

MAY 22 2019

Edwards,Michelle

**From:** Steve Witt [switt@terrehauteedc.com]  
**Sent:** Wednesday, May 22, 2019 11:20 AM  
**To:** Nation, Todd; Richard Shagley  
**Cc:** Neil Garrison; Nation, Todd; Auler, Amy; Don Morris; Azar, George; Curtis DeBaun; Earl Elliott; Karrum Nasser; Martha Crossen Gmail; Felling, Darrell; Edwards, Michelle  
**Subject:** \*Ext!\* Re: YMCA  
**Attachments:** ymca building - commonwealth incentive letter (3).docx

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- Helpdesk

Good morning, Todd/all.

Attached is a copy of the incentive letter which I provided to Kevin McDonnell of The Commonwealth Companies in late August, 2018, at the request of the Mr. McDonnell. This is a letter format that I typically provide in regard to industrial projects, but I thought the format would also work well for the proposed YMCA renovation project as the Indiana Housing Community & Development Authority (IHCDA) requires an idea of what might be forthcoming in the way of local incentives as that information is necessary for the IHCDA's scoring comparison. In this letter, I emphasized (as always) that (a.) the decision whether or not to provide tax abatement in the first place is ultimately the decision of the City Council and (b.) the Council also utilizes a scoring system as a guide to the length of the abatement (a copy of which was provided with the letter). For illustration purposes, I utilized a ten-year tax abatement scenario. Also, at that time, the estimated total project cost was \$6.2 million, with \$4.8 million to be invested in the existing structure and \$1.4 million in the proposed new structure to be located south of the existing structure.

Since the proposed project is rather unusual in that it consists of a significant investment in a very old building, coupled with construction of a new structure, I asked Jason Semler at Baker Tilley (formerly Umbaugh) for guidance in regard to the estimated project cost to utilize as a basis for estimating an abatement. Based upon what Umbaugh was seeing at the time around the State, Jason recommended – to be conservative - that I utilize 65% of the proposed investment in the existing structure and 90% of the proposed investment in the new structure as the basis for estimating the abatement. *As we all know, it is virtually impossible to estimate, with certainty, how the structure(s) (particularly the existing structure) will ultimately be assessed in the future, so conservative cost estimates were utilized.* (A similar situation exists with The Deming project. I believe Core Redevelopment invested approximately \$7.5 million in that project. The current assessed value is approximately \$1.9 million).

With the \$6.2 million total investment figure in mind, 65% of 4.8 million (existing building investment) = \$3,120,000; 90% of \$1.4 (new structure investment) = \$1,260,000 for a total estimated project cost/investment (for abatement estimation purposes) of \$4,380,000. For simplicity sake, I rounded up the total investment to \$7 million (I understand it's now estimated to be \$10 million), which yielded a slightly higher total estimated cost figure for estimating the abatement of \$4,850,000.

To estimate property tax abatement savings, I always utilize the Umbaugh (now Baker Tilley) "tax abatement estimator" which can be found here:

<https://www.hoosiersites.com/taxes>

So, if one would go to the website link above and then proceed through the following steps . . .

State - Indiana; County - Vigo; Township - Harrison Sanitary; Abatement Type - State Deduction Tables; Cost of Real Property - \$4,850,000; Number of Year - 10 Years

. . . figures very similar to what is outlined in the attached incentive letter from last August will be generated. (The reason the figures are slightly different today, from last August, is the tax rate utilized by the estimator has changed to reflect the latest tax rate.)

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It appears that a primary question may be revolving around the length of the abatement. As I believe everyone knows, tax abatement in Indiana consists of the phasing-in of the net increase in assessed value on real and/or personal property, created by new investment. Any assessed value already "on the books" cannot be abated. Also, the land itself cannot be abated. So, property taxes as they exist today will continue to be paid in the future regardless of a tax abatement scenario.

Using a \$1 million new real property investment figure as an example for illustrative purposes (estimated on the Baker Tilley estimator), Years 1 – 5 would yield a total estimated tax abatement savings of \$82,270. However, in Years 6 – 10, the total estimated tax abatement savings drops to \$22,149. (In years 9 - 10, the total estimated savings is only \$3,164.)

So, without question, Years 1 – 5 yield, by far, the majority of the savings on a ten-year real property abatement. The final years of the abatement yield relatively little savings. Just my opinion, but if providing a ten-year abatement as opposed to, say an eight-year abatement, helps make the proposed project a reality, the added estimated abatement savings between an eight-year abatement and a ten-year abatement is de minimis.

One thing we know for sure . . . if the project moves forward, there will be additional assessed value/tax revenue forthcoming – even at a ten-year abatement level – regardless of how the property is ultimately assessed in the future. If the project does not move forward, the current assessed value/tax revenue situation will remain status quo and the existing structure will continue its path of deterioration.

I hope this information is helpful. Please let me know if you have any questions.

Thank you.

Steve Witt

**From:** Todd Nation <booknation@gmail.com>  
**Date:** Tuesday, May 21, 2019 at 10:04 PM  
**To:** "Shagley, Richard" <richards@wslfirm.com>  
**Cc:** 'Neil Garrison' <nvgarrison@gmail.com>, Todd Nation <todd.nation@terrehaute.in.gov>, Amy Auler <Amy.Auler@terrehaute.in.gov>, Don Morris <71morris@gmail.com>, George Azar <azar1203@gmail.com>, Curtis DeBaun <curtis.debaun@gmail.com>, Earl Elliott <eelliott@sackrider.com>, Karrum Nasser <karrumnasser@gmail.com>, "Martha J. Crossen" <marthacrossen1@gmail.com>, Eddie Felling <Darrell.Felling@terrehaute.in.gov>, Michelle Edwards <Michelle.Edwards@terrehaute.in.gov>, Steve Witt <switt@terrehauteedc.com>  
**Subject:** Re: YMCA

Thanks for sharing this, Richard.

I'm also interested in the Harrison Township Assessor's answer to Councilperson Auler's questions about how that office would assess the proposed project, and Steve Witt's explanation of how he arrived at his estimated assessment. I'm sure you remember that Councilperson Elliott asked about the disparity between Steve's number and that of the petitioner.

As you pointed out at our meeting earlier this month, this proposal is very likely the old YMCA building's last chance. It has been empty and neglected for nearly a decade — the chimney has partially collapsed, the roof is leaking and the property looks shabby. We are lucky that Commonwealth has pursued and secured tax credits to develop 40 units of affordable housing there.

See you soon,

Todd  
mobile 812-870-4986

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On May 21, 2019, at 4:43 PM, Richard Shagley II <[richards@wslfirm.com](mailto:richards@wslfirm.com)> wrote:

**\*\*External Email - Think Before You Click\*\***  
- Helpdesk

Good afternoon.

As you are aware, we represent the parties attempting to revitalize the former YMCA building.

Pursuant to our discussions at the meeting earlier this month, please find attached a letter from the Indiana Housing & Community Development Authority. As you will see, it indicates that if this project does not get an abatement, the tax credits will no longer be available. As we discussed, Historic Walnut Square LLC received the tax credits as a result of a scoring system in which they indicated a 10 year abatement. As a the letter says, anything that would change that scoring will jeopardize the tax credits.

If you have any questions, please do not hesitate to contact me.

--  
Richard J. Shagley II  
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The City of Terre Haute 17 Harding Avenue Terre Haute, IN 47807

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<Funding Letter.pdf>

July 25, 2018

Mr. Kevin McDonnell  
Vice President of Development  
The Commonwealth Companies  
5334 Whitemarsh Lane  
Indianapolis, IN 46226

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ECONOMIC  
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Dear Kevin:

On behalf of the citizens of Terre Haute, we are delighted that The Commonwealth Companies ("Commonwealth") is considering Terre Haute's historic YMCA building for a new housing development project opportunity. It is our understanding that Commonwealth is contemplating the investment of approximately \$6.2 million into the facility, of which approximately \$1.4 million will be for a new construction addition.

Based upon this information, we would like to offer the following information for Commonwealth's consideration:

**1. Estimated Real Property Tax Abatement Savings of Approximately \$547,682**

- The Terre Haute City Council has a history of favorably receiving eligible applications for real property tax abatement from companies that plan to make a significant real property investment within the community. In Indiana, property tax abatement consists of the phasing-in of the net increase in assessed value of real and/or personal property. (Land cannot be abated.) The maximum length of abatement available under a conventional real property abatement scenario is ten years.

The City of Terre Haute utilizes a scoring system as a guide regarding the length of tax abatements. A copy of the guide is attached. For purposes of this letter, we'll assume the company will receive the maximum ten-year abatement for real property. (The Terre Haute City Council will ultimately approve or deny the abatement request as well as determine the length of the abatement using the scoring system as a guide.)

For estimating purposes, we utilized 65% of the projected investment in the existing facility and 90% of the projected investment in the new addition. (This is due to the fact that it is very difficult to estimate how the property will be assessed upon completion (particularly in regard to the rehabilitation of the existing structure), thus we have utilized conservative investment figures for our estimate.) Based upon the investment figures provided to us, we have estimated a total ten-year real property tax abatement savings to Commonwealth of approximately \$547,682. Our estimated savings calculation is further detailed below:

Real Property

Total Estimated Investment: ~ \$7,000,000 (\$4,850,000 conservatively used as explained above)

Total Estimated Local Property Taxes Without Abatement: \$1,106,430

Total Estimated Local Property Taxes With Abatement: \$558,748

Total Estimated Savings – Ten Year Real Property Abatement: \$547,682

**2. Proposed Tax Increment Financing Assistance for Public Infrastructure Improvements of \$500,000** – Subject to successful financing of the proposed \$7 million project - along with the approval of the Terre Haute Redevelopment Commission at the appropriate time - the Terre Haute Department of Redevelopment will provide \$500,000 in funding for public infrastructure improvements. These funds are on hand and ready to be deployed should the proposed new housing development project move forward.

The City of Terre Haute will work with Commonwealth to effectuate the incentives outlined herein, but please note that this incentive offering is subject to all applicable state and local laws, procedures and regulations, including the submittal of formal tax abatement application materials to the Terre Haute City Council. **The granting of real and/or personal property tax abatement is ultimately the decision of the Terre Haute City Council. The approval of funding of public infrastructure improvements from our downtown tax increment financing district is ultimately the decision of the Terre Haute Redevelopment Commission.**

We hope that the information outlined herein will convince Commonwealth that Terre Haute's historic YMCA building presents a great project opportunity for the company.

Please do not hesitate to contact me at (812) 234-2524 ext. 13 or at [switt@terrehauteedc.com](mailto:switt@terrehauteedc.com) if you have questions or require additional information.

Sincerely,

*Steve Witt*

Steve Witt  
President

cc: Mayor Duke Bennett – City of Terre Haute  
Mr. Curtis DeBaun III, President – Terre Haute City Council  
Mr. Phil Kesner – Department of Redevelopment