

Indiana Advisory Commission on Intergovernmental Relations
Monday, December 1, 2015
9:00 A.M. – 12:00 P.M.
Statehouse, Room 404
200 W. Washington Street
Indianapolis, Indiana

MINUTES

CALL TO ORDER/WELCOME

Chairman Mark Messmer called the meeting to order and welcomed the group at approximately 9:10 am. Chairman Messmer asked for introductions from those in attendance. Attendance is shown in Attachment A.

Meeting Agenda

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| • Call to Order/Welcome | Chairman Mark Messmer |
| • Approval of Minutes of November 13, 2015 | Chairman Mark Messmer
Membership |
| • Topic: Ensuring the ability of local government to provide and fund local services, including discussion of minimum property taxes, adjusting property assessment rules for nonprofits, and enhancing the ability of local government to assess service fees/payments in lieu of taxes. | Chairman Mark Messmer
Jamie Palmer
Membership |
| ○ Testimony (brief) | |
| ○ Commission Discussion/Recommendations | |
| ○ Topic: Ways to encourage local government to utilize current tools for improved efficiency and effectiveness, including interlocal agreements, joint purchasing, local government structural and service consolidation, contracting, and public private partnerships (P3). | Chairman Mark Messmer
Jamie Palmer
Membership |
| ○ Update on Study of Local Fire and EMS Services | Chairman Mark Messmer
Jamie Palmer |
| • Update on 2016 IACIR Survey of Local Elected Officials | Chairman Mark Messmer
Jamie Palmer |
| • Upcoming Meetings: | Chairman Mark Messmer |
| ○ TBA | |
| • Adjournment | Chairman Mark Messmer |

APPROVAL OF MINUTES OF NOVEMBER 13, 2015

Chairman Messmer asked the commission to review the minutes from the previous meeting, November 13, 2015.

Commissioner Ken Paust made a motion to approve minutes as written. Representative Sheila Klinker seconded the motion. The motion carried unanimously.

ENHANCING THE ABILITY OF LOCAL GOVERNMENT TO PROVIDE AND FUND LOCAL SERVICES

Jamie Palmer said there was robust discussion about ensuring the ability of local government to provide and fund local services at the November 13, 2015 meeting. The meeting was opened for testimony.

Kathleen Taylor, Indiana Association for Community Economic Development (IACED), provided the Low-income Housing Guidelines from the Internal Revenue Service's (IRS) Revenue Procedure (Attachment B). This document defines affordable housing as a mission-based charitable service. She also provided a flyer from the National Low-Income Housing Coalition (Attachment C) that describes rental housing costs in Indiana counties and metropolitan areas.

Ms. Taylor said that 40 members of IACED were concerned about assessing property taxes on low-income housing owned by housing nonprofits. Many organizations are being forced to stop providing affordable housing to the detriment of poor families. Housing partnerships offer operate on a thin margin. When they have to pay property taxes, they operate at a loss and are not sustainable. When they stop operating, communities have deficits of affordable housing.

Chairman Messmer said that he knows the assessors in Dubois County will assess at commercial real estate rates when a particular property falls into the grey area of the law.

Representative Klinker asked if any members have challenged their assessments.

Ms. Taylor said she is aware of one nonprofit that is getting prepared to challenge in case they are not able to get a better resolution. IACED is determining how many counties are being challenged. Challenging the assessment is a financial and administrative hardship for nonprofits.

Mayor Joe Wellman asked for confirmation that Indiana has 30 percent of its population in rental properties. He asked if the number of households was available.

Ms. Taylor indicated that 30 percent is the population in rental housing. She indicated she would get the numbers of households.

Linda Nord, Indiana Association of United Ways (IAUW), spoke about the nonprofit property tax exemption. She explained that there is no statewide nonprofit association in Indiana so the IAUW sometimes serves as a statewide convener. Ms. Nord explained that IAUW believes that local communities thrive when all three sectors are strong: business, government and charitable sectors. She then addressed six specific issues (Attachment D).

Representative Klinker asked why nonprofits don't challenge their appeals.

Ms. Nord said that they are already considered a nonprofit by the IRS. And if they went, they would incur fees.

Representative Klinker remarked that there are some expensive elderly nonprofit housing properties that don't pay taxes but should. Those less fortunate should not.

Chairman Messmer restated Ms. Nord's comments to mean she is looking for clarity, and consistency in the tax treatment of nonprofits across the state.

Ms. Nord said yes.

Recommendation Discussion

Chairman Messmer brought the group's attention to the potential recommendation to index the tax benefit for land in the Classified Forestry and Wildlands Program to allow more revenue for local government (Attachment E). He remarked that an assessed value of \$13.29 from \$1.00 is a cheap rate of inflation. For some local governments, it can make a real difference.

Councilman Larry Hesson said he couldn't imagine that property owners would complain.

Representative Klinker made a motion to adopt the recommendation to raise the assessed value per acre for land in the Classified Forestry and Wildlands Program to \$13.29 and to index in subsequent years. The motion was seconded by Representative Tom Saunders. The motion carried unanimously.

Regarding 2015 HB 1476 (Karickhoff) which allows a county council or county income tax council to adopt a property tax replacement fee, Representative Mike Karickhoff said that it was a fairness issue. There are 200,251 parcels statewide that pay less than \$100 and 330,568 parcels that pay less than \$200.

Chairman Messmer read the potential motion to support the concept of a minimum service fee for residential properties with multiple exemptions (i.e., homestead, supplemental, and mortgage exemptions, and various property tax credits) and no or very low tax bills.

Mayor Wellman asked if the fee could be indexed over time.

Councilman Hesson said he was in favor but concerned about nonprofits, especially hospitals. This might offend some sense of fairness.

Chairman Messmer said that affordable housing operates at a loss. Hospitals make a profit. He suggested a separate recommendation.

Councilman Geoff McKim would support a replacement fee for residential properties.

Councilman McKim made the motion to recommend the establishment of a minimum property tax replacement fee for residential properties with multiple exceptions and no or very low property taxes. Mayor Wellman seconded the motion. The motion passed unanimously.

Chairman Messmer said that in university cities, like Indianapolis, West Lafayette, Evansville, South Bend, etc. there sometimes is a fee-for-service arrangement.

Representative Saunders said he was an assessor and has sympathies. He suggests adopting a rule allowing local government to levy fees to provide services. It is important that all properties pay for services except for places of worship.

Chairman Messmer would like to drill down on the definitions of nonprofits and nonprofit-owned properties. There should be consistency of administration from county to county.

Representative Saunders would like to urge the General Assembly to adopt legislation to all local government units to levy fees to tax exempt properties and revisit the language.

Commissioner Paust suggested that it is difficult to define exactly what nonprofits should be subject to payments in lieu of taxes. For example, dealing with hospitals versus assisted living. A hospital may give \$1 million to charity in the locality. If subject to PILOT, they might not make those contributions and the benefit would be lost.

Representative Saunders suggested going with a tax credit and establishing a study committee to consider these issues.

Representative Karickhoff agreed the issue should be studied.

Commissioner Paust said that road funding is to many a high priority.

Councilman Hesson said the cost of services vary widely from county to county.

Representative Saunders said a PILOT it wouldn't hurt hospitals but it might put the little guy out of business.

Mayor Wellman said the trouble is in the details including where to start and stop with fees for services.

Councilman McKim said a study is good start. We what other states do and consider home rule.

Chairman Messmer recommended a study committee to look at the mechanics of property tax assessment of nonprofits.

Representative Klinker made a motion to recommend an interim legislative committee to study the impact of non-for-profit organizations on local property taxes. Councilman Hesson seconded the motion. The motion carried unanimously.

Chairman Messmer would like to revisit the definition of charitable uses in the statute.

Representative Saunders made the motion that there be clarification made to the definition of charitable purpose in qualifying for property tax exemption. Representative Klinker seconded the motion. The motion carried unanimously.

Representative Klinker mentioned that Purdue President Mitch Daniels and West Lafayette Mayor John Dennis have an agreement to redo State Street. A local need was identified and the two entities worked together to find the solution.

WAYS TO ENCOURAGE LOCAL GOVERNMENT TO UTILIZE CURRENT TOOLS FOR IMPROVED EFFICIENCY AND EFFECTIVENESS.

Ms. Palmer indicated that this discussion would include interlocal agreements, joint purchasing, local government structural and service consolidation, contracting and public private partnerships could increase the efficiency and effective of local government.

Public Private Partnerships

G. David Caudill, an intern at the IU Public Policy Institute, provided some basic definitions and examples of Public-Private Partnerships (PPP or P3)(Attachment F).

Representative Karickhoff asked if there typically were performance measures built-into the pay schedule.

Mr. Caudill said there are in some cases. It is a recommended best practice.

Councilman McKim asked if there are case studies and a catalogue of P3s.

Mr. Caudill will do look for that information.

Ms. Palmer said questions regarding P3s can be added to the 2016 IACIR Survey of Local Government Officials.

Councilman Hesson said it would be good to find out what made a P3 successful or why it failed.

Ms. Regina Sharrow, Faegre Baker Daniels provided additional information about Public-Private Partnerships (Attachment G).

Chairman Messmer asked what the dollar threshold might be. Is there a project too small?

Ms. Sharrow said that this tool generally is used for bigger projects. It really would depend on the particular services and circumstances. There is one group that works with smaller projects and have a template. She can provide their contact information.

Chairman Messmer asked if any of the folks in attendance use P3s for local government.

Representative Klinker is wary of them. They have done those before, for example, for quarry work. They found there was no cost savings.

Ms. Sharrow said that when that happens, it is important to step back and evaluate what happened and why. It is important to consider the value for the money. Europe does this well.

Ms. Palmer asked how Indiana local governments can be better consumers.

Ms. Sharrow said the best practice is to plan up front. There are many advisors who will work at risk to help local governments get started.

Ms. Palmer asked if our statute has all the elements it should.

Ms. Sharrow said we need more time to look at the Indiana statute and compare it to the model.

Mayor Wellman said with the right application and more education it might be useful tool.

Councilman Robin Brandgard said they use Memorandums of Understanding (MOUs) when looking for best costs.

Councilman McKim asked P3s could be used to develop or expand a convention center. He'd like to use it in Bloomington.

Ms. Sharrow said that when private entities build facilities and are responsible for maintenance, the building tends to be built to a higher standard.

Government Modernization Statute

Ms. Palmer provided information on the Government Modernization Statute (Attachment H) including the impetus, the statute and amendments over time, recommendations from the previous IACIR study, and information about local government consolidation efforts.

Chairman Messmer asked if this tool covered school corporation consolidation.

Ms. Palmer said schools can use this statute. Most of the school consolidations in the 1950s and 1960s were accomplished under another statute that is still available.

Chairman Messmer suggested that a financial incentive from the state is needed to encourage use of this tool.

Councilman McKim said that it is important to keep consistent officers when consolidating schools.

Ms. Palmer said the statute allows a lot of flexibility.

Representative Klinker said they had a positive outcome with the Linton-Stockton consolidation. There was no loss of the small town feeling and a lot of enthusiasm.

Mayor Wellman said consolidation makes for bigger government.

Ms. Palmer said the biggest impediment seems to be the consolidation of elected representation.

Mr. Darren Vogt said that there is the fear of the unknown. You need a plan at the front end. It is a matter of community leadership.

NEXT MEETING

Ms. Palmer will send out a list of potential dates for the next meeting to be held in late March or early April.

Chairman Messmer thanked the group and appreciated their efforts.

ADJOURNMENT

Chairman Messmer adjourned the meeting at approximately 12:00 p.m.