

KRS 154.030-060 is amended in Section 4 of the Act, to expand the combination of uses in a mixed-use project that will allow a project to qualify for the state participation program. Currently, within a consolidated local government or urban-county government projects can qualify if the following three requirements apply: at least three qualified uses are included; one of those qualified uses meets the 20% requirement; and the other qualified uses, when combined, jointly meet the 20% requirement. HB 388 expands these requirements to projects within all counties and not just those located within consolidated local governments and urban-county governments. It also adds an industrial type business as a type of qualified use, and it removes the upper capital investment limit of \$200 million so that any project over \$20 million could qualify for the program.

A conforming change to correct a statute reference occurs in Section 5 of the Act. Section 6 states the provisions of the Act shall apply to applications not approved prior to the effective date of this Act. Section 7 declares the measure an emergency and thus will take effect immediately upon passage and approval by the Governor or upon it otherwise becoming law.

HB 388 HCS1 retains the original provisions of the bill as introduced, but removes the addition of “industrial” to the list of business types that define “qualified use”.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The removal of “industrial” will limit the projects that could qualify for the program. However, overall, the proposed legislation expands the criteria currently in place and thus, will likely result in more projects qualifying for tax increment financing.

The proposed legislation expands the criteria currently in place and thus, will likely result in more projects qualifying for tax increment financing. Once approved, a project can recover up to 100% of approved public infrastructure costs and up to 100% of the cost of land preparation, demolition, and clearance necessary for development to occur. Up to 80% of the incremental revenues generated through state taxes imposed in or attributable to the footprint of the project may be pledged to the project. Local taxes may also be pledged to allow developers to recoup these costs.

Since there is no way to determine how many additional projects will qualify as a result of HB 388 HCS, it is impossible to determine the magnitude of the negative impact.

Data Source(s): LRC Staff

Preparer: Cynthia Brown **Reviewer:** KHC **Date:** 3/3/17