

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6561

BILL NUMBER: SB 217

NOTE PREPARED: Jan 31, 2006

BILL AMENDED: Jan 30, 2006

SUBJECT: Redevelopment Commission Housing Programs.

FIRST AUTHOR: Sen. Broden

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: The bill permits redevelopment commissions in counties other than Marion County to establish a housing program and a tax increment funding allocation area for that program. (Current law allows Marion County to establish such a program.)

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill allows redevelopment commissions in counties other than Marion to establish under certain conditions housing programs by resolution in allocation areas where:

- (1) At least one-third of the parcels are vacant;
- (2) 75% of the area is, or will be, used for residential purposes;
- (3) At least one-third of the residences in the area were constructed before 1941; and
- (4) At least one-third of the parcels:
 - (a) Have dwellings that are not permanently occupied;
 - (b) Are subject to an order regarding the correction of code violations or unsafe conditions;
 - (c) Have two or more delinquent property tax payments; or
 - (d) Are government owned.

The total area within the allocation area must not exceed 150 acres. The program must be approved by the municipal legislative body or county executive. The commission must hold hearings in the neighborhood affected. A special tax may be levied to accomplish the housing program.

The base assessed value (AV) of the allocation area would be equal to the AV of land on the assessment date that precedes the date on which the allocation area is established. The base AV would not include any valuation of real property improvements. Property taxes paid on valuation in the allocation area that exceeds the base valuation would be deposited into an allocation fund.

Money in the allocation fund may be used for:

- (1) Construction, rehabilitation, or repair of residential units and infrastructure;
- (2) Property acquisition;
- (3) Property demolition;
- (4) Financial assistance to low-income families for the purchase or lease of a residence, either directly or through a neighborhood development corporation; and
- (5) Property tax replacement credits in the allocation area.

The proposal would permit the commission to grant property tax replacement credits to taxpayers in the allocation area equal to the percentage of state property tax replacement credits in the taxing district that contains the allocation area. These credits could be paid only if the appropriate county or municipal legislative body establishes the credit by ordinance. The credit would reduce the net proceeds available to the allocation area.

If the allocation area currently contains non-exempt real property improvements, then the exclusion of this valuation from the base assessed value would shift some part of the tax burden from the taxpayers that own the improvements to all other taxpayers. It is assumed that any existing improvements in an allocation area would have minimal value.

Total local revenues for civil units and school corporations, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the loss in AV from improvements excluded from the base AV. Redevelopment commissions would realize an increase in revenue from the property tax payments on the incremental AV in the allocation areas. This revenue would be generated as a result of redevelopment.

State Agencies Affected:

Local Agencies Affected: Local redevelopment commissions.

Information Sources:

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