LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7540
BILL NUMBER: HB 1555

DATE PREPARED: Mar 31, 1999
BILL AMENDED: Mar 30, 1999

SUBJECT: Redevelopment and TIF in excluded cities.

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FUNDS AFFECTED: <u>X</u> **GENERAL**
<u>X</u> **DEDICATED**
FEDERAL

IMPACT: State & Local

<u>Summary of Legislation:</u> (Amended) This bill establishes a redevelopment district within each excluded city in Marion County. It permits the Marion County Metropolitan Development Commission, serving as the redevelopment commission for the excluded city, to carry out redevelopment projects and to use various financing mechanisms, including tax increment financing, in such a redevelopment district. The bill requires that a Development Commission resolution creating a TIF allocation area in an excluded city must be approved by the excluded city's legislative body.

This bill requires certain approvals by the legislative body of the excluded city before the implementation of a redevelopment project or financing by the metropolitan development commission. It also provides that tax increment finance revenues attributable to an allocation area in an excluded city must be used for projects within the excluded city.

<u>Effective Date:</u> Upon passage.

<u>Explanation of State Expenditures:</u> This bill would not affect the state's liability for property tax replacement credits (PTRC).

<u>Explanation of State Revenues:</u> As explained below in Local Revenues, if there is an increase in development because of this proposal, the new property would be placed on the tax rolls when the TIF area expires and the State Fair and State Forestry funds would receive increased revenues from the state's one cent tax rate for these funds.

If development increases, there could be an increase in state sales and income tax generated from businesses in the redevelopment districts.

<u>Explanation of Local Expenditures:</u> This bill would create a redevelopment district within each excluded city (Beech Grove, Lawrence, Southport, and Speedway) that would encompass the entire excluded city. The Marion County Metropolitan Development Commission, acting as the excluded cities' redevelopment commission, may establish blighted areas within an excluded city with the approval of that city. The commission would be able to acquire, sell, exchange or lease property for up to fifty years in the blighted area.

The proposal allows the commission to issue bonds in the name of the excluded city to raise money for the redevelopment of the property. Redevelopment expenses would include 1) acquisition (by purchase or lease) of land, rights-of-way, and other property; 2) architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses; 3) capitalized interest; 4) clearing and construction costs; and 5) relocation expenses.

If any part of a TIF district is located in an enterprise zone, the unit that created the zone would have authority to spend unobligated TIF proceeds generated within the zone on job training and business loans within the zone. Such training programs must reserve at least ½ of their enrollment in any session for residents of the enterprise zone.

Explanation of Local Revenues: (Revised) As explained above, the commission would be able issue bonds to pay for the expenses listed. The term of the bonds may not exceed 50 years. The bonds would be payable from a Redevelopment District Bond Fund property tax levy, tax increment financing (TIF) proceeds, or from other revenue available to the commission. The excluded city may also pledge revenues from the county option income tax (COIT) or any other source to make bond payments. The commission may also apply for advances, short and long term loans, grants, contributions, loan guarantees, and other financial assistance from the federal government.

This proposal allows the commission, with the approval of the excluded city's legislative body, to establish a TIF allocation area in the blighted area to capture the property taxes paid on the incremental assessed value in the area. The incremental value includes real property assessments, but may not include assessments on residential property. The commission may also capture the increment on a designated taxpayer's business personal property assessment if the taxpayer if the property consists mainly of industrial, manufacturing, warehousing, research and development, processing, distribution, or transportation related projects. The TIF area may not exist for more than 30 years. However, the allocation area may not be dissolved if there are bonds outstanding. The taxes that are collected on the incremental assessed value may be used to repay obligations, add to a debt service reserve, reimburse the excluded city for local public improvements, or to pay for employee training.

Taxpayers in TIF district would receive a percentage credit on property taxes equal to the percentage of state property replacement credits in the taxing district that contains the TIF district. The credit reduces the proceeds available to the redevelopment district. The excluded city's legislative body would have the authority to decrease the percentage or totally eliminate the credit if allowance of the credit would jeopardize the repayment of obligations.

The bill also permits the commission, with the approval of the excluded city's legislative body, to declare that an area within the redevelopment district is an economic development area (area) and approve a plan for the area if the plan promotes gainful employment, attracts major new business, or retains or expands an existing significant business. The commission would have to find that the plan cannot currently be achieved because of a lack of local public improvement, conditions that reduce land values, or other conditions. Additionally, there must be findings that the plan will benefit the public health and welfare and the plan's accomplishment will be measured by the attraction or retention of permanent jobs, an increase in the property tax base, improved diversity of the economic base, or other benefits.

If there is an increase in development because of this proposal, the new property would be placed on the tax rolls when the TIF area expires. This could eventually help spread the property tax burden and could reduce tax rates.

This proposal would not reduce revenues to local civil units or school corporations.

State Agencies Affected: State Board of Tax Commissioners

Local Agencies Affected: Cities of Beech Grove, Lawrence, Southport; Town of Speedway; Marion County Metropolitan Development Commission.

Information Sources: