

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 1252 (First Edition)

SHORT TITLE: Brownfields Tax Incentive

SPONSOR(S): Senator Odom

FISCAL IMPACT

Yes () No () No Estimate Available (X)

FY 2000-01 FY 2001-02 FY 2002-03 FY 2003-04 FY 2004-05

REVENUES

Local Governments See Assumptions and Methodology

EXPENDITURES

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Environment and Natural Resources, County and Municipal Governments

EFFECTIVE DATE: Effective for taxes imposed for taxable years beginning on or after July 1, 2001.

BILL SUMMARY:

This bill would amend Article 12 of Chapter 105 of the General Statutes (Property Subject to Taxation) by including another section. This section creates a partial tax exemption for the appraised value of qualifying quality improvements on brownfields sites for the first five taxable years. This partial exemption includes any qualified improvements under the brownfields program completed after July 1, 2000. The following table outlines the partial tax exemption schedule:

<u>Year</u>	<u>Percentage of Appraised Value for Qualified Improvements Excluded</u>
Year 1	90%
Year 2	75%
Year 3	50%
Year 4	30%
Year 5	10%

BACKGROUND INFORMATION:

Chapter 9 of GS 130A provides for “brownfields agreements” between the Department of Environment and Natural Resources (DENR) and prospective developers of underutilized property. The qualified property under this agreement includes abandoned, idled, or underused property, at which expansion or redevelopment is hindered by potential state or locally mandated remediation of environmental contamination. Under the agreement, the state provides the prospective developer with a covenant not to sue, contingent upon the developer conducting actions outlined in the agreement. Those actions are directed by the DENR, and include a mix of qualifying quality improvements, and enforceable land use restrictions. Qualifying quality improvements by the developer are defined as those site modifications authorized by the DENR, and include the cleanup of environmental contamination, prevention of future contamination, and modifications that would maximize benefit for the public. The restrictions placed upon land use prevent potential risks to public health and safety. Some examples would include the restriction of health care or child care facilities from the premises, as well as restrictions on the use of groundwater and soil from the site.

For entry into the program, prospective developers must show they did not cause or contribute to the contamination of the site, projects must emphasize redevelopment, and they must have public benefit commensurate with the liability relief provided. Projects that have resulted in public benefit are the preservation of an historic mill in Raleigh for mixed residential and commercial use, redevelopment of an abandoned furniture factory that created over 200 jobs in a rural town of 1000, and the construction of an inner city Winston-Salem supermarket. In limiting the liability and remediation costs of the prospective developer, redevelopment projects that would not ordinarily have been able to obtain financing are able to proceed. The money spent by the state on the brownfields program leverages large sums of private investment. On one site,

\$20,000 spent on state oversight and negotiation resulted in excess of \$8 million in private investment for remediation and development.

There are currently 3 completed brownfields agreements and 6 agreements signed and pending. 17 additional applications have been filed and are active. There are over 1000 potential brownfields sites across the state that are currently underutilized or idle due to real or perceived environmental contamination.

ASSUMPTIONS AND METHODOLOGY:

This bill serves as a tax incentive to encourage additional brownfields development. It is not possible to accurately predict the extent to which this tax exemption will induce new developers to enter the program. Department of Environment and Natural Resources staff feel that this tax incentive will serve as an effective means of attracting additional brownfields site developers, as well as providing an incentive for pending agreements to proceed at a more rapid pace.

The tax exemption only extends to the tax appraised value of qualifying improvements upon the site, not the value of the entire site. It is not possible to predict the amount that each developer would spend on qualifying improvements, nor the tax assessed value of these improvements. However DENR staff and numerous county tax assessors feel that the additional property tax revenue provided by improvements to sites would be far greater than the combined tax loss over the five-year partial exemption period.

Due to the aforementioned factors, no estimate is available at this time.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION 733-4910

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