

HCS#2 HB 1936 -- FACILITIES OF HISTORICAL SIGNIFICANCE

SPONSOR: Wilson

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Economic Development by a vote of 15 to 1. Voted "Do Pass" by the Standing Committee on Rules- Regulatory Oversight by a vote of 8 to 2. Re-committed from the floor to Rules-Regulatory Oversight. Voted "Do Pass with HCS #2" by the Rules - Regulatory Oversight by a vote of 7 to 1.

The following is a summary of the House Committee Substitute #2 for HB 1936.

This bill modifies provisions relating to the Historic Preservation tax credit and renames it the "Missouri Historic, Rural Revitalization, and Regulatory Streamlining Act".

The bill specifies the applicable percentages for the rehabilitation of low income properties to receive a 25% State tax credit; properties located in a qualifying county approved for a State tax credit of 35%, and property not located in a qualifying county of a 25% tax credit.

Currently, any tax payer that incurs costs and expenses for the rehabilitation of eligible property, which is a certified historic structure or structure in a certified historic district, may receive a credit of 25% of the total costs and expenses of rehabilitation incurred after January 1, 1998, provided that the costs and expenses exceed 50% of the total basis in the property. The bill states that 10% of such total costs and expenses of rehabilitation upon which the tax credit is based may be incurred before the taxpayer submits an application for tax credits. For costs and expenses incurred for an eligible property in a qualifying county which is also a certified historic structure or a structure in a certified historic district, any taxpayer shall receive a credit in an amount equal to 35% of the total costs and expenses of rehabilitation on or after July 1, 2024. Of such total costs and expenses of rehabilitation upon which the tax credit is based, 10% may be incurred before the taxpayer submits an application for tax credits. The State historic rehabilitation standards must not be more restrictive than the Secretary of Interior's Standards for Rehabilitation.

The bill repeals reference to the amount of tax credits that the Department of Economic Development can approve for defined time periods. The amount of tax credits that the Department can approve is limited to \$90 million in the aggregate for properties that are not located in a qualified census tract, as defined in the bill.

The limitations do not apply to projects that receive less than \$475,000 in tax credits, which number is annually adjusted to the Consumer Price Index for All Urban Consumers (CPI index), provided that no such adjustments shall be made after June 30, 2030.

Currently, \$30 million in tax credits is authorized for projects located in the qualified census tract. Under the bill, projects that receive a preliminary approval located in a qualified census tract may receive tax credits under the \$90 million or \$30 million categories but the \$30 million tax credit category must first be applied. The \$30 million tax credits that are allowed must be adjusted to the CPI index, provided that no such adjustments shall be made after June 30, 2030.

Currently, the eligible property is a non-income-producing single-family owner-occupied residential property and is either a certified historic structure or a structure in a certified historic district. Under the bill, on or after January 1, 2010, no more than \$250,000 in tax credits may be issued for eligible costs and expenses incurred in the rehabilitation of a non-income-producing, single-family residential property occupied by the taxpayer or any relative within the third degree of consanguinity or affinity of the applicant, that is either in a certified historic structure or a structure in a certified historic district. For properties that are not located in a qualifying county, to receive the tax credits the property should be located in a distressed community as specified in the bill.

This bill that single-resource certified historic structures of more than one million gross square feet with part 1 approval or on the National Register before January 1, 2024, shall be subject to the aforementioned \$90 million caps, provided that, for any projects that are eligible for tax credits in an amount exceeding \$60 million, the total amount of such tax credits shall be spread over a period of six years with 1/6 of such amount allocated each year if:

- (1) The project otherwise meets all the requirements of the bill;
- (2) The project meets the 10% incurred costs test within 36 months after an award is issued; and
- (3) The taxpayer agrees with the Department to then claim the entire award of the tax credits over three state fiscal years with the initial year being the calendar year when the tax credits are issued.

The bill authorizes not-for-profit entities to be eligible for the tax credits and provides that the eligible taxpayers may transfer, sell, or assign the credits.

The bill requires the Department to establish an application cycle that allows for year-round submission and year-round receipt and review of the applications. The bill adds a requirement to be included in the application for approval, for proof that a property is an eligible property and a certified historic structure or a structure in a certified historic district or part 1 of a Federal application or a draft national register of historic places nomination that has been submitted to State Historic Preservation Office (SHPO). Further, the bill modifies existing evaluation criteria for the Department to consider for the projected net fiscal benefit of the project to the State and local municipality to be calculated based upon reasonable methods that exclude proprietary computer models; and for the overall size and quality of the proposed project to factors indicated in the bill. However, said provisions do not apply to vacant schools or theaters or applications for projects to receive less than \$475,000 in tax credits annually adjusted to the CPI index.

The bill authorizes a third party review to ensure compliance with the qualified rehabilitation standards. Further, the Department is required to promptly notify SHPO of each preliminary application for tax credits. The State Historic Preservation Act is to make its determination within 60 days of a taxpayer filing an initial application for tax credits. The bill specifies what evidence is to be considered in making such determination. If SHPO approves the application within 60 days, SHPO will forward any review comments to the National Park Service (NPS) and to the applicant. If SHPO fails to approve the application within 60 days the application will be forwarded to NPS without any comments. Conditions noted on the preliminary application or on part 2 of the Federal application are to be addressed as part of the final approval of the application.

The bill includes provisions relating to the submission of a phased rehabilitation project which includes information included in the bill. Upon approval of costs submitted and work completed on each phase of the project, the Department must issue 80% of the amount of the State tax credit. The remaining 20% of the tax credit is issued upon final approval. The bill includes language relating to a change in the scope of the project with material changes after approval of the application.

As specified in the bill, taxpayers are required to notify the Department of any loss of site control or failure to exercise any option of getting site control within 10 days of such loss or

failure. The bill includes provisions relating to rescission of tax credits or that taxpayer's voluntary forfeiture of the approval. Taxpayers may voluntarily forfeit project approval at any time. The amount of tax credits authorized for such forfeited or rescinded project will be made available for other projects. If a taxpayer later submits an application for the same project, any expenditures which are incurred after the date of the rescinded or forfeited approval shall remain eligible expenditures for the purposes of determining the amount of tax credits.

The bill includes language governing the taxpayer's application for final approval by SHPO or an approved part 3 of the Federal application.

After completion of a project, the taxpayer is required to submit an application for the final approval of costs and issuance of tax credits. Within 75 days of receipt of such application, the Department must issue to the taxpayer tax credits in the amount of 75% of the total amount of tax credits for which the taxpayer is eligible based on the application for final approval, or 75% of the amount of tax credits approved under the initial application, including amounts approved based upon material change in the scope of the project, whichever is less. Within 120 days of receipt of an application for final approval with the materials, the Department must make a determination of final costs and the amount of tax credits to be issued, and must issue the balance of tax credits owed to the applicant and not issued in the initial tax credit issuance. If the amount initially issued exceeds the amount that the taxpayer is eligible for, as determined by the Department's final approval, the taxpayer must repay the excess amount to the Department.

The bill sets forth appeals of any official decisions made by the Department or SHPO. An applicant or the applicant's duly authorized representative may appeal any official decision made by the Department with regard to the application submitted to an independent appeals officer or review panel as designated by the Department. This appeal must be submitted in writing within 30 days of the applicant's receipt of the decision being appealed.

The appeal is considered an administrative review of the decision and is not conducted as an adjudicative proceeding. There is an independent review panel consisting of members of the private sector and the Department. Further, an independent appeals officer will be the chair who receives the information relating to the appeal. Upon providing the information to SHPO or the Department, the latter may respond to the appeal within 30 days. The bill authorizes one meeting with the appeals officer or review panel with discretionary authority to schedule additional meetings. A

decision is to be rendered no later than 90 days after the initial receipt of the appeal by the appeals officer or review panel.

This bill is similar to HB 316 (2023).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that this bill will enable developers to take very old buildings and revitalize them. Without this tax credit program, developers would be more likely to take a pass on such revitalization projects for fear of a financial loss. Currently, cities like St Louis have a great number of old, historic buildings that have grown decrepit; but with proper development, an eyesore can become an attractive place for younger consumers, which in turn makes Missouri far more economically competitive. Supporters further say that this tax credit program can help smaller communities and neighborhoods grow back to something that resembles their prior economic relevance, which would further incentivize developers to take more of a risk on revitalizing certain run-down areas.

Testifying in person for the bill were Representative Wilson; St. Charles County; Builders' Association AGC of Kansas City; American Institute of Architects of Missouri; Steve Smith, New and Found Development; Debbie Sheals, Building Preservation, LLC; Missouri Chamber of Commerce and Industry; Greater St Louis, Inc.; Greater Kansas City Chamber of Commerce; Civic Council of Kansas City; St Louis Electrical Connection; Missouri Realtors; Economic Development Corporation of KCMO; and Jim Farrell, Historic Revitalization For Missouri.

OPPONENTS: There was no opposition voiced to the committee.

Testifying against the bill was Armorvine.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.