Should tax-exempt groups pay city fee?

Corey Elliot  celliot@dailyjournal.net
First Posted: August 23, 2015 - 7:58 pm
Last Updated: August 23, 2015 - 7:58 pm

A plan to charge churches and other nonprofit organizations a fee to move into or expand in certain areas of Greenwood has gotten some pushback from city officials.

The plan to charge a fee would apply only to churches and other nonprofit organizations within the city’s tax-increment financing (TIF) districts. Organizations and churches already located in those areas would not have to pay the fee unless they expanded, moved or bought new property, according to the proposal.

In a first vote, the fee was approved by the city council 6-2. But in a second vote, the proposal stalled with a 4-4 vote. Now, the city council is set to consider the fee again Sept. 9. In order to be approved, the fee must get a majority of votes.

Supporters of the fee say it is necessary so that the city can collect the tax dollars needed to pay back the debt on projects such as Freedom Springs Aquatic Park and the new Interstate 65 interchange and to be able to set aside money for future infrastructure work and to attract new companies to the city. If nonprofit organizations are located in the city’s TIF districts, the city loses out on tax money on the land, money that could have been collected and set aside for those projects, city officials said.

“It’s very important for us to continue to see businesses come into the city whether it’s commercial, or retail — that’s what we want — but nonprofit and tax-exempt decrease the value of an area,” Greenwood Mayor Mark Myers said.

“We don’t want to discourage nonprofit or tax-exempt, but if they’re going to come into (TIF) areas we expect them to make payment in lieu of taxes.”

But some council members raised concerns about the nonprofits that would have to pay the fee.

Council member Thom Hord voted against the proposal because tax exemption for nonprofit organizations was established specifically to help those types of entities, Hord said.

Hord has served on church staffs, and he runs The Refuge, a nonprofit that helps feed the hungry and also serves as an after-school program for kids. He has seen how tax exemption helps nonprofit organizations, he said.

“In my opinion, it’s not the right way to collect,” Hord said.
Under the proposal, a nonprofit organization in a TIF district would be required to pay a fee that would be equal to how much they would pay in property taxes, which would be calculated using the assessed value of the property and the total tax rate. The money would then go to the redevelopment commission, which manages money in the city’s TIF districts, according to the proposal.

The city’s TIF districts are centered around the municipal airport, downtown, Fry Road, east of Interstate 65 and the east side of the city.

If a church or organization is already in a TIF district, it would not have to pay the fee. But if that group bought new land, expanded or built a new facility, it would have to pay the tax on the value of that newly built property, according to the city’s proposal.

The city already has been making that push. In February, Goodwill agreed to pay taxes as one of several conditions it and the city agreed on in order to build a warehouse near Emerson and County Line Road.

At the Aug. 3, city council meeting the council gave an initial approval to the fee. Hord and Bruce Armstrong voted no. On Aug. 17, a second tie vote failed to move the fee forward, with Hord, Armstrong, Ron Bates and Mike Campbell voting against the tax.

Hord said the details of what makes a nonprofit or tax exempt organization subject to the fees are too vague.

According to the proposed ordinance, a church or nonprofit located in a TIF district prior to the change is grandfathered in and won’t have to pay the fees. But if that organization decides to expand the facility or buy a different property, the new property or addition would be charged the fee. And if an organization that has been located in Greenwood moves into a new facility or office located in a TIF district, then it also will have to pay the fee.

Campbell said he initially voted for the tax but changed his vote because the wording makes it hard to draw a distinction between what requires an organization to pay a fee and what does not.

“The problem I have is some churches, if they’re in TIFs and grandfathered in but want to expand, those churches will have to pay the fee. I have a problem with churches paying that,” Campbell said.

The intent of the proposal is to protect the value of TIF districts and the city’s investment in those areas, the corporation counsel Krista Taggart said.

The city isn’t trying to discourage nonprofit and tax-exempt organizations, Taggart said. Nonprofit organizations provide valuable services and jobs. The fee is meant to direct nonprofit and tax-exempt groups to build or expand in areas outside TIF districts, unless they’re willing to pay the fee, Taggart said.

Think your friends should see this? Share it with them!
Mayor tries to find balance on nonprofit fee proposal

By Corey Elliot · celliot@dailyjournal.net
First Posted: October 16, 2015 - 9:36 pm
Last Updated: October 16, 2015 - 9:36 pm

A northern suburb of Indianapolis can charge a fee to nonprofit organizations and churches that move into certain areas of the city but has never had to.

Instead, city officials have been able to work with churches and other groups to encourage them to move into other areas of the city, where they wouldn’t be charged a fee.

Two years ago, Noblesville approved a fee equal to the property taxes that would be charged to nonprofit organizations, including churches, that move into the city’s tax-increment financing, or TIF, districts.

When Greenwood drafted a similar proposal in August, it was based in part on what Noblesville did, Greenwood Mayor Mark Myers said.

Greenwood’s plan was voted down by the city council after ministers raised concerns, but Myers plans to bring it back again when the city finds a way to propose the fee so that local pastors and the city can build consensus with an agreement that satisfies both sides, Myers said.

First, he wants to talk with other communities that charge the fee about how they were able to get the proposal approved without backlash from local nonprofits and religious congregations.

Myers said he doesn’t want a divide between the city council, residents and religious leaders, but he wants to have a way to protect the city’s investment in its TIF districts, so that nonprofits that don’t pay taxes won’t locate there and take up land where a business could build and pay taxes. Tax dollars collected in TIF districts are set aside to pay for economic development and infrastructure projects to attract new development to the city.

In the past, Greenwood has used that money for improvements to the Greenwood Public Library, widening Worthsville Road to four lanes and a portion of the cost for Greenwood’s new aquatic center; and it has plans to use it for renovations to the Greenwood Municipal Airport.

By charging nonprofits a fee for locating or expanding within a TIF district, the city either would collect money from that organization or would discourage it from locating in the district, Myers said.

Myers said he plans to talk to other cities and towns, such as Noblesville, that have approved a similar fee to try to find the best way to approach the issue.
"We're going to research what other cities have and see how they were able to pass it without controversy," Mayor Mike Hendricks said.

"I absolutely do not want to offend the churches. I'm very concerned about that. I don't want a negative relationship. But I want to see how we can make this a win for both sides."

When Noblesville approved the fee in 2013, it did so without any members of the community or ministers from local churches protesting, Noblesville Deputy Mayor Hendricks said.

He said that was because the city worked with nonprofits to help them understand the investment the city had within its TIF district. Noblesville officials told churches and other nonprofits that the city wanted them there, but that the TIF districts were not the place for them, he said.

Since approving the fee, manufacturing and industrial buildings have been the primary development in Noblesville's nine TIF districts, which was the goal, Hendricks said.

A church was interested in moving into a 37,000-square-foot building at one of the city's business parks that is in a TIF district. City officials met with the church and told the leaders that the building was in an area where the city had invested a lot of money and that the church would have to pay a fee equivalent to property taxes if it moved there, Hendricks said.

Hendricks said church leaders understood why the city preferred the congregation not move into the building in the TIF. The church ended up locating in an area outside a TIF district, and Pharmakon Pharmaceuticals eventually moved into the building.

Currently, Pharmakon pays about $46,000 in property taxes per year, Noblesville public affairs manager Robert Herrington said. The company is planning a 50,000-square-foot expansion and will create another 150 jobs once construction is complete, which will bring in more tax dollars for Noblesville.

If a nonprofit still wanted to build in a TIF district, Noblesville can implement a lower fee in the beginning. It can phase in the fee like a tax abatement, Hendricks said. A standard, 10-year tax abatement allows a business to be tax free in year one and pay 10 percent more in taxes each year for the next nine years. Similarly, a nonprofit's fee wouldn't be a lot during the first few years of locating inside a TIF.

Myers said he is open to other options and plans to consider similar ideas, such as a phase-in of the fee.

"I haven't thought about ideas, but anything is open for discussion," Myers said. "We are going to let it wait for a while and get input from other cities and towns."

Think your friends should see this? Share it with them!
Greenwood council unanimously votes down nonprofit fee

By Corey Elliot  celliot@dailyjournal.net
First Posted: October 06, 2015 - 9:17 pm
Last Updated: October 06, 2015 - 9:19 pm

Greenwood won’t charge a fee to nonprofit organizations and churches that locate in certain parts of the city — for now.

City council members unanimously turned down a proposal that would have charged churches and other nonprofits that locate or expand within tax-increment financing, or TIF, districts a fee to help fund government. The proposal had drawn criticism, especially from local churches. More than 40 ministers and members from local churches came to the meeting this week and responded with a round of applause to the 0-9 vote that defeated the proposal.

Then, Berean Baptist Church Pastor Bill Blakely asked council members an important question: Could this proposal resurface?

The answer: Yes.

The proposal the city has been considering would have required nonprofit organizations and churches that move into or expand in one of the city’s TIF districts to pay a fee equal to what the city would have collected in property taxes if they weren’t tax-exempt. Supporters said the fee was needed to discourage nonprofits from moving into the city’s TIF districts, which set aside property tax dollars for infrastructure and economic development projects.

The unanimous defeat of the proposed fee came after Mayor Mark Myers asked council members to remove the item from their agenda because he said it was creating too much controversy.

But Myers isn’t done with the idea. He plans to talk to other communities, such as Noblesville, which charge the fee. Myers wants to find out how the fee was approved and supported in those communities.
Myers has said the city needs to collect the fee to protect its investment in TIF districts, which are centered around the municipal airport, downtown, Fry Road, east of Interstate 65 and the east side of the city.

Point Church Pastor Steve Rhoades, who has been one of the most vocal opponents to the proposal, has said the fee would be a burden on churches and that requiring them to pay it could force them to close or hurt their operations.

"With this proposal, the city would be creating religion-free zones within its TIF areas," Rhoades said at Monday's meeting.

Council member Bruce Armstrong said that if the fee does come back, it would need to go through more approvals, and he won't vote for it.

"If this fee were to come back, the entire process would have to start over again," Armstrong said.

"And if it does, I will have no support in it. I didn't support it this time, and I see no reason whatsoever to change my mind."

Think your friends should see this? Share it with them!