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

Part I: Measure Information

Bill Request #: 1083
Bill #: HB 388 SCS 3
Bill Subject/Title: An Act relating to tax increment financing and declaring an emergency.
Sponsor: Representative Heath
Unit of Government: X City X County Y Urban-County Unified Local
X Charter County X Consolidated Local X Government
Office(s) Impacted:
Requirement: X Mandatory Optional
Effect on Powers & Duties: X Modifies Existing Adds New Eliminates Existing
Requirement: X Mandatory Optional Effect on

Part II: Purpose and Mechanics

HB 388 SCS 3 proposes to remove all of the language in HB 388 GA pertaining to a technology park and restore the \$200 million dollar capital investment cap on projects for the state participation program. It also proposes an expansion of the provisions for establishing a development area for previously undeveloped land and an amendment to KRS 189.2301, which pertains to an exemption of axle weight provisions.

Section 1 of the Act amends the language in KRS 65.7043 that establishes a development area for previously undeveloped land. The amendment adds a mixed-use development project that includes a tract of previously undeveloped land that was owned by a liberal arts educational institution within four years prior to the effective date of the Act. It also requires that the previously undeveloped land be bounded on one side by a four lane US highway on the effective date of the Act and that no more than 50% of the previously undeveloped land be used for qualified mixed uses.

KRS 154.030-060 is amended, in Section 2 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, which are retail, residential, office, restaurant, or hospitality; one of those qualified uses must comprise of at least 20% of the total finished square footage or 20% of the total capital investment; and the other qualified uses, when combined, jointly meet at least 20% of the total finished square footage or 20% of the total capital investment. The proposal expands these requirements to projects within all counties and not just those located within consolidated local governments and urban-county governments.

KRS 65.7049 is amended, in Section 3 of the Act, to make a technical change.

Section 4 of this Act pertains to the axle weight provisions of vehicles. This proposal amends KRS 189.2301 to remove the axle weight exemption for vehicles that exceed any posted bridge weight limit.

Section 5 states that Sections 1 through 3 of this Act shall apply to tax increment financing applications not approved prior to the effective date of this Act. Section 6 declares an emergency for Sections 1 through 3 and Section 5 of the Act 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

Section 7 of the Act pertains to the axle weight exemption, which will not have a fiscal impact for the local jurisdiction.

The remaining provisions of the proposed legislation expand the criteria currently in place for tax increment financing and thus, will likely result in more projects qualifying. 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 SCS 3, it is impossible to determine the magnitude of the impact.

Data Source(s):LRC StaffPreparer:Cynthia BrownReviewer:MMDate:4/3/17