UMBAUGH

SEA 118: Redevelopment Commissions and Authorities (Effective July 1, 2014)

- **RDC obligations are subject to legislative body approval:**
  A redevelopment commission may not enter into any obligation payable from public funds without first obtaining the approval of the legislative body of the unit. An exception is made for real property acquisition if the purchase price is less than $5,000,000 or the term of the payments is 3 years or less.
  - "Obligation" means any bond, note, warrant, lease or other instrument under which money is borrowed.
  - "Public Funds" means all fees, payments, tax receipts, and funds coming into the possession of a redevelopment commission or department of redevelopment.
- **RDC – Oversight and Budget Review:**
  A redevelopment commission and department of redevelopment are subject to:
  - Oversight by the legislative body of the unit, including a review of their annual budget.
  - Same rules and laws as other departments of the unit: audit by the State Board of Accounts, public meetings law and public records law.
- **If excess TIF exceeds 200%, pass-through is subject to approval/modification by legislative body:**
  Under current law, before July 15th of each year, redevelopment commissions are required to determine what amount, if any, of excess incremental assessed value will not be captured as tax increment and will be allocated (passed-though) to the underlying taxing units. The amount of excess is determined based on the amount of assessed value (when calculated as tax increment) that would exceed the principal and interest due on bonds plus the amount needed for other purposes permitted in the redevelopment statute. Under SEA 118, if this amount exceeds 200% of the amount necessary to pay principal and interest on bonds plus the amount necessary for the other permitted purposes, then, the redevelopment commission will submit to the legislative body of the unit, its determination of the excess assessed value, and the legislative body may approve or modify the amount of excess assessed value that will be allocated to the other taxing units in the upcoming budget year.
- **Explicit "BUT FOR" Finding**
  When establishing or expanding an allocation area, a specific finding must be made and supported by evidence that new property taxes will result that would not have been generated "but for" the new or expanded allocation area.
- **Pre-1995 "Legacy" Area Expiration:**
  Allocation areas that were created before July 1, 1995 will expire the later of June 30, 2025 or the last maturity date of any outstanding obligations (outstanding as of July 1, 2015). (All post-1995 TIF Areas have expiration dates.)
- **Certain property disposition by the RDC will require approval by the legislative body**.
- **RDC Treasurer and Duties:**
  The fiscal officer of the unit establishing the redevelopment commission is the treasurer of the redevelopment commission. The treasurer is responsible for the administration, investment and disbursement of all funds and accounts of the redevelopment commission. The treasurer shall report annually to the fiscal body of the unit by July 1.
- **Remove RDC Power of Eminent Domain:**
  Although the power is removed from redevelopment commissions, the legislative body has the power to use eminent domain to acquire real property in redevelopment areas and economic development areas.
- **Legislative Study:**
  During the 2014 legislative interim, the commission on state tax and financing policy will study redevelopment commissions, authorities and departments. A report providing specific data (specified in SEA 118) will be prepared by the DLGF and the State Board of Accounts, and submitted by August 1, 2014.

*If you have any questions regarding **SEA 118** please contact Umbaugh at footnotes@umbaugh.com.*