

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 456** HLS 11RS 959
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: May 12, 2011 9:01 AM	Author: MORENO
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Includes residential elements in the Enterprise Zone Act	

ECONOMIC DEVEL/ENT ZONE OR -\$1,400,000 GF RV See Note Page 1 of 1
 Extends the La. Enterprise Zone Act to include transit-oriented multifamily developments

Under current law, the Enterprise Zone program offers a contract which includes a \$2,500 income tax credit per job carried forward for ten years and either a state and local sales tax rebate on construction costs or an income tax credit of 1.5% of qualified capital expenditures. Recipients must qualify a minimum number of jobs to become eligible. In addition, 35% of those jobs must meet residency requirements or be filled by someone receiving public income assistance, or lacking basic skills and unemployable by traditional standards. Under program rules, residential developments, including but not limited to the construction, selling, or leasing of single-family or multi-family dwellings, apartment buildings, condominiums, town houses, etc., are not eligible for enterprise zone benefits.

Proposed law retains current law but will allow transit-oriented developments to be eligible for the Enterprise Zone program. A transit oriented development is defined as a mixed-use development including multifamily housing, new or renovated construction with new direct construction spending of at least \$10 million located near a multimodal transit center.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	(\$853,133)	(\$576,367)	\$0	(\$1,429,500)
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	(\$853,133)	(\$576,367)	\$0	(\$1,429,500)

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

This legislation will reduce state general fund revenue collections by qualifying certain multifamily residential components of projects for the Enterprise Zone program (the commercial and retail components of projects are already eligible for the program). In the legislation, a multi-modal transit center is defined as a public transit stop or exchange that includes no less than three modes of public transportation including bus, streetcar, rail, ferry or water taxi. This requirement will likely apply to the New Orleans downtown area and, presumably, targets the South Market District proposed development in New Orleans. However, the bill could apply to any multifamily development in the state located within one-quarter mile of a multi-modal transit center.

According to data provided by the South Market District and verified by the Department of Economic Development, the project will qualify for an estimated \$1.4 million in subsidies once it becomes operational in FY 13/14 by taking advantage of the job credits based on 21 jobs (\$52,500) along with a 1.5% investment credit (\$1.38 million) over two years. Total cost to the state over the two years of qualification for this project under this scenario is \$1.4 million.

The Department of Economic Development initially calculated that this project is eligible for a greater amount of benefit if it opted for the sales tax rebates rather than the investment tax credit. Total cost to the state over the two years of qualification for this project under that scenario is \$4.7 million. However, LED also points out that the entity developing the project has opted for the investment tax credit for three other projects due to its ease of use compared to the documentation necessary to obtain all the sales tax benefit that is available.

If projects in addition to the South Market District qualify for the Enterprise Zone program under this legislation, the state revenue collections will be reduced further according to the particular parameters of the qualifying project. Any particular project though is relatively small in the context of the overall program. According to Revenue Department data, Enterprise Zone jobs credits and sales tax rebates or investment credits have grown from \$17.7 million in FY06 to \$109.4 million in FY10.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	 Gregory V. Albrecht Chief Economist
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF Cost {H&S}	
<input checked="" 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}	