

HCS HB 863 -- TAX INCENTIVES FOR ECONOMIC DEVELOPMENT

SPONSOR: Richard (Wasson)

COMMITTEE ACTION: Voted "do pass" by the Committee on Job Creation and Economic Development by a vote of 18 to 0.

This substitute establishes the Downtown Revitalization Preservation Program which allows any municipality with fewer than 200,000 residents to undertake redevelopment projects to reduce blight in their downtown-area if certain requirements are met.

The municipality must submit an application to the Department of Economic Development for approval. The application requirements, which include a development plan, are specified. Cities participating in the program are prohibited from simultaneously receiving the state's tax increment financing. Cities with a population of 100,000 to 199,999 must have a capital investment of at least \$5 million; cities with a population of 50,000 to 99,999 must have at least \$1 million; and cities with fewer than 50,000 residents must have at least \$500,000 in order to utilize this program.

The projects' costs are reimbursed to the cities through disbursements from the Downtown Revitalization Preservation Fund, which is established and will be administered by the department. The fund will include \$15 million of other net new revenues generated annually by the development projects, reimbursement costs charged by the state, and any gifts or other contributions. At no time can the annual amount of other net new revenues approved for disbursement from the fund exceed \$15 million. The department is authorized to disburse the funds to the projects; however, projects cannot receive disbursements for more than 25 years.

FISCAL NOTE: No impact on state funds in FY 2006, FY 2007, and FY 2008.

PROPOSERS: Supporters say that the program is similar to the Missouri Downtown Economic Stimulus Act (MODESA), but it is designed to be used for small and medium-sized cities. MODESA is too expensive for most Missouri cities and towns, so the bill helps level the playing field so that all areas of the state can receive similar assistance to redevelop their historic downtowns.

Testifying for the bill were Representative Wasson; City of Springfield; City of Joplin; and City of Montgomery.

OPPOSERS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that it is similar to

MODESA, but it's cheaper and more streamlined allowing smaller cities to use it. Small cities cannot afford MODESA, and the application process is too cumbersome for their smaller staffs. The state's largest cities are able to use MODESA because they have large staffs who are often very experienced in redevelopment making it easier for them to complete the application. The cities of Kansas City and St. Louis also have access to more capital than the state's smaller cities, so they can more easily afford MODESA.

Others testifying on the bill was Department of Economic Development.

Alice Hurley, Legislative Analyst