FISCAL IMPACT REPORT

		ORIGINAL DATE	02/04/13	
SPONSOR	Stewart	**LAST UPDATED**		**HB** 355
SHORT TITLE	Public Improvement District Requirements			**SB**
			ANALYST	Smith

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY13	**FY14**	**FY15**	**FY16**	**FY17**		
Indeterminate, but Negative						Improvement Districts

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

No Responses Received From
Taxation and Revenue Department (TRD)
Department of Finance and Administration (DFA)
Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Bill 355 makes several substantive changes to the Public Improvement District Act.

The bill does not allow assignment of property owner votes in the formation election. The bill prohibits the issuance of debt service that is "unreasonably high" and provides that each individual owner shall only be responsible for its "equitable" portion of the debt. The developer is also required to provide 25 percent of the cost of infrastructure development "up front".

House bill 355 then goes into great detail about the required information and meeting that shall be conducted prior to local government approval of the improvement district. The bill requires the developer to pay a $15 thousand fee to the local government to defray its expenses.

Most importantly the limits property tax increases to no more two percent regardless of the event of default and repeals the district's ability to issue general obligation bonds.

Effective Date: July 1, 2013

FISCAL IMPLICATIONS

Passage of this bill will not affect the existing rights or obligations of bondholders or district property owners.

However, this bill should severely constrain the establishment of new special districts. First, a developer may not vote other property owners "proxies." Currently, developers may make purchase contracts that are contingent on passage. They would now be required to obtain title prior to the vote which would be beyond the financial means of most developers. Further, few developers would be able to meet the 25 percent co-investment provision for infrastructure.

The bill will also affect on the marketability of district improvement bonds; the two percent limit severely constrains the taxing powers of a district. Prospective bond holders will likely view the protections offered to individual property owners with disfavor and demand an additional premium to purchase the bonds.

SIGNIFICANT ISSUES

The Albuquerque Journal reported that High Desert Investment Corp., the investment arm of Albuquerque Academy, plans to close its sales and information office at Mariposa and has listed the land and lots it owns in the master-planned community with Land Advisors Organization of Scottsdale, Ariz., a company that specializes in large tracts of land, board member Gary Gordon said this week.

Around $1 million a year was going to cover bonds the company sold to pay for water and wastewater improvements the city required for Mariposa and surrounding homes.

Mariposa sits on a roughly 1,450-acre tract west of Unser and south of U.S. 550 that Rio Rancho annexed in 2002.

POSSIBLE QUESTIONS

Does the bill meet the Legislative Finance Committee tax policy principles?
   1. **Adequacy**: Revenue should be adequate to fund needed government services.
   2. **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
   3. **Equity**: Different taxpayers should be treated fairly.
   4. **Simplicity**: Collection should be simple and easily understood.
   5. **Accountability**: Preferences should be easy to monitor and evaluate

SS/bm