g., leasing land to for-profit developer that will be used for commercial or industrial uses)

» Exception may be made for projects that are owned by a nonprofit (zoned as exempt property) if the nonprofit is making a substantial PILOT

The local unit of government with jurisdiction over the project location must provide a minimum 1:1 match to the IEDC's RTC award. Examples of funding match:

» Property tax abatement

» TIF contributions to the development

» Fair market value of the land/property if contributed to the development, as shown by an independent third-party appraisal from the local unit

» Infrastructure improvements **directly** related to the project, including site preparation and environmental remediation

Depending on the nature of the project, the IEDC may expect a more substantial local match to the IEDC's RTC award.

Projects submitted for elevated tax credit awards as the result of being included in a regional development plan must be submitted with written endorsement of the RDA.

» If an RDA endorses multiple projects submitted during a single application window, the IEDC reserves the right to ask the RDA to prioritize the projects by importance to the region

» The IEDC may prioritize projects of regional importance for tax credit awards during an application window

Projects submitted for an increased tax credit award by virtue of being in a New Markets Tax Credit or Opportunity Zone eligible census tract do not immediately qualify for an increased tax credit award. The IEDC will consider:

» The amount of investment within the last five years in the tract and surrounding community

» The extent to which the developer successfully or unsuccessfully pursued New Markets or Opportunity Zone financing—the developer must provide documentation of efforts if unsuccessful

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PROCESS

- For the 2020 fiscal year, the IEDC will accept final applications between January 1 and February 1, with awards made to applicants by April 1; and between April 1 and May 1, with awards made to applicants by July 1
- For the 2021 fiscal year and for all fiscal years thereafter, the IEDC will accept final applications between July 1 and August 30; awards will be made to applicants by November 1
- The IEDC may work with potential applicants prior to the opening of the application window to refine draft applications in order to ensure complete and final applications are submitted at the appropriate time
- Incomplete applications are ineligible for a tax credit award
- Applicants must explore **all** other funding sources prior to applying for RTC
- The amount of financial assistance from the IEDC will be determined using a needs-based analysis, taking account of the net present value of the project's cost-benefit analysis
- The taxpayer must commit to beginning construction within 1 year of receiving a tax credit award from the IEDC; if the taxpayer fails to do so, the IEDC may rescind the award
- IEDC expectations regarding project financing and fees include:
  - Senior Financing: maximize all available senior financing with preference through a federally insured and regulated senior lender
  - Equity: Provide significant owner equity investment
  - Fees: minimize or defer all developer and other related-party fees
  - Debt Service Coverage: cash flow after RTC support is enough to service debt (and if necessary, any repayment obligations required by law), but does not exceed reasonable industry standards
  - Applicant must show that they could finance the project without an award

QUALIFIED INVESTMENT

- The IEDC will approve expenditures made pursuant to a final application filed with the IEDC, so long as the expenditures are not made before the final application is filed with the IEDC
- Not every expense associated with a redevelopment tax credit project contributes toward the calculations for a tax credit. In general, only those costs that are directly related to the redevelopment or rehabilitation of real property will qualify. Typically considered "hard" construction costs, these include expenditures associated with:
  - Environmental remediation including the installation of monitoring wells, vapor intrusion mitigation systems, and soil removal and disposal
  - Demolition of existing buildings, if significant improvements are made to the property as a result
  - Building construction or renovation including the construction or improvement of the structural components of the facility including ceilings, walls, floors, and roof
  - Installation or rehabilitation of windows and doors, HVAC systems and related components, plumbing and plumbing fixtures, as well as electrical wiring and lighting fixtures, escalators, elevators, or stairs, and sprinkler systems, and fire escapes
- Other "soft" costs may also be included so long as they are directly related to the "hard" cost of construction, including:
  - Land/property acquisition (if the acquisition results in significant improvements being made to the property)
  - Architecture and Engineering fees and environmental site assessments
  - Permitting fees, if directly related to the redevelopment or rehabilitation of real property
- Expenditures that do not qualify include:
  - Market feasibility studies/analyses
  - Legal and accounting fees
  - Developer fees
  - Loan origination fees, interest, and related taxes
  - Insurance and property taxes
  - Furniture, fixtures, and equipment, if movable including desks, computers, cabinets, countertops, appliances and signage
  - Those made by or ultimately paid for by the local government

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CREDIT AWARD LIMITS

- Maximum Credit: Up to $15 Million dollars
- Credit amounts in excess $7 Million must be repaid directly. Indirect benefits realized by the state may not be used to offset repayment obligations
- The repayment structure will be subject to an independent underwriting review prior to the award of the credit to evaluate the project risk profile and establish the terms of repayment including but not limited to interest rate, frequency of payment, and repayment term and amortization period
- Multi-phase projects are not eligible to receive separate awards for each phase (i.e., more than $7M not subject to repayment)
    - Exception made for a multi-phase project that involves distinct projects submitted under a single application that are characterized by factors including but not limited to, being owned by separate entities (separate ownership of the underlying land is further evidence of project separation), funded by clearly discrete funding streams (separate equity and debt financing sources for each project), constructed by separate contractors/developers, and each phase/project could be developed independently of the others

PROGRAM CAP ALLOCATION

The IEDC will allocate tax credits each fiscal year to eligible projects as follows

- **$30 million** will be allocated to quality of place or quality of life redevelopment projects
    - These projects meet the purpose of the redevelopment tax credit program but are not associated with an IEDC business development project
    - These credits will be awarded through the redevelopment tax credit application window
- **$13 million** will be reserved for business development projects that are of significance to the state of Indiana due to the nature of the project investment, job creation, or industry sector
- **$7 million** will be reserved for projects identified by the Secretary of Commerce and awarded at its discretion

Awards are applied against the cap based on the amount that is not subject to repayment. If the IEDC provides a $10 million award to an applicant, only $7 million would be applied against the $50 million cap.