LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 7047
BILL NUMBER: SB 215

NOTE PREPARED: Feb 22, 2021
BILL AMENDED: Feb 18, 2021

SUBJECT: Redevelopment Projects.

FIRST AUTHOR: Sen. Holdman
FIRST SPONSOR: Rep. Sullivan

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *TIF*: The bill provides for an expiration date of an allocation area of not more than 50 years in the case of an allocation area established by the redevelopment commission of a qualified city for the purpose of financing a mixed use development project, but only if the legislative body of the qualified city adopts a resolution to approve an independent analysis with regard to the proposed development project that demonstrates the need for an allocation area that exceeds 25 years. It authorizes a qualified city, subject to the same requirement for a resolution of the legislative body, to enter into leases financed with incremental tax revenue from the allocation area for a term not to exceed 50 years for the purpose of financing a mixed use development project. The bill defines "qualified city" and "mixed use development project" for purposes of these provisions.

Tax Credits: It provides, that if in any state fiscal year the Indiana Economic Development Corporation (IEDC) determines that it will award an amount of tax credits under $1 M, the IEDC must first receive State Budget Committee review.

READI: The bill establishes the Regional Economic Acceleration and Development Initiative (READI) fund to provide grants and loans to support economic development and regional economic acceleration and development. It provides that the IEDC administers the fund. It also provides that the board of the IEDC may review applications for grants and loans from the fund. The bill allows the IEDC board to form a strategic review committee. It requires the IEDC to establish a policy for the regional economic acceleration and development initiative.

The bill makes an appropriation.

Effective Date: Upon passage.

Explanation of State Expenditures: *Indiana Economic Development Corporation (IEDC)*: The bill requires the IEDC to administer the READI fund. The IEDC must develop a policy that establishes the framework for the READI program before the start of FY 2022, and the bill stipulates certain information that must be in the policy.

The bill also outlines that powers of the IEDC board in administering the program, and allows for the board to form a strategic review committee to review applications for READI funding. The board shall make final funding determinations for applications for a grant or loan from the fund.

Complying with the provisions of the bill would increase the workload of the IEDC, but these administrative changes should be able to be accomplished within existing resources.

READI Fund: The bill establishes the READI fund to support the IEDC's READI program and to provide grants or loans to support proposals for economic development and regional economic development. The bill states that the IEDC board may not approve an application for a grant or loan from the fund unless the board finds that it will have an overall positive return on investment for the state. The fund consists of appropriations from the General Assembly, as well as grants, gifts, donations, certain interest, and loan repayments. Money in the fund at the end of a state fiscal year does not revert to the General Fund. The bill does not appropriate money to the fund. [The bill also repeals the Indiana Regional Cities Development Fund.]

Budget Committee: The bill requires the Budget Committee to work with the IEDC board to review the READI policy developed by the IEDC. The Budget Committee must also review the amount of Redevelopment tax credits awarded by the IEDC if the amount is below $1 M in a given fiscal year.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *TIF*: This provision allows a qualified city to enter into leases of TIF-financed property used for a mixed use development project for a term of up to 50 years. It also permits allocation areas established or amended for the financing of a mixed use development project in a qualified city to exist for up to 50 years. In order to exceed the current 25 year limit for a lease or an allocation area, the qualifying city must first commission an independent analysis of the proposed development project and demonstrate the need. The qualified city may exceed the 25 year limit only if its legislative body adopts a resolution to approve the analysis.

The bill defines a qualified city as a city that:

(1) has a five-year average tax rate of no more than $1.00 per $100 AV;
(2) has a three-year average balance in the general and rainy day funds that exceeds its three-year average expenditures by at least 10%;
or (3) is the county seat.

If the scope of a project necessitates a longer allocation period, then this provision could result in additional investment and the eventual addition to the taxing units' tax base of the property's AV. An eventual addition to the tax base will reduce tax rates and, in turn, reduce tax cap losses for local units and school corporations.

If, however, the investment would be made regardless of the longer allocation period, then this provision could result in a delay of the taxing units' tax base increase. A delay would mean that the tax rate reduction, and associated tax cap loss reduction would also be delayed.

[Under current law, leases of TIF-financed property may not exceed 25 years if the lease is entered into after June 30, 2008. Allocation areas established after June 30, 2008, must expire no later than 25 years after the date on which the first obligation is incurred. However, certain leases of property that include buildings at least 75 years old on a former manufacturing site that operated for at least 75 years are limited to 35 years. These allocation areas must expire no later than 35 years after the date on which the first obligation is incurred.]

State Agencies Affected: Indiana Economic Development Corporation.

Local Agencies Affected: Regional development authorities; Redevelopment commissions in qualified cities; Local civil taxing units and school corporations.

Information Sources:

Fiscal Analyst: Olivia Smith, 317-232-9869; Bob Sigalow, 317-232-9859.