LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
200 W. Washington St., Suite 301
Indianapolis, IN 46204
(317) 233-0696
iga.in.gov

FISCAL IMPACT STATEMENT

LS 7473
BILL NUMBER: HB 1005

NOTE PREPARED: Apr 3, 2023
BILL AMENDED: Apr 3, 2023

SUBJECT: Housing.

FIRST AUTHOR: Rep. Miller D
FIRST SPONSOR: Sen. Rogers

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Residential Housing Infrastructure Assistance Program (program) and Residential Housing Infrastructure Assistance Revolving Fund (fund). It provides that the Indiana Finance Authority (authority) shall administer the fund and program. This bill provides that political subdivisions may apply to the fund for loans for certain infrastructure projects related to the development of residential housing.

It provides that money in the fund may not be used for:
(1) debt repayment;
(2) maintenance and repair projects;
(3) upgrading utility poles; or
(4) consulting or engineering fees for studies, reports, designs, or analyses.

The bill also provides that loans from the fund must be allocated as follows:
(1) 70% of the money in the fund must be used for housing infrastructure in municipalities with a population of less than 50,000.
(2) 30% of the money in the fund must be used for housing infrastructure in all other political subdivisions.

It requires the authority to establish a project prioritization system for the purpose of awarding loans from the fund, and specifies the criteria that must be included in the project prioritization system. The bill allows the authority to establish a leveraged loan program to or for the benefit of program participants.

The bill also requires the public finance director to prepare an annual report of the fund's activities for the

Legislative Council and the Budget Committee.

The bill provides that the fiscal body of a county may adopt an ordinance to designate an economic development target area.

It removes the threshold conditions for establishing a residential housing development program and a tax increment allocation area for the program, including the condition that the governing body of each school corporation affected by the program pass a resolution approving the program before the program may go into effect. It also changes the duration of a residential housing development program from 25 years (under current law) to 20 years after the date on which the first obligation for program is incurred.

This bill makes a continuing appropriation

Effective Date: July 1, 2023; Upon Passage.

Explanation of State Expenditures: *Indiana Finance Authority (IFA)*: The bill would increase the workload for the IFA to administer both the Residential Housing Infrastructure Assistance Program and Revolving Fund. Currently, the IFA is authorized to issue revenue bonds and to finance or refinance the cost of acquiring, building and equipping structures for state use. The IFA also manages the Wastewater and Drinking Water State Revolving Fund Loan Programs and the Indiana Brownfields Program. The bill would expand current functions of the IFA.

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.

Residential Housing Infrastructure Assistance Revolving Fund: The bill establishes the Residential Housing Infrastructure Assistance Revolving Fund, a nonreverting fund administered by the IFA and used to fund loans for eligible participants in order to construct infrastructure related to residential housing. The fund may also be used to provide funding for a leveraged loan program to or for the benefit of eligible participants. The fund consists of appropriations from the General Assembly; grants and other gifts of money; and loan repayments, including interest, premiums, and penalties. Money in the fund is continuously appropriated.

Housing Development: This bill will reduce workload for the Department of Local Government Finance (DLGF). The DLGF is currently required to determine whether or not a county or municipality meets the new construction threshold requirements in order to create a residential housing development program. The DLGF will no longer have this requirement.

Explanation of State Revenues:

Explanation of Local Expenditures: Municipal expenditures for residential housing infrastructure projects could be reduced to the extent that loans provided to eligible participants from the revolving fund carry a lower interest rate than financing mechanisms from other lending institutions.

Explanation of Local Revenues: Municipalities and other eligible political subdivisions could secure financing for residential housing infrastructure projects should they meet the criteria established by the IFA for the program. Actual revenues received by municipalities will vary and depend on where the municipality's proposed projects rank in the prioritization criteria established by the IFA.

Housing Development: Current law permits a municipal redevelopment commission to establish a program for residential housing development and a tax increment financing (TIF) allocation area for the program if the average of new, single family residential houses constructed in the municipality in the preceding three years is less than 1% of the total number of residential houses in the municipality. For a county redevelopment commission, the average of new, single family residential houses constructed in the township in which the area is located in the preceding three years must be less than 1% of the total number of residential houses in that township.

This bill will remove these 1% new construction thresholds and will allow any county or municipality to establish a residential housing development program and associated TIF. The bill also reduces the duration of a residential housing development program from 25 years to 20 years.

Current law also requires school corporation approval for a residential housing development program. This bill will remove that requirement, potentially resulting in the creation of additional programs if the programs would not have been approved by the school corporation.

When a new TIF area is created, taxing unit property tax revenues remain unchanged. However, if one assumes that the investment that provides the increase in assessed valuation would occur with or without a TIF, a new TIF could cause a delay in the reduction of tax rates and the resulting tax shift from existing properties that would normally occur, until the new property is included in the tax base when the TIF expires. Cumulative fund levy increases would also be delayed.

Economic Development Target Area: Under current law, cities and towns may designate up to 15% of their area as an economic development target area if (1) the area is undesirable or normal development and occupancy is impossible, (2) the area has been designated as a historic district, or (3) the area encompasses buildings that are, or are eligible to be, listed on the national or Indiana register of historic places. This provision will also permit counties to designate areas as economic development target areas.

In an economic development target area:

- Property tax abatements may be granted to retail facilities and residential property; and
- Residential housing development program (housing TIF) projects may include condominiums and townhouses.

State Agencies Affected: Indiana Finance Authority; Department of Local Government Finance.

Local Agencies Affected: County and municipal redevelopment commissions; County fiscal bodies; Local civil taxing units and school corporations.

Information Sources: Indiana Finance Authority's website: https://www.in.gov/ifa/

Fiscal Analyst: James Johnson, 317-232-9869; Bob Sigalow, 317-232-9859.