COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1406-01
Bill No.: SB 282
Subject: Taxation and Revenue; Cities, Towns and Villages; Counties; Economic Development.
Type: Original
Date: February 21, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance**, **Department of Revenue** and the **Office of the State Courts Administrator** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Department of Economic Development (DED)** state the bill increases the reporting requirements of their agency, but do not believe the changes will cause a measurable fiscal impact on DED's Division of Community Development.

Officials from the **Kansas City School District** assume the proposal changes should generate additional revenue for their district.

Officials from the **St. Louis Public Schools** assume the proposal would not fiscally impact their agency.

Officials from the **Office of the Secretary of State**, **City of Kansas City** and the **City of St. Louis** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

Oversight assumes the local political subdivisions could absorb the costs of establishing the regional tax increment finance review authorities as well as developing the reports regarding the economic feasibility analysis of the projects. Oversight also assumes the municipalities could also absorb the cost of developing the annual reports to the Department of Economic Development.

Oversight has not shown the fiscal impact of sharing payments in lieu of taxes between municipalities and other taxing entities since it would result in a zero fiscal impact overall. However, the municipalities that must share the payments would be negatively impacted and the various other taxing entities would be positively fiscally impacted.

Oversight has also not reflected a fiscal impact to local political subdivisions for their entitlement to reimbursement from the special allocation fund of the municipality for direct costs of providing emergency services. This provision would net to an overall zero fiscal impact to local political subdivisions in the counties and city specified.

Oversight has also assumed no fiscal impact resulting from the various changes made to the criteria of tax increment financing.

FISCAL IMPACT - State Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2006 (10 Mo.)	FY 2007	FY 2008
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses if they are in a potential tax increment financing district.

DESCRIPTION

The proposal makes various changes to the law regarding community development. Below is a section-by-section summary of this proposal.

SECTION 99.805 - creates and defines the following new terms in the Real Property Tax Increment Allocation Redevelopment Act: "central business district", "economic activity taxes", "high unemployment", "low-fiscal capacity", "moderate income", "new job", and "retail project".

SECTION 99.810 - requires that a study be a part of the basis for finding that a redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and that such area has not been subject to growth and development through private investment. This study must state that records were reviewed, inspections were made, comparisons were made, or tasks undertaken demonstrating that the property has not been developed through private enterprise over a period of time. The act also requires an economic feasibility analysis indicating the return on investment of the proposed development for project worth over $250,000 in TIF. All documents relating to the study and other current requirements must be published prior to 30 days of the adoption of the TIF plan. A resident may enjoin such adoption by suit or 5% of registered voters may petition to have the plan delayed until the voters of the municipality can vote on the issue.

SECTION 99.845 - limits a portion of existing law concerning sharing of payments in lieu of taxes among affected political subdivisions to apply only to blighted areas.

SECTION 99.866 - clarifies that the new section added to the TIF law apply statewide except as provided in subsections 2 and 3 of this section and section 99.867. All of the new section apply to any redevelopment projects approved by a municipality after July 1, 2005.

In subsection 2 of Section 99.866, the act provides that any redevelopment project consisting solely of public infrastructure improvements on public land requiring $250,000 or less in TIF, so long as the bonds for such project will be paid off in seven years or less, are exempt from the provisions of Sections 99.866 to 99.873; provided, however, no stringing of projects is allowed. No exempt project pursuant to this section can be combined with another exempt project for a period of five years. Subsection 3 of Section 99.866 applies to redevelopment projects for which eligible project redevelopment costs are to be paid from that portion of the total economic activity taxes and payments in lieu of taxes imposed by the municipality only, and real or potential revenues from no other taxing jurisdictions are involved. Such projects are exempted from the provisions of Sections 99.866 to 99.873.

DESCRIPTION (continued)

SECTION 99.867 - provides the third exception to the statewide provisions of Sections 99.866 to 99.873. It provides that for redevelopment projects located entirely or partially within metropolitan statistical areas of the state, the municipality and any proposed redevelopment area have to meet the requirements of Section 99.810 and the following:

(1) The host municipality or, for unincorporated areas, the host school district has low fiscal capacity;

(2) The census block group or groups, as defined in the most recent census, containing the proposed redevelopment area have high unemployment; or

(3) The municipality, census block group or groups, as defined in the most recent decennial census, containing the proposed redevelopment area are of moderate income.

Those retail projects not located entirely or partially within a metropolitan statistical area in the state may use TIF if the municipality finds conditions of blight or the are is a conservation area. In addition, the area must meet the following additional characteristics:

(1) It must be located in the central business district of a city, town, or village;

(2) It must include only those parcels of real property directly and substantially benefitted by the proposed redevelopment plan;

(3) It can be renovated through one or more redevelopment projects;

(4) The establishments within them have generally suffered from stagnant or declining taxable sales or corporate receipts during the preceding three years;

(5) It is contiguous, provided, that a development area may include up to three noncontiguous areas selected for redevelopment projects, provided that each noncontiguous area meets the above requirements; and

(6) The redevelopment area will not exceed 10% of the entire area of the municipality.

In addition, this section prohibits TIF from being used to develop retail projects in areas outside the metropolitan statistical areas of the state unless the area meets all the criteria above.

DESCRIPTION (continued)

Subsection 3 of Section 99.867 further restricts TIF to prevent it from being used for more than 5% of the total estimated redevelopment costs or 30% of the infrastructure costs, whichever is greater, of a project that is primarily retail unless the redevelopment is in a:

(1) Municipality;

(2) Census block group or group of block groups with a median household income less than 70% of that of the metropolitan area;

(3) A distressed community as defined in Section 135.530; or

(4) A federal enterprise zone or a federal empowerment zone.

Except where the redevelopment project is contained in a municipality's comprehensive plan adopted prior to January 1, 2000, or it consumes less than 10 acres of land contiguous to a central business district located outside a metropolitan statistical area of the state, TIF shall not be used where:

(1) 25% or more of the area is vacant and has not previously been developed; or

(2) The area qualifies as "open space" pursuant to section 67.900, RSMo; or

(3) The area is presently being used for agricultural or horticultural purposes.

SECTION 99.870 - For the life of a project, the municipality shall pay 25% of the payments in lieu of taxes to any other taxing entities entitled to receive property tax revenue in such municipality. This amount shall be divided proportionately among the other affected taxing entities. When a TIF project includes residential uses, unless the commission members representing the affected school board or boards say otherwise, real property tax levies attributable to the residential portion of the development shall pass through to the school district or districts.

SECTION 99.872 - requires that the municipality and the developer submit information to Department of Economic Development (DED) regarding the approved plan annually. DED shall establish reporting requirements by rule. DED shall submit a report to the Governor and the General Assembly by the last day of April of each year. The report shall identify the number and location of redevelopment areas, quantifying public investment in each, and assess the public benefit, as quantified in terms of tax revenue and net new job creation, and show the economic

DESCRIPTION (continued)

impact of the project on each taxing district which is at least partially within the boundaries of the redevelopment area.

SECTION 99.873 - makes any district providing emergency services pursuant to chapter 190 or 321, RSMo, entitled to reimbursement from the special allocation fund for direct costs. However, such reimbursement must be between 25% and 100% of the district's tax increment.

The proposal shall become effective on July 1, 2006.

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

Department of Economic Development
Department of Revenue
Department of Insurance
Office of the State Courts Administrator
Kansas City School District
St. Louis School District

NOT RESPONDING: Office of the Secretary of State, **City of Kansas City** and the **City of St. Louis**

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