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S.B. 329
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Schuring

Local Impact Statement Procedure Required: Yes

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Highlights

- Full or partial property tax exemption for qualifying residential property in a Neighborhood Development Area (NDA) may result in revenue losses of indeterminate amount for units of local government.
- Tax revenue losses would be discretionary for a municipal or township government designating an NDA but not for other units of local government with territory in the NDA.
- The tax exemption may not exceed 75% without approval of all affected school districts.

Detailed Analysis

The bill allows a municipal or township government to designate territory as an NDA for the purpose of encouraging development of adequate affordable housing, workforce housing, or housing addressing a housing shortage. An NDA may include up to 300 acres, encompassed by a continuous boundary. Enacting legislation must include findings of a lack of adequate housing, and that the NDA will encourage new construction or improvements of existing residential structures that would be unlikely in the absence of the designation. An NDA may be designated for up to 10 years, which term may be extended for additional periods of up to ten years. The percentage of property value to be exempted from tax may not exceed 75% without school district approval. Under the bill, property that is already exempt under a tax increment financing (TIF) agreement or a part of the Community Reinvestment Area (CRA) cannot be part of an NDA.

The exemption may apply to vacant residential property owned by a developer, until the residence is occupied. It may apply to new owner-occupied housing for ten years. It may apply for five years to property remodeled at a cost of at least $5,000.

The cost of the bill clearly would depend on how widespread its adoption by municipal and township governments would be. Tax revenue losses to cities, villages, and townships that designate NDAs would be discretionary, as would revenue losses to school districts that approve exemptions in excess of 75%. Revenue losses to other units of local government would not be permissive. If NDAs are widely designated, tax revenue losses have the potential to be sizable.

The Department of Taxation would incur costs to administer the program. The magnitude of these costs would depend on the extent of participation in the new program. Municipal corporations and townships would incur costs to create and administer NDAs, but such costs would be permissive.

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