



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 255** HLS 13RS 831
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Economic Development	Analyst: Deborah Vivien
Subject: Changes Minimum Requirements in South Market EZ	

ECONOMIC DEVEL/ENT ZONE EN -\$533,000 GF RV See Note Page 1 of 1
 Change minimums in Enterprise Zone

Current law, prior to 2011, provided benefits of a non-refundable income or franchise tax credit of \$2,500 per permanent job and either a sales tax rebate on construction materials or a payment of 1.5% of project expenditures (refundable tax credit). Qualifying projects could not be residential developments. Current law, since 2011, contains special provisions for a particular project, the South Market District development in the central business district of New Orleans. These provisions allow the residential portion of the development to be eligible for the Enterprise Zone program if it meets specific qualifiers, such as including 90-200 permanent dwelling units. The project must also be a transit oriented development defined as apportioned with at least 50% multi-family residential and at least 30% commercial or retail on one contiguous site located within a quarter mile of a multi-modal transit center. At least \$10 million in qualifying capital expenditures is required. Proposed law expands the maximum residential units from 200 to 300 and changes the retail or commercial requirement from at least 15% of the facility to at least 20,000 square feet.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$278,000)	(\$255,000)	\$0	(\$533,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	(\$278,000)	(\$255,000)	\$0	(\$533,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

This bill is the third modification of the EZ Program to fit the parameters of the South Market District development in the New Orleans central business district, which consists of four buildings each treated as a separate EZ project. This bill further expands the residential component of the eligibility parameters to a maximum of 300 units and decreases the retail requirement to 20,000 square feet. In current plans submitted by the project, Building C is increasing residential units from 195 to 209 units under finalized plans. All units up to 200 already qualify under previous EZ program modifications so the impact of the bill is limited to the incremental residential portion. Per unit cost is estimated by the Building C contract to be \$170,083, which results in \$23,000 additional credits (9 units * \$170,083 * 1.5%). Buildings A and B may potentially expand to 300 units which results in total capitalized expenditures of about \$35.5 M which would result in total additional credits of about \$533,000. Impacts are spread across anticipated fiscal years based on construction schedules. This exposure is depicted in the table above since changes in the program for this project have involved additional residential units above what current plans at each time were to be. Thus, if all four buildings of the project added 100 apartments, as originally assumed by LED (an unlikely change), the estimated fiscal impact of this bill would be a reduction in state general fund of \$1,020,497. Any increase in the estimate of per unit costs of residential units up to 200 units are already eligible for the credit under existing law.

The fiscal note on the original bill assumed that the entire project expanded to the maximum exposure of the credit on all aspects of construction. However, this bill only impacts the portion of the project concerning residential expenditures, as the nonresidential components of the project are eligible under the regular Enterprise Zone program. Including this bill, under the construction plan currently submitted, the project qualifies for about \$3.5 M in Enterprise Zone credits, with about \$50,000 for 20 estimated jobs (inclusive of the retail and commercial components, and the residential expansions provided over the last three years).

Act 359 of 2011 was the first program modification to grant Enterprise Zone benefits to the project. The estimated fiscal impact for the residential portion of the project was \$1.4 M based on plans submitted by the project at that time. The retail and commercial parts of the project were eligible under the existing Enterprise Zone program. Residential eligibility was limited to 95-175 permanent dwelling units. Act 45 of 2012 allowed the project a larger residential component and a smaller retail component than allowed by Act 359. The Department of Economic Development indicated that the project qualified up to the eligibility limits under the 2011 legislation (Act 359), and this 2012 legislation would allow the remainder of the project to also qualify. The project submitted plans to increase residential units to 195 units, qualifying 20 additional units for program benefits. All other components of the project qualified under existing law. The cost per residential units was submitted by the project at \$153,710, resulting in a fiscal impact of \$46,113 when applying the 1.5% investment credit to the total capitalized expenditures (20 * \$153,710).

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

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