

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2183-01
Bill No.: HB 914
Subject: Counties; Economic Development
Type: Original
Date: April 5, 2013

Bill Summary: This proposal modifies the real property tax increment allocation redevelopment act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume they are unable to calculate a fiscal impact and therefore assumes an unknown impact as a result of the proposed legislation. For the following reasons, DED is unable to determine fiscal impact.

The proposal does not distinguish between state and local TIF programs.

The language is ambiguous as to how the calculation of the caps should be enforced.

There is no language designating DED, or any other agency, as responsible for administering the program.

Officials at the **City of Kansas City** assume significant costs are expected, the amount of which cannot be ascertained at this time. This proposal creates a disincentive for the inclusion of anchor tenant leaseholds in a redevelopment project as it caps available incentives if they are included. The available incentives will therefore be limited (either because sales taxes/increments are being generated without the assistance of an anchor draw or because their use is capped by virtue of an anchor inclusion) and will likely be insufficient to support necessary public infrastructure improvements without additional local assistance of some nature.

Significant losses are anticipated, though the precise amount cannot be determined. The loss of anchor tenants and/or the incentive cap per anchor tenant will result in lost economic development projects and underfunded economic development projects. Sums substantially in excess of the proposed caps are currently being generated by redevelopment projects and used, in part, to fund public infrastructure improvements. If those incentives are prematurely terminated, the city, region and state will collectively lose several millions of dollars in public improvements that will otherwise not be constructed or constructed at additional cost to the city and state.

Officials at **Boone County** assume the impact is unknown.

Officials at the **Department of Revenue, City of Columbia, Missouri Housing Development Commission, Missouri Development Finance Board** and **St. Louis County** each assume there is no fiscal impact to their organization from this proposal.

Oversight assumes this proposal concerns real property tax increment allocation redevelopment projects approved by local political subdivisions. Therefore the State would not be impacted by this proposal. Oversight will range the impact to local political subdivisions as Unknown positive to Unknown negative.

ASSUMPTION (continued)

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

Officials at the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
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LOCAL POLITICAL SUBDIVISIONS

<u>Cost - Local Political Subdivisions</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill changes the laws regarding the Real Property Tax Increment Allocation Redevelopment Act by limiting tax incentives received by a redevelopment project to a maximum of \$3 million per anchor tenant and specifies that no anchor tenant can be used to secure more than \$15 million in incentives for redevelopment projects across the state. An "anchor tenant" is defined as any tenant leasing at least 15,000 square feet in any development. "Incentives" means transportation development districts, tax increment financing, neighborhood improvement districts, or community improvement districts together with other economic development incentives enacted by the Missouri legislature which cause the imposition of additional sales or real estate taxes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Boone County
City of Columbia
City of Kansas City
Department of Economic Development
Department of Revenue
Missouri Housing Development Commission
Missouri Development Finance Board
St. Louis County



Ross Strope
Acting Director
April 5, 2013