

HCS HB 3395 -- INCENTIVES FOR DOWNTOWN REDEVELOPMENT

SPONSOR: Christ

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Commerce by a vote of 8 to 0.

The following is a summary of the House Committee Substitute for HB 3395.

This bill expands the "Missouri Downtown and Rural Economic Stimulus Act" by increasing allowable tax increments, extending project durations, and broadening eligibility and financing mechanisms for redevelopment projects.

Currently, Missouri law defines terms used under the Missouri Downtown and Rural Economic Stimulus Act (MODESA), including development project, economic activity taxes, and related financing mechanisms used for redevelopment.

This bill modifies the definition of "economic activity taxes" to expand the types of revenues that may be captured, including certain additional local taxes, fees, and other revenue sources generated within a project area. The bill also modifies and adds definitions relating to "expanded development projects", allowing for broader project structures and eligibility.

Currently, municipalities may establish a downtown economic stimulus authority to approve and oversee redevelopment projects within a defined downtown area.

This bill modifies the authority structure by allowing greater flexibility in how project areas are defined and administered, including permitting project areas to be noncontiguous and not limited strictly to traditional downtown boundaries. The bill also revises procedures for project approval and oversight.

Currently, development plans must meet certain statutory requirements, including demonstrating eligibility, outlining project costs, and identifying anticipated revenues and financing structures.

This bill modifies development plan requirements by expanding eligibility criteria and allowing for expanded development projects. The bill removes certain prior limitations and allows municipalities greater discretion in structuring redevelopment

plans, including modifications and expansions of previously approved projects.

Currently, redevelopment projects may be financed through a combination of payments in lieu of taxes (PILOTs), economic activity taxes (EATs), and a portion of state tax increments, generally subject to statutory limitations.

The bill also allows 100% of payments in lieu of taxes, economic activity taxes, and the municipal residential earnings tax increment from the fund for contributions to a development project or expanded development project from any private not-for-profit organization or local contributions from tax abatement.

Additionally, the bill authorizes the capture of a state construction income tax increment of up to 100% based on wages paid during the construction period.

Currently, state tax increment financing is limited in scope and subject to various eligibility and structural requirements. This bill modifies these provisions by expanding the categories of state tax revenues that may be captured and allowing projects to receive additional state incentives and tax credits concurrently, effectively permitting the stacking of incentives.

The bill also authorizes a residential income tax increment of up to 70% based on wages earned by individuals residing within the project area.

Currently, redevelopment projects must be reviewed and approved through a defined process, including submission to the Department of Economic Development (DED).

This bill includes that the approval process by requiring the DED to approve or deny a complete project application within 60 days. The bill also allows for greater flexibility in amending or modifying approved projects over time.

Currently, redevelopment projects and associated financing mechanisms are subject to statutory time limits.

This bill modifies the duration of redevelopment incentives by allowing projects to receive benefits for up to 30 years, including the repayment of project costs and obligations.

Currently, various administrative and procedural provisions govern the implementation of redevelopment projects under MODESA.

This bill modifies these provisions by allowing reimbursement of certain project costs incurred prior to formal approval, revising administrative procedures, and making conforming changes to reflect the expanded financing and incentive structure authorized under the bill.

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 there is already proof that the incentives in this bill work and benefit the State. This bill will grow the economy of Missouri, bring in more jobs and businesses, and attract tourists. The bill will help turn abandoned buildings into residential apartments, town homes, or condos. This will help curb declining economic development in Missouri.

Testifying in person for the bill were Representative Christ; The City of St. Louis; Ryan McClure, Gateway Arch Park Foundation; Blake Cordish; Mark Stewart, The Cordish Companies; Carlos Gomez, Hispanic Chamber of Commerce; Greater St. Louis, Inc.; Missouri Chamber of Commerce and Industry; JE Dunn Construction; William Dietrich, Downtown Council of Kansas City; Municipal League of Metro St. Louis; City of Kansas City; Greater Kansas City Chamber of Commerce; Civic Council of Greater Kansas City; St. Louis City SC; Economic Development Corporation of Kansas City; and Missouri Municipal League.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that the Cornish Company has been very supportive and helpful to the teachers of Kansas City.

Testifying in person on the bill was Chris Roepe, Kansas City Public School District.

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.