

**Local Mandate Fiscal Impact Estimate
 Kentucky Legislative Research Commission
 2017 Regular Session**

Part I: Measure Information

Bill Request #: 1083

Bill #: HB 388 GA

Bill Subject/Title: An Act relating to tax increment financing and declaring an emergency.

Sponsor: Representative Heath

Unit of Government:	<input checked="" type="checkbox"/> City	<input checked="" type="checkbox"/> County	<input checked="" type="checkbox"/> Urban-County Unified Local
	<input checked="" type="checkbox"/> Charter County	<input checked="" type="checkbox"/> Consolidated Local	<input checked="" type="checkbox"/> Government

Office(s) Impacted: _____

Requirement: Mandatory Optional

Effect on Powers & Duties: Modifies Existing Adds New Eliminates Existing

Part II: Purpose and Mechanics

HB 388 GA proposes an expansion of the exceptions for projects in consolidated local governments and urban-county governments under the mixed-use redevelopment program to projects in all counties. The proposal also expands the projects that can qualify for the program by deleting the \$200 million upper expenditure cap. For blighted urban redevelopment areas, the proposal includes mixed-use development areas with technology parks.

In Section 1 of the Act, KRS 65.7045 is amended to add the term “technology park” and defines it to be an area designated for the development of high-tech facilities designed to attract businesses in the technology field with the intent of promoting innovation, advancing education, and creating economic growth for the community.

Section 2 of the Act amends KRS 65.7043, which establishes development areas of previously undeveloped land, to include a mixed-use development with a technology park. A similar amendment is made in Section 3 of the Act for KRS 65.7049, which in defining projects as a mixed-use development area, a technology park is included as an option.

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 GA expands these requirements to projects within all counties and not just those located within consolidated local governments and urban-county governments. It also 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.

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

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 GA, it is impossible to determine the magnitude of the negative impact.

Data Source(s): LRC Staff

Preparer: Cynthia Brown **Reviewer:** KHC **Date:** 3/7/17