

The Implementation and Impact of Community Revitalization Enhancement Districts



State Senator Sue Errington



Economic development tool to jump-start the old to bring in the new

- The current state of the economy is weak and requires us to be more creative than ever in the way that we spend our money
- Unemployment Statistics- we must do all we can to put people back to work
- Taking advantage of emerging new technologies

Economic development tool contd.

- Retooling old buildings to make way for a new manufacturing base
 - Makes way for new companies to come in, promote economic development
 - Creates new jobs
 - Gives our cities a facelift which improves community moral and attractiveness
 - Muncie, Indiana was a major player in the automotive supply chain

The Borg Warner Factory

- The BorgWarner automotive plant employed around 4,000 workers at the height of its production in the 50's and 60's
- By the time they closed one year ago, 350 employees remained
- Mammoth: Over a million square feet with parking lots

The Borg Warner Factory



- Encompasses a quarter of a mile
- Sits at west gateway to Muncie
- Easier to attract investments to a greenfield area than to a large, outdated facility

What is a CRED?

- Community Revitalization Enhancement District (CRED) designations encourage redevelopment efforts for facilities like BorgWarner
- CREDs allow participating businesses to qualify for a tax credit up to 25 percent on state and local tax liability for qualified investments in the district

CRED contd.

- Expenditures are made under a CRED Commission adopted plan or can be pre-approved by the Indiana Department of Commerce
- In addition to the tax credit, the district's governing body can collect incremental state and local income taxes, and sales taxes
- Taxes can then be used to redevelop properties and buildings in the area

CRED contd.

- Improve streets, sidewalks and other infrastructure, improve buildings and assist with environmental cleanups/beautification and other efforts
- Capture limit: \$1,000,000/year for 15 year
- Advantage to state: Clock starts when company commits
- Now \$0 of \$0; With active CRED 75% of something

Two types of CREDs:

- 1st & 2nd class cities : Indiana has four of these
- location specific: Indiana has seven of these; three in Muncie
- Two earlier CREDs in Muncie:
 - In 2004 two CREDs were authorized for the former Delphi Battery site and the former Asea Brown Boveri (ABB) facility
 - This year's legislation established third district but limited application of the benefits to two districts at one time

CREDs in Muncie contd.

- Local leaders have the option of applying the designation to the ABB facility or the BorgWarner plant
- This third option provides the area with more flexibility to make the tax credits available at the location where we see the most business investment interest

Benefits of CRED

- The CRED designation at the former Delphi site has been credited with helping to attract MPT-Muncie, known as Magna, to Muncie
- \$73 million investment
- Created 421 jobs
- Companies looking at ABB attracted by the CRED

CRED Study Committee

- Current statute requires legislative action to establish a new CRED
 - Interim committee will study benefits of existing CREDs
 - Study committee will study possible new CREDs as economic development tool
 - Will aim to bring more economic success to state

Conclusion

- The CRED is a great example of public-private partnerships
- Passed with strong bipartisan support because legislators:
 - Have vacant facilities like Borg Warner in many parts of the state
 - Recognized the jobs creation potential in a CRED
 - Saw that getting a large facility back in operation can help boost the economy of the entire East Central Indiana region