

CHAPTER 326

(SB 372)

AN ACT relating to a pilot program for tax increment financing in counties containing a city of the first class.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

As used in Sections 1 to 6 of this Act, unless the context otherwise requires:

- (1) *"Agency" means an urban renewal and community development agency of a taxing district located within a county containing a city of the first class, established under KRS Chapter 99; a development authority located within a county, containing a city of the first class established under KRS Chapter 99; a nonprofit corporation located within a county containing a city of the first class established under KRS Chapter 58; or a designated department, division, or office of a city of the first class or a county containing a city of the first class;*
- (2) *"Development area" means an area no less than one (1) square mile, nor more than six (6) square miles, designated in need of public improvements by a local or state government in a county containing a city of the first class, a project area as defined in KRS 99.615, or a public project as defined in KRS 58.010 in a county containing a city of the first class. "Development area" includes an existing economic development asset;*
- (3) *"Increment" means that amount of money received by any taxing district or the state that is determined by subtracting the amount of old revenues from the amount of new revenues in any year for which a taxing district or the state and an agency have agreed upon under the terms of a contract of release or a grant contract;*
- (4) *"Local government" means a county containing a city of the first class;*
- (5) *"New revenues" means the revenues received by any taxing district or the state from a development area in any year after the establishment of the development area;*
- (6) *"Old revenues" means the amount of revenues received by any taxing district or the state from a development area in the last year prior to the establishment of the development area;*
- (7) *"Project" means any urban renewal, redevelopment, or public project undertaken in accordance with the provisions of Sections 1 to 5 of this Act, any project undertaken in accordance with KRS 99.610 to 99.680, or any project undertaken in accordance with the provisions of KRS Chapter 58;*
- (8) *"Release" or "contract of release" or "grant contract" means that agreement by which a taxing district or the state permits the payment to an agency of a portion of increments or an amount equal to a portion of increments received by it in return for the benefits accrued to the taxing district or the state by reason of a project undertaken by an agency in a development area; and*
- (9) *"Taxing district" means a county containing a city of the first class or a city of the first class that encompasses all or part of a development area, or the state but does not mean a school district.*

- (10) *"Pilot program" means a tax increment financing program or a grant program created by an agency within a county containing a city of the first class which shall exist for a period of twenty (20) years after which time it shall continue only after reauthorization by the General Assembly.*

SECTION 2. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) *It is found and declared that public improvements, and publicly promoted private improvements, in any development area that result in the increase in the value of property located in the development area or result in increased employment within the development area serve a public purpose for each taxing district possessing the authority, directly or indirectly, to impose ad valorem taxes, sales taxes, income taxes, or occupational license fees in the development area, and for the state with regards to its revenues from ad valorem taxes, sales taxes, and income taxes. The increment in revenues derived by each taxing district and the state from the development area is found and declared to be one of the benefits derived by each taxing district and the state from any local development project or public project undertaken by the agency; and*
- (2) *It is found that the use of tax increment financing or a grant program based upon the use of increment financing as tax revenues has proved to be successful and of great benefit to areas in need of revitalization and development in other parts of the country; therefore, the development of a pilot program within the Commonwealth to test the usefulness of increment financing to assist local governments in restoring and revitalizing their communities is declared to be a most worthy public purpose.*

SECTION 3. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) *A county containing a city of the first class or a city of the first class may establish a development area for the purpose of creating a pilot program to utilize tax increment financing or a grant program based upon the increment in state tax revenues for the redevelopment and revitalization of these development areas within their communities.*
- (2) *A development area in a county containing a city of the first class shall be located within ten (10) miles of the central business district of the largest city within the county and shall be within one (1) mile of one (1) or more economic development assets having employers, with at least one thousand (1,000) employees, who will leverage and promote investment in the zone.*
- (3) *A development area in a county containing a city of the first class shall have adequate roads, sewers, water, rail service, and an interstate highway interchange directly available.*
- (4) *At least fifty percent (50%) of a development area in a county containing a city of the first class, excluding roads, utility easements, and other infrastructure-related improvements, shall be composed of land that is a brownfield site or other land compatible for industrial or commercial uses to permit and facilitate redevelopment and reuse of land in the development area compatible with the adjacent economic development assets.*

SECTION 4. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) In connection with the establishment of any development area, an agency may enter into contracts with one (1) or more taxing districts for the release to the agency of increments expected to be derived by a taxing district within a development area with an existing development asset as leveraged in part by the undertaking of a project.*
- (2) No contract shall require the release of less than fifty percent (50%) of the increments, or more than ninety-five percent (95%) of the increments where the revenue is derived solely from ad valorem taxation or solely from occupational license fees, or more than eighty percent (80%) of the increments where the revenue is derived from ad valorem taxes and occupational license fees.*
- (3) An agency may enter into a contract with the state, acting by and through the Governor, for an annual grant to the agency in an amount equal to not less than fifty percent (50%) nor more than eighty percent (80%) of the increment in ad valorem, sales, and income taxes derived by the state within the development area with an existing economic development asset as leveraged in part by the undertaking of a project.*
- (4) Any amount derived by the agency under the terms of a release shall be used solely for the purposes of the project and in the development area.*

SECTION 5. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

- (1) Each taxing district is authorized to execute a contract of release with any agency in acknowledgment of benefits to be derived by it within the development area with an existing economic development asset as leveraged in part by the undertaking of a project, and in order to promote the public purposes of the taxing district.*
- (2) Any contract signed for the release of increments shall be made on the basis of automatic year-to-year renewals, with the option to discontinue upon sixty (60) days' notice before the end of any annual termination date of the contract.*
- (3) The state, acting by and through the Governor, is authorized to execute a grant contract with any agency in acknowledgment of benefits to be derived by it with the development area with an existing economic development asset as leveraged in part by the undertaking of a project, and in order to promote the public purpose of the state.*
- (4) Any grant contract signed for an amount equal to the increment derived from the development area shall be made on the basis of automatic year-to-year renewals, with the option to discontinue upon sixty (60) days' notice before the end of any annual termination date of the contract.*

SECTION 6. A NEW SECTION OF KRS CHAPTER 65 IS CREATED TO READ AS FOLLOWS:

Any agency, other than a county, city, urban-county, or charter county government, that enters into a contract with any taxing district for the release of any increments that may arise during the period of a contract of release shall forthwith notify the official charged with the collecting of taxes for the property in the development area of the execution of a contract of release, and the official charged with the collection of taxes shall in each year a contract of release is in effect determine the amount of the increment that is the subject of the contract of release for division between the taxing district and the agency; and, upon the basis of the agreement made between

the taxing district and the agency, the official shall divide and distribute the funds derived from the area between the taxing district and the agency. Any local government that has designated an agency as having oversight of a designated development area shall annually issue a release to the agency of those increments created from the taxes collected on properties within the development area. All increments released to an agency of a local government shall be used solely for the purposes of projects in the development area.

Section 7. The following KRS sections are repealed:

- 99.751 Definitions for KRS 99.756 to 99.771.
- 99.756 Purpose.
- 99.761 Contracts for release of increments to agency by taxing districts.
- 99.766 Automatic renewals of contracts of release.
- 99.771 Notification to tax collector -- Distribution of funds.

Approved April 6, 2000