

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6200

BILL NUMBER: SB 118

NOTE PREPARED: Feb 26, 2014

BILL AMENDED: Feb 24, 2014

SUBJECT: Redevelopment Commissions and Authorities.

FIRST AUTHOR: Sen. Miller Pete

FIRST SPONSOR: Rep. T. Brown

BILL STATUS: 2nd Reading - 2nd House

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

Approval of Obligations: The bill provides that a redevelopment commission may not enter into any obligation payable from public funds without first obtaining the approval of the legislative or fiscal body of the unit that established the commission. It provides an exception if the obligation is for the acquisition of real property and the payments are for three years or less or the purchase price is less than \$5 M.

Approving Ordinance or Resolution: It specifies that the approving ordinance or resolution must include certain items.

Oversight of Redevelopment Commissions, Departments, and Redevelopment Authorities: It provides that a redevelopment commission and a department of redevelopment are subject to oversight by the legislative body of the unit, including review by the legislative body of annual budgets. It also specifies that a redevelopment commission and a department of redevelopment are subject to the same laws, rules, and ordinances of a general nature that apply to all other commissions or departments of the unit.

The bill specifies that a redevelopment commission, a department of redevelopment, and a redevelopment authority are subject to audit by the State Board of Accounts and covered by the public meetings and public records laws.

Sale, Transfer, or other Disposition of Property: The bill requires a redevelopment commission to provide to the legislative body of the unit at a public meeting all the information supporting the action the redevelopment commission proposes to take regarding the sale, transfer, or other disposition of property.

Excess Assessed Value: It provides that if the amount of excess assessed value determined by the commission is expected to generate more than 200% of the amount of allocated tax proceeds necessary to carry out the commission's plan, a determination of the amount of the excess available to other taxing units by the commission must be approved by the legislative body of the unit. The bill also permits the legislative body of the unit to modify the commission's determination with respect to the amount of excess assessed value.

Fiscal Officers: The bill requires the treasurer of a redevelopment commission outside Indianapolis and the secretary-treasurer of a redevelopment authority outside Indianapolis to report annually to the fiscal body of the unit that established the commission or authority.

Indianapolis Controller: It provides that the Indianapolis controller is the fiscal officer of the redevelopment commission and redevelopment authority in Indianapolis. It authorizes the Indianapolis controller to obtain financial services on a contractual basis.

Dwellings: The bill prohibits a redevelopment commission, authority, or department, or a designee holding company from owning, leasing, or holding a single family dwelling or condominium unit that is leased for purposes of leasing for the use by individuals as a dwelling.

Report: The bill requires the Department of Local Government Finance, with the assistance of the State Board of Accounts, to prepare a report on redevelopment by redevelopment commissions, authorities, and departments and to submit and present the report to the Commission on State Tax and Financing Policy during the 2014 legislative interim.

Eminent Domain: It provides that the power of eminent domain for redevelopment purposes belongs to the legislative body in counties other than Marion County.

Amendments of Plans and Establishing Allocation Areas: The bill requires legislative body approval of any amendment of a plan or of a resolution establishing an allocation area, and it requires a declaratory resolution or amendment that establishes an allocation provision to include a specific finding of fact that the adoption of the allocation provision will result in new property taxes in the area that would not have been generated but for the adoption of the allocation provision.

Expiration: The bill provides, in the case of an allocation area that was initially established before July 1, 1995, that the expiration date of any allocation provisions for the allocation area is June 30, 2025, or the last date of any obligations outstanding on July 1, 2015, whichever is later. The bill also provides that the consolidated allocation area in downtown Indianapolis is exempt from the expiration date.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *Reporting:* The Department of Local Government Finance (DLGF) and the State Board of Accounts (SBOA) could incur additional costs to prepare a report for the Commission on State Tax and Financing Policy during the 2014 interim on redevelopment commissions, authorities, and departments. The report on redevelopment commissions, authorities, and departments would include the activities of the entities, including proposed and completed projects; budget data for each entity from 2009 to 2013; audit findings from 2009 to 2013; actual increases in assessed value in redevelopment areas in comparison to planned increases, and suggestions for law changes.

The bill's requirements represent an additional workload on the agencies outside of their routine

administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations.

Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions.

Oversight - State Board of Accounts: Under the bill, redevelopment commissions, departments, and authorities are to be audited by the SBOA. To the extent that SBOA does not currently audit an entity, SBOA would have additional workload. [Each local unit of government is required to pay all or a portion of the expenses of examination by the SBOA. The rate billed is \$45 per day for each field examiner engaged in making the examination.]

Additional Information: The SBOA audit database includes audits of seven redevelopment authorities, including Carmel, Evansville, Fishers, Hamilton, Noblesville, Porter, and Zionsville.

Redevelopment commissions are required to report annually to the executive and fiscal body of the unit that established the redevelopment commission. The report to the executive is also sent to the DLGF, which posts the report to the Gateway for Local Government.

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* The impact of added review by an elected body on projects undertaken by redevelopment commissions and on redevelopment, if any, is unknown. The actual impact would depend on local action taken under this bill.

(Revised)*Eminent Domain and Amendments of Plans and Establishing Allocation Areas:* The repeal or conditional use of certain powers and authority of redevelopment commissions will have indeterminate fiscal impact on redevelopment activities. The requirements for approval of planning and financing may increase reporting and meeting costs for both the commission and the fiscal body of its sponsoring local unit. Also, the finding of fact that the allocation provision will result in new property taxes will have indeterminate impact on establishing new allocation areas. The actual impact would depend on local action taken under this bill.

Meetings: Commissions would be subject to public meetings law and public records act, which potentially increases costs to the extent that notice of meeting will have to be provided and records must be available for public inspection.

Indianapolis/Marion County: For Indianapolis/Marion County, the city controller would be the fiscal officer of the redevelopment commission. The controller would be permitted to contract for financial services, and any resulting fiscal impact would depend on whether the controller contracts for financial services and the terms of the contract.

Additional Information:

(Revised) *Oversight:* Under current law, a county or municipality may create a redevelopment commission, and a unit that has enacted a commission may create a redevelopment authority. In Marion County, a

department of metropolitan development may be established. Under this bill, the legislative or fiscal body of the taxing unit that created the redevelopment commission or department would have oversight over:

1. The budget and tax levies;
2. The issuance of certain debt or obligations, including the execution of leases; and
3. The sale or disposal of property.
4. Eminent domain, outside of Marion County.

An entity would not be permitted to issue obligations, payable with public funds, without first obtaining approval from the enabling taxing unit's legislative body. However, the entity would not need approval of an obligation for a real property purchase if either the purchase price does not exceed \$5 M or the repayment period does not exceed three years. Also, the legislative or fiscal body would be required to specifically approve the maximum payment or lease amounts as well as the maximum interest rate.

(Revised) Under the bill, oversight and application of open meetings and records acts could increase reporting and records costs from the following sources.

1. The treasurer of a redevelopment commission outside Indianapolis would report annually before July 1 to the fiscal officer of the sponsoring unit which would minimally increase costs.
2. The entity could also incur costs for SBOA audits (see *Explanation of State Expenditures* above).
3. The entity could incur additional expenses to post meeting information in compliance with the open meetings statutes, and to maintain and provide records under the public records laws. The added expenses would depend on the number of meetings and information requests.

Under current statute, effective July 1, 2013, on March 15 of each year, redevelopment commissions are required to report to their unit's executive concerning their obligation activities for the proceeding calendar year. Before August 1 of each year, redevelopment commissions are to report to their units concerning TIF areas. And by October 1 of each year, redevelopment commissions will report to the Department of Local Government Finance concerning revenues and expenditures, fund balances, and obligations owed and payments made on obligations. Redevelopment commissions will also provide a list of parcels within the TIF district and some details concerning those parcels.

Explanation of Local Revenues: Excess AV Determinations: In a TIF area, captured tax payments are allocated to the redevelopment district and may be used to repay debt and for a variety of uses related to the operations of the redevelopment commission. Under this provision, the redevelopment commission would need to obtain the approval of the unit's legislative body if the excess AV is expected to generate more than 200% of the TIF proceeds necessary to carry out the redevelopment or economic plans.

If the amount of tax payments exceeds the amount needed for allowable purposes, under current law, the excess is distributed to the taxing units in the allocation area. Under the bill, if the excess is more than 200% of the amount necessary to repay debt or leases, the redevelopment commission must obtain the approval of the unit's legislative body for the allocation. The fiscal body may approve or modify the allocation.

Expiration: For allocation areas established before July 1, 1995, the expiration date is June 30, 2025 or the

last date of any outstanding obligations on July 1, 2014.

State Agencies Affected: DLGF, SBOA.

Local Agencies Affected: Units authorizing redevelopment commissions departments, and authorities; redevelopment commissions, departments, and authorities; Indianapolis Controller.

Information Sources:

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