

Support HB 1107, Agricultural Land in Urban Renewal Authorities

Sponsors: Rep. Fischer & Sen. Carroll

Attempts to reform the URA (Urban Renewal Authority) statute and specifically the use of tax increment financing (TIF) to redevelop blighted land have increased in recent years. HB 1107 addresses one key area that has been in dispute: how and when TIF financing should be used on agricultural lands.

HB 1107

HB 1107 would restrict the inclusion of agricultural land in URAs *unless*:

- ▶ **Brownfield:** The land is considered a “brownfield;” **OR**
- ▶ **Contiguity:** The URA contains 50% of urban level redevelopment that is deemed to constitute a slum or blighted area, and 2/3 of the perimeter of the URA is contiguous to urban level development; **OR**
- ▶ **Enclave:** The land is an “enclave,” meaning wholly within a municipality and fully surrounded by urban level development for at least 3 years; **OR**
- ▶ **Agreement:** All impacted taxing entities agree to include the land in the URA; **OR**
- ▶ **Already Approved:** The land was included in an approved URA prior to the effective date of the law.

Allowable Exceptions Under HB 1107

- ▶ Where an agricultural parcel fits into one of these exceptions, the tax increment would be determined based on fair market value of the land, not only the value of the crops on the land (as is currently done).
- ▶ HB 1107 has a well-defined enforcement mechanism: the affected county has 30 days to provide written notice to the municipality if the county believes agricultural land has been improperly included in the URA. The city then has 30 days to get a court order to resolve the agricultural land issue.

Background

- ▶ The URA statute was passed to encourage the redevelopment of truly blighted urban areas, such as former factory sites needing environmental remediation before they can be redeveloped. The intent of the statute is to provide public financial assistance to developers so that they can competitively develop these sites, which are often more expensive to develop than average sites. Public policy supports this use of taxpayer money because the public’s interest is served by having these types of abandoned urban sites redeveloped.
- ▶ Unfortunately, too often under the URA statute TIF financing has been given to developers building on pristine agricultural lands, which do not cost more than the average site to develop. In fact, they often cost less. This has created a system of taxpayer-funded subsidies to developers on sites that should not need assistance. Developers have come to expect the subsidy, putting municipalities in competition with one another and making TIF a necessary inducement to attract developers to one community over another. Approximately half of the subsidy is diverted from school districts and the state government is forced to backfill this money. This backfill cost the state over \$50 million in 2007.
- ▶ The use of taxpayer financing for projects on pristine agricultural lands rather than blighted urban lands has created a widely shared perception that the TIF tool is being abused. HB 1107 will help to correct this and ensure the public’s interest is served by keeping taxpayer-funded urban renewal truly urban and truly renewal.