

HOUSE BILL 1827

By Lundberg

AN ACT to amend Tennessee Code Annotated, Title 7 and Title 67, Chapter 6, to enact the "Border Region Retail Tourism Development District Act."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 7, is amended by adding Sections 2 through 12 as a new chapter thereto.

SECTION 2. This chapter shall be known and may be cited as the "Border Region Retail Tourism Development District Act."

SECTION 3. The purpose of this chapter is to increase tourism and the competitiveness of this state with bordering states by empowering local governments to encourage the development of extraordinary retail or tourism facilities, including shopping, recreational, and other activities.

SECTION 4. As used in this chapter, unless the context otherwise requires:

(1) "Base tax revenues" means the revenues generated from the collection of state sales and use taxes from all businesses within the applicable border region retail tourism development district as of the end of the fiscal year of this state immediately prior to the year in which the municipality or industrial development corporation is entitled to receive an allocation of tax revenue pursuant to this chapter. In no event shall the apportionment pursuant to this chapter be adjusted to reduce the economic benefit to the municipality as is provided in this chapter;

(2) "Border region retail tourism development district" or "district" means one (1) or more parcels of real property located within a municipality, some part of whose corporate limits borders a neighboring state, and which some boundary of a district is no more than one-half (1/2) mile from an existing federally-designated interstate exit, is no

more than twelve (12) miles from a state border as measured by straight line, is no larger than a total area of nine hundred fifty (950) acres, and designated as a border region retail tourism development district by a municipal ordinance and certified by the commissioner of economic and community development;

(3) "Commissioner" means the commissioner of economic and community development;

(4) "Cost" means all cost of an economic development project in a district incurred by the municipality or industrial development corporation including, but not limited to, the cost of developing the district, as well as acquisition, design, construction, renovation, improvement, demolition, and relocation of any improvements; the cost of labor, materials, and equipment; the cost of all lands, property rights, easements and franchises required; financing charges, interest, and debt service prior to, during, or after construction; the cost of issuing bonds in connection with any financing, cost of plans and specifications, services and estimates of costs and of revenue; cost of direct or indirect assistance, including funds for location assistance; cost of site preparation, engineering, accounting, and legal services; all expenses necessary or incident to determining the feasibility or practicability of such acquisitions or constructions; salaries, overhead, and other costs of the municipality or industrial development corporation allocated to the project; and administrative, legal, and engineering expenses and such other expenses as may be necessary or incident to such acquisition, design, construction, renovation, demolition, relocation, or the financing thereof, including any such costs incurred by a municipality or industrial development corporation relating to the development of an extraordinary retail or tourism facility within two years (2) prior to the municipality's designation of the proposed border region retail tourism development district for such project;

(5) “Economic development project” or “project” means the provision of direct or indirect financial assistance, including funds for location assistance, to an extraordinary retail or tourism facility and other retail or tourism facilities developed to accompany the extraordinary retail or tourism facility in a border region retail tourism development district by a municipality or an industrial development corporation including, but not limited to, the purchase, lease, grant, construction, reconstruction, improvement, or other acquisition or conveyance of land, buildings or equipment, or other infrastructure; public works improvements essential to the location of an extraordinary retail or tourism facility and other retail or tourism facilities developed to accompany the extraordinary retail or tourism facility; payments for professional services contracts necessary for a municipality or industrial development corporation to implement a plan or project; the provision of direct loans or grants for land, buildings, or infrastructure; and loan guarantees securing the cost of land, buildings, location assistance, or infrastructure in an amount not to exceed the revenue that may be derived from the sales and use tax transferred to the municipality as provided in this chapter. It also includes development of parks, plazas, sidewalks, access ways, roads, drives, bridges, ramps, landscaping, signage, parking lots, parking structures, and other public improvements constructed or renovated by the municipality or an industrial development corporation in connection with the project in the district and any related infrastructure and utility improvements for public or private peripheral development for the district and which is constructed, renovated, or installed by the municipality or an industrial development corporation;

(6) “Extraordinary retail or tourism facility” means a single store, series of stores, or other public tourism facility or facilities located within a border region retail tourism development district, and must include retail or other public tourism facilities that are reasonably anticipated to draw at least one million (1,000,000) visitors a year upon

completion. The extraordinary retail or tourism facility must reasonably be expected to require a capital investment of at least twenty million dollars (\$20,000,000) including land, buildings, site preparation costs, and is reasonably anticipated to remit at least two million dollars (\$2,000,000) in state sales and use tax, annually, when completed;

(7) "Industrial development corporation" means a corporation created or authorized by a municipality or county pursuant to chapter 53 of this title;

(8) "Municipal governing body" means the city council, city commission, or board of mayor and aldermen of a city; and

(9) "Municipality" means an incorporated city located in this state.

#### SECTION 5.

(a) To be entitled to receive the apportionment of state sales and use taxes as provided in this chapter, a municipal legislative body must adopt an ordinance designating the boundaries of the border region retail tourism development district; provided, however, no municipality shall contain more than one (1) such district. The municipality must then file a certified copy of the ordinance with the commissioner along with a request for certification of the district. The request shall include a master development plan for the proposed district containing such information as may be reasonably required by the commissioner.

(b) The commissioner shall promptly review the application to confirm that the proposed boundaries of the proposed border region retail tourism development district do not exceed the maximum size set forth in this chapter. If the commissioner determines that the boundaries of the proposed border region retail tourism development district exceeds the area allowed by this chapter, then the commissioner may adjust or reduce the boundaries of the proposed district in consultation with the municipality.

(c) In reviewing the request, the commissioner shall inform the commissioners of the revenue and tourist development of the pending request. Upon certification of the district, the commissioner shall provide prompt notice of the certification to the commissioners of revenue and tourist development and the requesting municipal governing body.

(d) After certification of the district the municipality may from time to time submit to the commissioner a summary of the cost of the economic development project with supporting documentation, certified by the chief financial officer of the municipality. The commissioner shall review the cost certification to confirm that state sales and use taxes should be apportioned and distributed to the municipality pursuant to Section 7 of this act and shall notify the department of revenue of such.

(e) The apportionment and distribution of state sales and use taxes to the municipality as provided in this chapter shall commence at the beginning of the fiscal year after the certification of the district, provided the commissioner has reviewed the cost certification submitted by the municipality and confirmed the amount of state sales and use taxes to be apportioned and distributed as provided in this chapter.

SECTION 6. Annual adjustments to the sales and use tax revenues collected in the district shall be made by the department of revenue within ninety (90) days of the end of each fiscal year and shall be effective immediately upon notification of such adjustment from the department of revenue to the municipality or industrial development corporation.

SECTION 7. If a municipality or industrial development corporation has financed, constructed, leased, equipped, renovated, assisted, incented, or acquired an extraordinary retail or tourism facility or a project in a certified district, then seventy-five percent (75%) of state sales and use tax collected in the district in excess of base tax revenues shall be apportioned and distributed to the municipality in an amount equal to the incremental increase in state sales and

use taxes derived from the sale of goods, products, and services within the district in excess of base tax revenues. Apportionment and distribution of such taxes shall continue, until the date on which all the cost of the economic development project, including any principal and interest on indebtedness, including refunding indebtedness of the municipality or industrial development corporation related to the development of the project have been fully paid. Tax revenue distributed to the municipality pursuant to this chapter shall be for the exclusive use of the municipality or the industrial development corporation formally designated by the municipality for payment of the cost of the economic development project, including principal and interest on indebtedness, including refunding indebtedness of the municipality or industrial development corporation related to the development of the project . The apportionment and payment shall be made by the department of revenue to the municipality within ninety (90) days of the end of each fiscal year for which the municipality is entitled to receive an allocation and payment pursuant to this chapter.

SECTION 8. An eligible municipality in which a district is located is authorized to delegate to any industrial development corporation within the county or counties where the municipality is located the authority to carry out all or part of the project and to issue revenue bonds to finance a project within a district and to incur cost for the project; provided, that the municipality may enter into an agreement with an industrial development corporation in which the municipality shall agree to promptly pay to the industrial development corporation the tax revenues received pursuant to this chapter sufficient to service the repayment of such bonds and costs incurred by the industrial development corporation for the project. Upon receipt, that portion of such tax revenues shall be held in trust by the municipality for the benefit of the industrial development corporation.

SECTION 9. Any bonds, notes, refunding bonds, or other indebtedness relative to the cost of a economic development project shall not be issued for a term longer than thirty (30)

years and the municipality or industrial development corporation is authorized to pledge all proceeds or taxes received by it pursuant to this chapter to the payment of principal of and interest on such bonds, notes, or other indebtedness.

SECTION 10. Prior to the issuance of any bonds to finance the cost of an economic development project that will be repaid in whole or part from apportionments under this chapter, the municipality or industrial development corporation issuing such bonds shall submit a proposed debt amortization schedule for such bonds to the commissioner for approval. Such schedule shall show the anticipated contribution to be made to the annual debt service for such bonds from the apportionment of sales and use taxes pursuant to this chapter and all other sources. After the date of issuance of such bonds, the municipality shall continue to contribute each year thereafter until such bonds are retired or a sufficient sinking fund has been established for their retirement.

SECTION 11. A municipality may, including through an industrial development corporation, limit, condition, or provide incentives or financial support in the district as it deems appropriate, including the requirement that the benefited property owners participate in the repayment of such in an amount equal to twenty-five percent (25%) of the property tax for the real property owned by the property owner in the district each year, for such length of time as the municipality receives an appropriation of sales and use tax in accordance with this chapter and the property owner provides a lien on the property for such repayment; provided, however, a municipality may not provide financial assistance to the location or relocation of existing retailers located within a fifteen-mile radius of the district, provided such existing location is inside the borders of this state, unless the sales floor space is increased by thirty-five percent (35%) or greater from such existing store. Furthermore, a municipality may allocate some or all of the incremental increase in property tax revenue directly as a result of the development within

the district to pay for some costs associated with the district formation as well as economic development projects or extraordinary retail or tourism projects within the district.

SECTION 12. Notwithstanding any law to the contrary, the municipality and the industrial development corporation are authorized to exercise all power and rights, express or implied, granted by this chapter.

SECTION 13. Tennessee Code Annotated, Section 7-53-101(13), is amended by adding the following new, appropriately designated subdivision:

( ) Any economic development project as defined in this chapter;

SECTION 14. Tennessee Code Annotated, Section 67-6-103, is amended by adding the following new, appropriately designated subsection:

( ) Notwithstanding the provisions of this section to the contrary, revenue derived from taxes imposed by this chapter, except revenue allocated pursuant to subdivision (c)(2), or revenue derived from the increase in the rate of sales and use tax from six percent (6%) to seven percent (7%) contained in Acts 2002, Ch. 856, § 4 shall be earmarked and allocated in accordance with this act.

SECTION 15. Tennessee Code Annotated, Section 67-6-601(c), is amended by adding at the end of the last sentence of that subsection before the period the language "and industrial development corporations created pursuant to title 7, chapter 53."

SECTION 16. The commissioner of economic and community development and the commissioner of revenue are authorized to adopt rules and regulations in accordance with the provisions of title 4, chapter 5, to implement the provisions of this act.

SECTION 17. For the purpose of promulgating rules and regulations, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, this act shall take effect on July 1, 2011, the public welfare requiring it.