TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 1554 – SB 1334

May 10, 2011

SUMMARY OF AMENDMENTS (006643, 007828): Authorizes municipal governments with brownfield redevelopment projects in economically disadvantaged areas within counties with a population greater than 80,000 according to the 2000 federal census or subsequent censuses to approve economic impact plans allocating incremental property tax revenue to industrial development corporations for specified purposes, including debt service on bonds. Defines "redevelopment zone" to mean either an area designated as of January 1, 2009, as a renewal community by the federal Department of Housing and Urban Development or an area designated as of January 1, 2009, as a low income community for purposes of the federal New Markets Tax Credits program. Defines a "brownfield site" as a parcel or adjacent or related parcels of real property containing at least five acres that currently or at any time since January 1, 2000, has been the subject of an investigation or remediation as a brownfield project under a voluntary agreement or consent order. Requires urban brownfield redevelopment projects to be located in a redevelopment zone and contain at least one brownfield site or a site of at least 10 acres that has remained vacant or substantially unoccupied for at least five years and included a facility of at least one million square feet.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Future incremental property tax revenue will be redirected from the general funds of participating local governments to industrial development corporations. This bill is permissive and the number of economic impact plans that will be adopted is unknown. If two projects utilize this mechanism, there will be a permissive shift in local revenue in an amount exceeding $40,000 each year for a period of thirty years. Any corresponding impact to local sales tax revenue is estimated to be forgone in an amount that exceeds $100,000.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Unchanged from the original corrected fiscal note.

Assumptions applied to amendments:

- The provisions of this bill apply to communities designated by Housing and Urban Development (HUD) as renewal communities in Blount, Bradley, Davidson, Hamilton, Knox, Madison, Montgomery, Rutherford, Shelby, Sullivan, Sumner, Washington, Williamson, and Wilson counties.

- According to the Tennessee Department of Environment and Conservation, there are 35 eligible sites in Hamilton and Shelby counties. It is unknown how many eligible sites exist in the remaining counties.
- Property tax revenues will be frozen in the year prior to the economic impact plan. Any incremental property tax revenue above this base tax amount generated from a particular area will be allocated to the industrial development corporation.
- Local governments will continue to collect property taxes at the frozen level until the plan's term expires.
- The fiscal impact to local governments resulting from an extension of the time period taxes may be allocated to corporations under an economic impact plan is unclear.
- The average property tax rate is $4 per every $100 of assessed value. For every $1,000,000 assessed value, the taxes generated will be $40,000. The average property value after development will be $1,500,000 and will generate $60,000 in property tax revenue, resulting in $20,000 of forgone revenue to local governments each year.
- It is not known how many economic impact plans will be modified under the proposed provision. It is assumed there will be two projects with a frozen assessed value of $1,000,000 per property each year. The assessed property value after development will be $1,500,000 per property, resulting in forgone revenue to local governments of $40,000 ($20,000 x 2) for 20 additional years.
- In project year 31, and each year after, there will be an increase to local government revenues of $40,000.
- Based on information provided by the Department of Revenue, there will be no impact to state sales taxes. Only the local portion of sales tax revenue would be subject to reallocation to an IDC.
- New local option sales tax revenue raised from the economic development area will not be allocated to the general fund of the municipality, but will be returned to the IDC. The number of municipalities that will authorize IDCs to retain new sales tax revenue cannot be reasonably determined. Forgone local revenue is estimated to exceed $100,000.
- While new businesses may develop new jobs and require additional infrastructure that will increase local government revenue and expenditures, this impact is indirect and cannot be reasonably determined for the purposes of this legislation.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

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