

HCS HB 1070 -- TAX INCREMENT FINANCING

SPONSOR: Johnson (47)

COMMITTEE ACTION: Voted "do pass" by the Committee on Local Government by a vote of 14 to 0.

This substitute changes the laws regarding tax increment financing (TIF). In its main provisions, the substitute:

- (1) Prohibits the revenue from any increase in any tax within a TIF district from being used for anything other than the specified purpose of the tax increase (Section 67.112, RSMo);
- (2) Changes the definitions of "blighted area" and "conservation area" (Section 99.805(1));
- (3) Changes the definition of "redevelopment project costs" to include extraordinary professional service costs which are required under the Real Property Tax Increment Allocation Redevelopment Act (Section 99.805(14));
- (4) Requires that conditions and contingencies of commitments to finance redevelopment project costs be included in the required general description of a redevelopment plan (Section 99.810.1);
- (5) Requires redevelopment plans adopted by municipal and county governments to be re-adopted by two-thirds of all members of the governing body if a petition is submitted according to procedures established in the substitute (Section 99.810.2);
- (6) Requires redevelopment plans adopted by municipal and county governments to be re-adopted by two-thirds of all members of the governing body if the TIF Commission makes a negative recommendation (Section 99.820.4);
- (7) Increases from 50% to 90% the amount of total additional economic activity revenue from taxes, penalties, and interest that is imposed by a municipality or other taxing district which must be allocated to a separate segregated fund within the special allocation fund for redevelopment plans and projects approved or adopted after August 31, 1991. Certain types of taxes and fees are excluded from this allocation (Section 99.845.3);
- (8) Excludes any sales tax imposed by Jackson County for the purpose of sport stadium improvement from the additional economic activity revenue allocation (Section 99.845.3);
- (9) Increases from 50% to 90% the amount of defined new state revenues which may be available for appropriation by the General Assembly to the Department of Economic Development Supplemental Tax Increment Financing Fund for distribution to municipalities

(Section 99.845.4);

(10) Limits to 15 years the duration of any redevelopment plan or project that is approved to receive over 50% of new state revenues by the Director of the Department of Economic Development and the Commissioner of the Office of Administration (Section 99.845.10(4));

(11) Authorizes TIF projects within the 100-year flood plain in St. Charles County if the redevelopment area actually abuts a river or major waterway and is substantially surrounded by contiguous properties with residential, industrial, or commercial zoning classifications. Currently, no TIF projects are allowed in the flood plain in St. Charles County (Section 99.847); and

(12) Provides that if a TIF project includes residential uses, real property tax revenues attributable to the residential portion of the development will pass through directly to the affected school districts unless commission members representing the affected districts say they will forgo this revenue (Section 99.866).

FISCAL NOTE: No impact on state funds in FY 2007, FY 2008, and FY 2009.

PROPOSERS: Supporters say that abuses of TIF need to be curtailed, especially when TIF gives some companies a competitive economic advantage over existing established local businesses. The bill establishes more specific guidelines for determining what constitutes "blight" in an attempt to refocus TIF on its original purpose of redevelopment, as opposed to development.

Testifying for the bill were Representative Johnson (47); Lee's Summit R-7 School District; Cooperating School Districts of Greater Kansas City; Great Rivers Habitat Alliance; Cooperating School Districts of Greater St. Louis; Missouri School Administrators Coalition; Missouri National Education Association; Missouri School Boards' Association; Missouri Association of School Business Officials; City of St. Charles; Clifford Underwood; Phillis Hardy; St. Louis County Municipal League; Missouri Municipal League; St. Louis County; Missouri Retailers Association; and Kathy Tripp.

OPPOSERS: Those who oppose the bill say that TIF is an important economic development tool at the local level, and the state should not try to usurp that local control.

Testifying against the bill were Missouri Economic Development Council; Missouri Growth Association; Missouri Chamber of Commerce and Industry; and Missouri Economic Development Financing Association.

OTHERS: Others testifying on the bill say the intent of the

legislation is admirable, but specific areas addressed in the bill need to be reexamined.

Others testifying on the bill were City of Kansas City; Economic Development Corporation of Kansas City; and St. Charles County.

Julie Jinkens McNitt, Legislative Analyst