

# HOUSE BILL NO. 3395

## 103RD GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE CHRIST.

7317H.011

JOSEPH ENGLER, Chief Clerk

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### AN ACT

To amend chapter 99, RSMo, by adding thereto six new sections relating to incentives for downtown redevelopment.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 99, RSMo, is amended by adding thereto six new sections, to be known as sections 99.1250, 99.1255, 99.1260, 99.1265, 99.1270, and 99.1275, to read as follows:

**99.1250. 1. Sections 99.1250 to 99.1275 shall be known and may be cited as the "Missouri Downtown Economic Stimulus Act Extension Act".**

**2. The general assembly finds and declares that:**

**(1) The Missouri downtown and rural economic stimulus act ("MODESA") established a highly successful economic development program that resulted in landmark urban revitalization developments in the state's largest metropolitan areas;**

**(2) MODESA-approved development projects in Kansas City and St. Louis draw over twenty million visitors a year and are among the most visited destinations by tourists to the state;**

**(3) MODESA incentivized over two billion dollars in private investment in the MODESA-approved development projects, transforming the state's urban cores;**

**(4) MODESA-approved development projects have generated thousands of jobs and provided billions of dollars in economic impact;**

**(5) MODESA-approved development projects have successfully drawn thousands of new residents to the state, and have spurred substantial additional private development in the state;**

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in bold-face type in the above bill is proposed language.

17           **(6) The state has benefited from the receipt of substantial state tax revenue from**  
18 **the MODESA-approved development projects;**

19           **(7) Pursuant to section 99.975, no new MODESA applications could be approved**  
20 **after January 1, 2013; and**

21           **(8) By extending MODESA for the MODESA-approved development projects,**  
22 **this law is intended to serve as a catalyst for new economic development and**  
23 **revitalization in the state, propel private investment, and generate jobs, tax revenue, and**  
24 **other economic benefits.**

25           **3. Insofar as the provisions of sections 99.1250 to 99.1275 are inconsistent with**  
26 **the provisions of any other law, the provisions of sections 99.1250 to 99.1275 shall be**  
27 **controlling.**

**99.1255. Except as otherwise provided in sections 99.1250 to 99.1275, the**  
2 **definitions set forth in section 99.918 shall apply to expanded development projects**  
3 **under sections 99.1250 to 99.1275. As used in sections 99.1250 to 99.1275, unless the**  
4 **context clearly requires otherwise, the following additional terms shall mean:**

5           **(1) "Department", the Missouri department of economic development;**

6           **(2) "Developer", an entity identified by the department as the developer of a**  
7 **development project in a certificate of approval issued by the department for the**  
8 **development project, or its affiliate, successor, or assign;**

9           **(3) "Development project area", the area located within a development area, as**  
10 **such development area may be modified in accordance with sections 99.915 to 99.1060,**  
11 **selected for a development project, or an expanded development project;**

12           **(4) "Development project", any development project approved pursuant to**  
13 **sections 99.915 to 99.1060 prior to January 1, 2013;**

14           **(5) "Expanded development project", any project of a developer approved**  
15 **pursuant to sections 99.1250 to 99.1275 within a development area, as such development**  
16 **area may be modified in accordance with sections 99.1250 to 99.1275, and in furtherance**  
17 **of a development plan, as such development plan may be amended, modified, or deemed**  
18 **amended consistent with sections 99.1250 to 99.1275;**

19           **(6) "Expansion authority", a downtown economic stimulus authority for a**  
20 **municipality, created pursuant to section 99.921, and dedicated to carrying out**  
21 **expanded development projects. Sections 99.924 to 99.933, and any other provisions of**  
22 **sections 99.915 to 99.1060 applicable to an authority, shall apply to any expansion**  
23 **authority;**

24           **(7) "Residential income tax increment", eighty-five percent of the estimate of the**  
25 **income tax due the state and municipality for the salaries or wages paid to natural**

26 persons residing in a development project area of a development project or an expanded  
27 development project approved by the department;

28 (8) "State construction income tax increment", one hundred percent of the  
29 estimate of the income tax due the state for the salaries or wages paid to workers  
30 involved in or related to the construction of an expanded development project approved  
31 by the department. The estimate shall be a percentage of the gross payroll which  
32 payroll shall be based on an analysis by the department of revenue of the practical tax  
33 rate on gross payroll as a factor of overall taxable income.

99.1260. 1. Except as provided in sections 99.1250 to 99.1275, and upon  
2 application to the department consistent with section 99.1270, sections 99.915 to 99.1060  
3 are extended and shall apply to a development project and expanded development  
4 project.

5 2. Notwithstanding any other provision of law to the contrary, including sections  
6 99.915 to 99.1060, upon approval of the department pursuant to section 99.1270, the  
7 following shall apply to a development project and expanded development project:

8 (1) A development area may be amended, expanded, or modified, and may  
9 include three or more noncontiguous areas;

10 (2) A development area shall not be restricted to the central business district and  
11 may be amended, expanded, or modified to include areas outside of the central business  
12 district;

13 (3) A development project area for a development project may be amended,  
14 enlarged, reduced, or modified;

15 (4) A development plan shall be deemed to include an expanded development  
16 project approved by the department;

17 (5) Upon application by the developer, the term of any obligation issued to carry  
18 out a development project and the term of any payments in lieu of taxes related to a  
19 development project shall be extended to thirty-five years. Any obligations or  
20 requirements set forth in sections 99.915 to 99.1060 shall run with the extended term;

21 (6) Obligations issued in support of an expanded development project may be  
22 issued by a municipality, an authority, an expansion authority, or any state or municipal  
23 authority formed by a municipality in which a development project area, or portion  
24 thereof, is located;

25 (7) The term of any obligation issued to carry out an expanded development  
26 project or to refund outstanding obligations and the term of payments in lieu of taxes  
27 related to an expanded development project may not exceed thirty-five years. Any  
28 obligations or requirements set forth in sections 99.915 to 99.1060 shall run concurrent  
29 with said term;

30           **(8) The state income tax increment for an expanded development project shall**  
31 **be up to eighty-five percent of the estimate of the income tax due to the state for salaries**  
32 **or wages paid to new employees in new jobs at a business located in the development**  
33 **project area;**

34           **(9) The state sales tax increment for an expanded development project shall be**  
35 **up to eighty-five percent of the incremental increase in the state sales tax revenue in the**  
36 **development project area. The provisions of section 99.918 requiring a de minimis**  
37 **portion finding by the Missouri development finance board and limiting the state sales**  
38 **tax increment in relation to the relocation of a Missouri facility to a development project**  
39 **area shall not apply;**

40           **(10) One hundred percent of payments in lieu of taxes and eighty-five percent of**  
41 **economic activity taxes generated in relation to an expanded development project shall**  
42 **be used each year of the approved term to support development project costs;**

43           **(11) An office displacement percentage and retail or restaurant displacement**  
44 **percentage shall not apply to an expanded development project;**

45           **(12) An application for an expanded development project shall not be required**  
46 **to demonstrate that it could not be financed without the use of MODESA or other state**  
47 **incentives or funding;**

48           **(13) Development project costs incurred prior to the department's approval of**  
49 **an expanded development project may be reimbursed under sections 99.1250 to 99.1275**  
50 **and funds committed or incurred prior to said approval may qualify for any local match**  
51 **requirement;**

52           **(14) An expanded development project shall be eligible for all tax credits,**  
53 **subsidies, incentives, discounts, rebates, or other economic development programs**  
54 **authorized under state law;**

55           **(15) In addition to those identified in section 99.918, economic activity taxes**  
56 **applicable to an expanded development project shall include personal property taxes,**  
57 **taxes imposed on sales or charges for sleeping rooms paid by transitional guests of hotels**  
58 **and motels in the development project area, license fees, and any other fees or**  
59 **assessments related to economic activity in the project development area of the**  
60 **expanded development project;**

61           **(16) Subsection 2 of section 99.915, subsection 7 of section 99.954, subsection 4 of**  
62 **section 99.960, and section 99.975 shall not apply to expanded development projects.**  
63 **Subdivision (7) of subsection 3 of section 99.942 shall not apply to a development project**  
64 **or an expanded development project. The duration of disbursements under section**  
65 **99.960 shall be thirty-five years unless otherwise determined under this section; and**

66 (17) The department by rule may determine the reporting requirements  
67 applicable to an expanded development project.

99.1265. 1. An expanded development project approved by the department shall  
2 be eligible to participate in the programs established by sections 67.1401 to 67.1571,  
3 100.010 to 100.200, and 238.200 to 238.280.

4 2. For any expanded development project approved by the department pursuant  
5 to section 99.1270, the department shall disburse the state construction income tax  
6 increment to support development project costs or obligations issued to carry out the  
7 expanded development project. State construction income tax increment disbursements  
8 shall cease within one hundred eighty days of the date on which the department  
9 determines that the construction of the expanded development project is complete and  
10 the expanded development project has opened to the public. Upon showing that one  
11 hundred percent of the actual income tax due the state for the salaries or wages paid to  
12 workers involved in or related to the construction of an expanded development project  
13 exceeded state construction income tax increment, the department shall disburse the  
14 excess amount to the developer of the expanded development project to be expended on  
15 or used to reimburse any reasonable or necessary costs incurred or estimated to be  
16 incurred in furtherance of the expanded development project.

17 3. For any expanded development project approved by the department pursuant  
18 to section 99.1270, the department shall disburse the residential income tax increment to  
19 support development project costs or obligations issued to carry out the expanded  
20 development project. The duration of residential income tax disbursements shall not  
21 exceed thirty-five years. The approved term notwithstanding, residential income tax  
22 disbursements shall terminate when development financing for an expanded  
23 development project is terminated. The following shall apply in relation to the  
24 residential income tax increment:

25 (1) The residential income tax increment estimate may be developed by the  
26 department in conjunction with the department of revenue based on actual tax returns  
27 for the natural persons residing within the development project area for the expanded  
28 development project;

29 (2) The department, with the assistance of the department of revenue, shall  
30 develop an alternative estimate for the residential income tax increment that is based on  
31 the greater of:

32 (a) The median household income for the metropolitan statistical area in which  
33 the development project area is located; or

34 (b) The average projected income of the natural persons residing within the  
35 development project area for the expanded development project, with such average

36 income projection updated every five years. After the first year in which the alternative  
37 estimate is applied, the alternative estimate shall be adjusted annually by applying the  
38 percentage change in the Consumer Price Index immediately prior to the date the  
39 adjustment will take effect; and

40 (3) The developer shall elect whether to calculate the residential income tax  
41 increment based on the estimate or the alternative estimate. An election may not be  
42 rescinded more frequently than annually and notice of any change in election shall be  
43 submitted to the department no later than sixty days prior to the start of a calendar  
44 year.

45 4. Upon application to and approval of the department, a residential income tax  
46 increment may be developed and disbursed to support development project costs or  
47 obligations issued to carry out a development project. The duration of residential  
48 income tax disbursements shall be concurrent with the term of any obligation issued to  
49 carry out the development project. The approved term notwithstanding, residential  
50 income tax disbursements shall terminate when development financing for the  
51 development project is terminated. The residential income tax increment shall be  
52 calculated consistent with subsection 3 of this section.

53 5. An expanded development project approved by the department pursuant to  
54 section 99.1270 shall qualify for the most favorable economic development rate offered  
55 by a public utility servicing the development project area for the expanded development  
56 project. The duration of the rate shall coincide with the term of any obligation issued to  
57 carry out an expanded development project.

99.1270. 1. Approval of an expanded development project or other  
2 authorization under section 99.1270 shall be governed by this section, which shall  
3 apply in lieu of sections 99.948 to 99.951.

4 2. An application may be submitted by a developer for an approval or  
5 authorization on a form, and in such a manner, as determined by the department.

6 3. An application for approval of an expanded development project shall include  
7 the following:

8 (1) Identification of the developer and, if the applicant is an affiliate, successor,  
9 or assign of the developer, documentation substantiating the same;

10 (2) Identification of the mayor or chief executive officer of the municipality in  
11 which the expanded development project will be located;

12 (3) The location of the development site for the expanded development project;

13 (4) A description of any amendment, expansion, or modification of the  
14 development area associated with the expanded development project and a resolution

15 from the governing body or other evidence from the mayor or chief executive officer of  
16 the municipality consenting to such modification;

17 (5) A description of any amendment, enlargement, reduction, or modification of  
18 the development project area of a development project that is related to or sought in  
19 conjunction with the expanded development project;

20 (6) A description of the development project area for the expanded development  
21 project;

22 (7) A description of the expanded development project including, but not limited  
23 to, the facilities, structures, operations, and infrastructure to be developed as part of the  
24 project, the estimated jobs to be created in conjunction with the project, including  
25 construction and permanent jobs and full time and part time equivalents, the estimated  
26 number of natural persons that will reside in the development project area for the  
27 project, the consistency of the project with the comprehensive plan of the municipality  
28 as a whole, and the estimated development project costs;

29 (8) An economic impact analysis showing the projected economic benefits to the  
30 municipality and the state from the expanded development project;

31 (9) A description of community and other benefits to result from the project;

32 (10) The anticipated sources of funds to pay the estimated development project  
33 costs and evidence of any commitments to finance the development project costs;

34 (11) The anticipated type and term of the sources of funds to pay the estimated  
35 development project costs, including the anticipated type of terms of obligations  
36 anticipated to be issued;

37 (12) The most recent equalized assessed valuation of the property within the  
38 development project area of the expanded development project;

39 (13) Information deemed necessary by the department to determine the baseline  
40 estimates for the state sales tax increment and the state income tax increment;

41 (14) Information deemed necessary by the department to determine the state  
42 construction income tax increment estimate;

43 (15) Information deemed necessary by the department to determine the  
44 residential income tax increment estimate and alternative estimate;

45 (16) Projected amounts of state sales tax increment, state income tax increment,  
46 state construction income tax increment, and residential income tax increment funding  
47 sought in relation to the expanded development project and the term of such funding;

48 (17) Projected payments in lieu of taxes and economic activity payments in  
49 support of the expanded development project and the term of such funding;

50 (18) Expressions of municipal or local support for the expanded development  
51 project; and

52           **(19) Any other information as the department may reasonably require.**

53           **4. Following receipt of an application, the department shall determine whether**  
54 **the application is complete. If the application is not complete, the department shall**  
55 **notify the applicant in writing of the information needed to complete the application.**  
56 **An applicant may amend or supplement its application at any time prior to approval by**  
57 **the department including after it has been deemed complete.**

58           **5. Upon determining that an application is complete, the department shall**  
59 **review the application and request such additional information that it deems necessary.**  
60 **Within sixty days of the completeness determination, the department shall approve the**  
61 **application unless it determines that the expanded development project is contrary to**  
62 **the best interests of the state. For an approved application, the department shall issue a**  
63 **certificate of approval containing the terms and conditions of the approval including,**  
64 **but not limited to, the amount and a description of development project costs approved**  
65 **for reimbursement or payment, the baseline year for the state sales tax increment and**  
66 **state income tax increment, the types and amounts of increments approved, and the**  
67 **term of such funding.**

**99.1275. 1. The department may promulgate rules and regulations as necessary**  
2 **or appropriate to implement the provisions of sections 99.1250 to 99.1275.**

3           **2. In order to facilitate the prompt implementation of this law, regulations**  
4 **promulgated by the department shall be deemed temporary regulations which shall**  
5 **expire not later than two years following the publication of the temporary regulation.**  
6 **Temporary regulations promulgated by the department shall be exempt from chapter**  
7 **536.**

8           **3. The department's authority to adopt temporary regulations under subsection**  
9 **1 of this section shall expire two years after the effective date of this section. Regulations**  
10 **adopted after this period shall be promulgated as provided by law.**

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