Background Information Concerning Establishment of the Allocation Area (cont’d)

In 1996, the City administration agreed to pass-through excess incremental assessed valuation to the underlying taxing units not needed to meet debt service requirements. Each July, the City Controller will estimate the amount of Tax Increment needed to meet debt service obligations for the following year and will determine how much incremental assessed value can be passed-through to the underlying taxing units for the following year.

Tax Increment: Definition and Procedures

Tax Increment consists of all real property tax proceeds attributable to the assessed valuation within an allocation area as of the assessment date in excess of the base assessed value as defined in IC 36-7-15.1-26(a) (referred to throughout this Report as the “Tax Increment”). The base assessed value means the net assessed value of all the property in the Allocation Area as finally determined for the assessment date immediately preceding the effective date of a declaratory resolution pursuant to IC 36-7-15.1-26 establishing the Allocation Area. The base assessment date of the Area is March 1, 1995.

Statewide reassessments are scheduled to occur every four years on all real property in Indiana. The State Board of Tax Commissioners is required to adjust the base net assessed value after a general reassessment of property. The purpose of the adjustment is to neutralize the effect of the general reassessment on property tax proceeds allocated to an allocation area. In making such an adjustment, the State Board of Tax Commissioners is required to exclude any appealed assessed values until such appeals are resolved. No adjustment has been made for general reassessments in the Tax Increment estimate contained in this Report. The next statewide reassessment is scheduled to be effective as of March 1, 2001 tax year payable 2002. See “Risk Factors Related to the Tax Increment, the Qualified Obligations and the Security for the Qualified Obligations, and Litigation” below.

The incremental assessed value is determined by subtracting the base net assessed value from the current net assessed value as of the assessment date. The incremental assessed value is then multiplied by the current property tax rate to determine the Tax Increment. IC 36-7-15.1-26 (e) entitles taxpayers in an allocation area to an additional credit (the “Additional Credit”) payable from Tax Increment in an amount equal to the State Property Tax Replacement Credit (PTRC), however a redevelopment commission may recommend that the municipal legislative body adopt a resolution to deny or reduce the Additional Credit. The Commission has not adopted such a resolution to deny the Additional Credit.

After property taxes are paid to the County Treasurer on or before each June 30 and December 31, such taxes are paid over to the Auditor who, based on the previous year’s certification, pays the portion of property tax receipts which represents Tax Increment into the Allocation Fund.