

Indiana Enterprise Zone Program Policy Statement

Introduction and Description

In 1983, the Indiana General Assembly passed legislation that provided for the creation of enterprise zones. The broad purpose of enterprise zones in Indiana is to stimulate local community and business redevelopment in distressed urban areas. The program seeks to improve the quality of life within the zone through economic incentives and by building public-private partnerships aimed at strengthening local capacity for human and economic development. It is a comprehensive redevelopment program requiring the coordinated effort of business, government and residents in a cooperative managing structure.

There are 27 enterprise zones in Indiana. Twenty (24) of the zones are located in the following cities: Anderson, Bedford, Bloomington, Connersville, East Chicago, Elkhart, Evansville, Fort Wayne, Gary, Hammond, Indianapolis, Jeffersonville, Kokomo, La Porte, Lafayette, Marion, Michigan City, Mitchell, New Albany, Portage, Richmond, Terre Haute, South Bend, and Vincennes. Grissom Aeroplex (formerly Grissom Air Force Base) located in Miami County, Fort Harrison (formerly Fort Benjamin Harrison) located in Marion County and the Indiana Army Ammunition Plant located in Clark County are also enterprise zones.

The enterprise zone program is staffed by the Indiana Department of Commerce and administered by the State Enterprise Zone Board.

(This program is established by Indiana Code 4-4-6.1 "Enterprise Zones.")

Program Organization Overview

The Indiana Enterprise Zone Program is governed by the 20-member Indiana State Enterprise Zone Board and staffed by the Indiana Department of Commerce (IDOC). The Board has broad powers to designate, review, approve and disqualify enterprise zones. A local Urban Enterprise Association (UEA) administers each local enterprise zone. UEAs serve as catalysts for zone development, promote the zone to outside groups and individuals and act as a liaison between and among businesses, residents and state and local governments.

Program Organization Overview

Qualified businesses located in enterprise zones are eligible for tax abatements, credits and exemptions. A business' tax savings must be reinvested in the business or a business' employees who reside in the enterprise zone or be contributed to the local UEA. If a business's tax savings amount to more than \$1,000, it must submit a one percent registration fee to the Department of Commerce for administrative purposes.

Threshold Criteria for Enterprise Zone Eligibility

The State Enterprise Zone Board may designate an enterprise zone if it finds that the following criteria exist in a proposed zone:

- ❶ 25 percent of zone resident households are below the poverty level established by the U.S. Census or the average rate of unemployment for the most recent 18 month period is at least one and one-half (1 1/2) times the statewide rate for the same period.
- ❷ Resident population is greater than 2,000 but less than 10,500.
- ❸ The area is greater than 3/4 square mile but less than 4 square miles with a continuous boundary.
- ❹ Property suitable for the development of a mix of commercial, industrial and residential uses.
- ❺ The appointment of an urban enterprise association that meets the requirements of IC 4-4-6.1-4.
- ❻ A statement by the applicant indicating a willingness to provide specified economic development incentives.

Enterprise Zone Incentives

Various tax and financial incentives are available in enterprise zones to impact the cash flow position of a business and improve their access to capital. The incentives are divided into three categories:

- ❶ Incentives to businesses to encourage investment/reinvestment.
- ❷ Incentives to individual residents of the zone.
- ❸ Incentives to lenders to encourage lending to zone entities.

Briefly, these incentives are:

- **Gross Income Tax Exemption**: All enterprise zone income exceeding the income earned in the enterprise zone prior to its designation is exempt from the state gross income tax.
- **Employment Expense Credit**: Employer income tax credit for 10 percent of the increase in wages paid to resident employee wages or \$1,500 per employee.
- **Inventory Tax Credit**: A taxpayer will receive a credit against the personal property tax liability equal to the personal property tax on all inventory located in the zone.
- **Investment Cost Credit**: Individual investors receive up to a 30 percent income tax credit for the purchase of equity in start-up or expanding enterprise zone firms.
- **Loan Interest Credit**: A tax credit for 5 percent of interest earned on loans to enterprise zone businesses or on loans for improvements to real property, including residential property.
- **Employee Tax Deduction**: A tax deduction equal to one-half of adjusted gross income up to \$7,500 for employees who live and work in the zone.

Questions regarding these policies should be directed to the Community Development Division by calling (317) 232-8911 or (800) 824-2476, via TDD at (317) 233-5977; or you may write:

Attn: UEZ Program
Indiana Department of Commerce
Community Development Division
One North Capitol, Suite 600
Indianapolis, IN 46204-2288



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Enterprise Zone Designation

Introduction

The State Enterprise Zone Board may designate up to two (2) new enterprise zones each year and may not add any new zones after December 31, 2003. If the State Enterprise Zone Board decides to designate new enterprise zones, invitation letters are sent out to municipalities without an enterprise zone designation.

Any municipality interested in enterprise zone designation must submit a letter of intent to Indiana Department of Commerce by the date stated in the invitation letter. Applications will be sent to those municipalities who submit a letter of intent along with a due date for application submission.

Applications for enterprise zone designation are reviewed by State Enterprise Zone Board members and staff. The applicant municipality will be asked to give a presentation to the State Enterprise Zone Board at a designated meeting.

In addition to the application, each applicant for designation must submit the following documents by deadlines to be determined by the State Enterprise Zone Board:

- Three year strategic plan;
- Approval of designation by resolution of the legislative body of the municipality;
- Demonstration of commitment to designation (includes resolutions and letters of support); and
- Documentation of a public hearing

(Please refer to IC 4-4-6.1-3.)

Threshold Criteria for Enterprise Zone Eligibility

The State Enterprise Zone Board may designate an enterprise zone if it finds that the following criteria exist in a proposed zone:

1. 25 percent of zone resident households are below the poverty level established by the U.S. Census or the average rate of unemployment for the most recent 18

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- month period is at least one and one-half (1 1/2) times of the statewide rate for the same period.
2. Resident population is greater than 2,000 but less than 10,500.
 3. The area is greater than 3/4 square mile but less than 4 square miles with a continuous boundary.
 4. Property suitable for the development of a mix of commercial, industrial and residential uses.
 5. The appointment of an urban enterprise association that meets the requirements of IC 4-4-6.1-4.
 6. A statement by the applicant indicating a willingness to provide specified economic development incentives.

(Please refer to IC 4-4-6.1-3.)

Evaluation Criteria Applicants for enterprise zone designation will be evaluated upon the applicant's demonstration of the following:

- general distress of the area and expression of need for an enterprise zone;
- support by zone residents, businesses and private organizations operating in the zone;
- willingness of zone constituents to participate in zone area revitalization;
- significant efforts to reduce impediments to development such as:
 - streamlining government regulations
 - crime prevention activities
 - infrastructure improvements
- significant efforts to encourage the reuse of existing structures in new development activities to preserve neighborhood character; and
- capacity of the UEA to carry out statutory purposes.

Three Year Strategic Plan

In order to demonstrate strategies for further development, each applicant for designation must adopt and submit a three year strategic plan. The plan must include:

1. A description of "the vision" of the enterprise zone at the end of the five year period;
2. A description of the coordinated community, human, economic and physical development proposed for the enterprise zone.
3. Identified baselines, methods and benchmarks used/to be used for measuring the success of the strategic plan.
4. A description of the process(es) by which local government, businesses, residents, minority groups and organizations which will be partners in implementing the strategic plan.
5. Indicators of the continued economic distress of the zone and measures proposed to address the distress.
(Indicators should include the poverty rate, unemployment rate, condition of housing stock and the information on vacant structures.)

The initial designation period for an enterprise zone is ten (10) years. An enterprise zone may receive two (2) five (5) year renewals.

At the time of a renewal, the State Enterprise Zone Board will review the success of the enterprise zone based upon the following criteria:

- increases in capital investment in the zone;
- retention of jobs and creations of jobs in the zone; and
- increases in employment opportunities for residents of the zone.

Please keep these things in mind when developing your strategic plan.

(Please refer to IC 4-4-6.1-3(e).)

Demonstration of Commitment to Enterprise Zone Designation

The following documents must be submitted in order to demonstrate commitment to the designation of the enterprise zone:

- A statement by the applicant specifying provision of community and economic development incentives;
- A resolution adopted by the municipality's legislative body authorizing the application for designation. The resolution must identify those community and economic development incentives available in the enterprise zone;
- Letters of broad-based support for the designation of the enterprise zone. Broad based support can be achieved by submitting letters from: the municipality's mayor/town council president, members of the business community, zone residents and/or members of the minority sector; and
- Minutes from public hearing(s) and Citizen Participation Report(s).

Public Hearing

A public hearing to discuss the zone designation and three year strategic plan must be held in compliance with the Indiana Code prior to submitting the application. Under Indiana Code (IC 5-3-1-2(b)) there must be (at least) one advertisement at least ten (10) calendar days prior to the scheduled hearing. Other methods to notify interested parties are strongly encouraged.

The publisher's affidavit(s) documenting publication date for the public hearing must be attached to the application. The Citizen Participation Report, minutes of the public hearing, including a list of attendees, are also to be attached to the application. Please contact the Community Development Division for a sample public notice and Citizen Participation Report form.

Deadline

Deadlines may vary from year to year. Please contact the Enterprise Zone Program for information on the current year's deadlines.

Questions regarding these policies should be directed to the Community Development Division by calling 317/232-8911 in the Indianapolis area, 800/824-2476 elsewhere in Indiana, via TDD at 317/233-5977 or write:

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