

HCS HB 294 & 58 -- ECONOMIC DEVELOPMENT PROJECTS

SPONSOR: Johnson, 47

COMMITTEE ACTION: Voted "do pass" by the Committee on Local Government by a vote of 17 to 0.

This substitute allows Springfield to designate a satellite enterprise zone within its corporate limits. The zone must be on land owned by the city which contains a wastewater treatment plant with a capacity of 5.6 million cubic feet per day and an electrical power plant with a capacity of at least 275 megawatts. The city must submit a plan to the Department of Economic Development describing how the zone corresponds to the city's overall enterprise zone strategy. The zone will not be designated until the plan is submitted and approved by the department's director.

The Department of Economic Development is required to establish an enterprise zone in Pulaski County and the entire City of Richland.

The substitute also allows Independence to designate Sugar Creek as a satellite enterprise zone. The Sugar Creek satellite enterprise zone must be in an area of general distress, low income, and high unemployment and within a specific population outlined in the substitute. Retail business, as identified by the 1997 North American Industry Classification System sector numbers 44 to 45, located within the satellite enterprise zone must be eligible for all benefits under current enterprise zone laws.

The substitute also makes changes relating to the Rebuilding Communities and Neighborhood Preservation Act. The substitute:

- (1) Expands the definition of "eligible residence" to include condominiums, entire apartment buildings, or single apartments within an apartment building;
- (2) Expands the definition of "new residence" to include condominiums, owner-occupied units or units intended to be owner-occupied in an apartment building, and separate, adjacent single-family units even when these types of units are not located in a distressed community;
- (3) Expands the definition of "project" to include the new construction, rehabilitation, or substantial rehabilitation of multiple residences, whether comprised of one structure containing multiple single-family residences (e.g., an apartment building) or multiple individual structures (e.g., townhouses or

individual homes), in addition to single residences;

(4) Limits the tax credits available for the rehabilitation and construction of residences in distressed communities and census blocks to \$1.5 million per project for those commenced after August 28, 2003. Under current law, of the \$16 million in community improvement tax credits allowed, \$8 million are to be allocated for "eligible residence" programs and \$8 million for "qualifying residence" programs. The substitute states that if, by October 1 of the calendar year, the Director of the Department of Economic Development has issued all \$8 million of the credits allowed for one of these programs and has not issued the entire \$8 million allowance for the other program, the director is required to reallocate 70% of any unused tax credits from the program which has not reached its \$8 million cap to the one which has. The reallocated credits will be given to taxpayers who have applied for, but have not received, tax credits in that same year and who are engaged in projects in the area where the tax credit cap has been met for that same year. The maximum reallocated tax credit for any project may not exceed \$500,000; and

(5) Allows one application for tax credits to be submitted to the department for preliminary approval in the case of projects involving the new construction, rehabilitation, or substantial rehabilitation of more than one residence. Tax credits will be awarded upon final approval of an application and presentation of acceptable proof that substantial construction of each individual residence has been completed, rather than delaying issuance of the tax credits until the entire project is substantially complete.

Relating to tax credits for investment in or relocating a business to a distressed community, the substitute:

(1) Reduces the population requirement for a United States census block group or contiguous group of block groups within a metropolitan statistical area from 2,500 to 500 for an area to be a distressed community; and

(2) Expands the definition of a "distressed community" to include areas within metropolitan statistical areas that are designated as either a federal empowerment zone, a federal enhanced enterprise community, or state enterprise zones designated prior to January 1, 1986, but not including the expansion of those zones done after March 16, 1988.

FISCAL NOTE: Estimated Net Loss to General Revenue Fund of Minimal in FY 2004, \$242,849 in FY 2005, and \$242,849 in FY 2006. The fiscal impact could be divided between the General Revenue Fund and the County Foreign Insurance Fund (which ultimately goes

to local school districts) if some of the tax credits are utilized against insurance premium taxes.

PROPOSERS: Supporters say that the bill will help distressed communities.

Testifying for the bill was Representative Marsh.

OPPOSERS: There was no opposition voiced to the committee.

Steve Bauer, Legislative Analyst