

# SB 1271 - HB 1306

## FISCAL NOTE



Fiscal Review Committee  
Tennessee General Assembly

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Fiscal Analyst: Justin Billingsley | Email: [justin.billingsley@capitol.tn.gov](mailto:justin.billingsley@capitol.tn.gov) | Phone: 615-741-2564

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**SUMMARY OF BILL:** Establishes that projects initiated by industrial development corporations (IDCs) may include: (1) affordable and workforce housing, including single family, condominium, or townhome housing development, to be occupied, in whole or in part, by persons of low to moderate income, elderly, or handicapped persons as may be determined by the respective IDC's board of directors; and (2) public infrastructure located within the municipality that created the IDC.

Provides that the powers of an IDC do not apply to any apartment building or buildings, including, but not limited to, affordable and workforce housing, to be occupied, in whole or in part, by persons of low to moderate income, elderly, or handicapped persons as may be determined by the board of directors.

Establishes an exemption to current statute, thereby authorizing the board of an IDC to establish in its redevelopment plan, economic impact plan, or community redevelopment plan, that all taxes levied by a local government upon any multifamily, single family, condominium, or townhouse housing development be allocated and paid to the IDC. Specifies that a plan may provide that the amount of the dedicated taxes may be fixed for the term of the plan as of the date of the plan approval by the IDC or the date of the first allocation of taxes to the IDC.

Authorizes the governing body of a municipality, city, town, or county to approve amendments to the economic impact plan of an IDC, and specifies that such plan, as amended, becomes effective upon approval of such plan by the IDC. Further specifies that an IDC is not required to conduct an additional public hearing prior to the approval of any amended economic impact plan. Authorizes minor amendments to clarify terms or correct errors in the wording of an economic impact plan, which has been previously approved by any such governing body, which becomes effective upon approval by the IDC. Specifies that an IDC is not required to conduct a public hearing prior to the approval of any minor amendment.

Authorizes an economic impact plan to provide that all taxes levied by a participating tax agency on a multifamily, single family, condominium, or townhome housing development, including, but not limited to, affordable and workforce housing, occupied, in whole or in part, by persons of low to moderate income, elderly, or handicapped persons, be allocated to the IDC. Authorizes a plan to provide that the amount of the dedicated taxes may be fixed for the term of the plan as of the date of the plan approval by the IDC or the date of the first allocation of taxes to the IDC.

Establishes that any form of indebtedness which is secured or payable from tax increment revenues, except for guaranties or security provided by private parties, is not considered balloon indebtedness; therefore, issuance of such indebtedness is not subject to the approval by the Comptroller of the Treasury (COT).

Removes the authority of an IDC to include a solar power facility within any redevelopment of a brownfield site. Clarifies that property taxes that are distributed as part of an economic impact plan may include either real property or personal property, or both, located within the area subject to the plan.

## FISCAL IMPACT:

OTHER FISCAL IMPACT
Due to multiple unknown factors, any permissive impact to local government cannot be determined with reasonable certainty.

### Assumptions:

#### *Industrial Development Corporations – Multifamily Housing and Public Infrastructure*

- Pursuant to Tenn. Code Ann. § 7-53-106, IDCs are authorized to acquire, purchase, construct, reconstruct, improve, better, and extend projects.
- Pursuant to Tenn. Code Ann. § 7-53-101(15)(A), “project” is defined broadly, but generally as any land or building, including office building, any facility or other improvement on the land, and all real and personal properties deemed necessary in connection therewith, whether or not now in existence.
- Pursuant to Tenn. Code Ann. § 7-53-101(15)(A)(x), included in the definition of project are multifamily housing facilities to be occupied by persons of low or moderate income, elderly, or handicapped persons, as may be determined by the IDC’s board of directors.
- This legislation clarifies that multifamily housing facilities include, but are not limited to, affordable and workforce housing, to be occupied, in whole or in part, by persons of low or moderate income, elderly, or handicapped persons, as may be determined by the board of directors.
- Pursuant to Tenn. Code Ann. § 7-53-302(a)(4), an IDC has the power to acquire, whether by purchase, exchange, gift, lease, or otherwise, and improve, maintain, equip, and furnish one or more projects, including all real and personal properties the board of directors of the IDC may deem necessary in connection with the projects; provided, that such power does not apply to certain projects.
- This legislation expands this provision so that IDC powers do not apply to any apartment building or buildings, including, but not limited to, affordable and workforce housing, to be occupied, in whole or in part, by persons of low to moderate income, elderly, or handicapped persons as determined by the IDC’s board of directors.
- This legislation authorizes the board of an IDC to establish in its redevelopment plan, economic impact plan, or community redevelopment plan, that all taxes levied by a participating tax agency be allocated and paid to the IDC.
- It is assumed that the boards of such IDCs will establish or amend current plans to allocate all revenue from local taxes levied or imposed by the respective municipal government on such property to the IDC.

- It is assumed that this legislation is considered prerequisite to any of the acquisitions or developments authorized by this legislation; therefore, any local revenue that will be remitted back to the IDC as a direct result of this legislation is not considered foregone, as it is assumed that such revenue would not have been collected in the absence of this legislation.
- This legislation authorizes IDCs to include within a project public infrastructure, including roads, streets, publicly-owned or privately-owned parking lots, facilities or garages, traffic signals, sidewalks or other public improvements that are available for public use, utility improvements and storm water and drainage improvements, whether or not located on public property or a publicly-dedicated easement, that are necessary or desirable, as determined by IDC.
- It is assumed that any development of public infrastructure by an IDC, as included in any such plan, is not in lieu of any public infrastructure construction by a local government, and as such, will not result in any significant impact to local government, but rather, will serve as a means to increase the value of the property subject to the plan.
- It is assumed that this legislation is considered prerequisite to any construction of public infrastructure authorized by this legislation; therefore, any additional local revenue that will be remitted back to the IDC as a direct result of additional public infrastructure is not considered foregone, as it is assumed that such revenue would not have been collected in the absence of this legislation.

#### *Industrial Development Corporations – Brownfield Redevelopment*

- Pursuant to Tenn. Code Ann. § 7-53-316(a) – (c), an IDC located in a municipality in which a brownfield redevelopment project is located may prepare and submit to the municipality for approval an economic impact plan with respect to the brownfield redevelopment project in the manner provided in this section.
- An economic impact plan submitted for approval shall provide that the property taxes imposed on the property, including the personal property located within the area subject to the plan, the local sales taxes imposed upon sales within the area subject to the plan, the local sales taxes imposed upon construction and related development or redevelopment activity in the area subject to the plan, or any combination and amount of such property and local sales taxes, be allocated to the IDC.
- Pursuant to Tenn. Code Ann. § 7-53-316(e), all tax revenue allocated to an IDC may only be used to pay expenses of the board in furtherance of promoting economic development in the municipality, to pay the cost of projects, or to pay debt service on bonds or other obligations issued by the IDC to pay the cost of the projects.
- Furthermore, the IDC is authorized to pledge any or all amounts received by the IDC to the payment of such bonds or other obligations.
- This legislation is estimated to increase the total area to which an IDC's redevelopment plan of a brownfield site applies.
- Based on multiple unknown factors, including but not limited to how many IDCs will expand the area to which a redevelopment plan applies, when any such expansion will occur, what alternative development projects could have occurred on such property in the absence of such expansion, any impact to state or local government cannot be reasonably determined.

- Removing the authorization for an IDC to include a solar power facility on a brownfield redevelopment site may have various impacts on local government; however, due to multiple unknown factors, including, but not limited to, whether a solar power facility would have been included in brownfield redevelopment site in the absence of this legislation, when construction of a solar power facility would have commenced and been completed, and what other economic impacts a solar power facility would have on any given region of the state, any fiscal impacts from termination of such authorization cannot be reasonably determined.

*Other*

- Removing the necessity for boards of IDCs to hold public hearings for amendments to plans, is assumed to only impact the expenditures of the IDCs, as it is assumed any expenses incurred in holding such hearings are paid by the IDCs.
- Removing the requirement that the COT approve certain forms of indebtedness secured or payable from tax increment revenues, prior to issuance, will have no significant impact on the COT.

**CERTIFICATION:**

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

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Executive Director