

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 2736-01  
BILL NO.: SB 588  
SUBJECT: Housing, Manufactured Housing; Economic Development Department  
TYPE: Original  
DATE: January 24, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0 to (\$3,000,000)</b>	<b>\$0 to (\$3,000,000)</b>	<b>\$0 to (\$3,000,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 4 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this legislation would establish six single-family housing development programs in the state. Three pilot programs are required in communities of five thousand people or fewer in third class counties and three are required in urban areas. This legislation would establish a revolving loan program for the new construction of affordable single-family houses. Each loan could be no more than \$70,000 per house. The loans must be made to non-profit corporations. This program creates a tax credit to any taxpayer that provides funds to the department to establish this program not to exceed a total of \$3 million. Upon the sale of the home, all proceeds shall be used to build another house or repay the original loan. All homes must be sold at cost plus a \$2,500 administration fee per house. All homes must be sold to qualifying low and moderate-income persons and families as defined in Section 215.101.

The DED assumes this program would produce about 30-45 houses per year, therefore expect to be able to administer this program with existing staff. The DED also assumes that the administration of the program would be delegated to the Missouri Housing Development Commission.

The **Department of Revenue (DOR)** states this legislation requires the Department of Economic Development to establish six rural housing development programs and authorizes a tax credit for funds provided for the establishment of these programs. DOR also state they are unable to determine the implementation costs of the verification and taking of the credit as the proposal is written.

**Oversight** assumes the implementation of the tax credits could be completed with existing resources by both the Department of Economic Development and the Department of Revenue.

The **Office of Administration - Budget and Planning (OA)** stated the annual amount of the tax credit is capped at \$3 million. Officials from OA has not been able to find any empirical basis to estimate the fiscal impact of this proposal, and therefore, estimate an annual loss in revenue as a range between \$0 and \$3 million.

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**This proposal would result in a decrease in Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		

**GENERAL REVENUE FUND**

Loss - General Revenue Fund

Tax credits to establish the Rural Housing Development Programs	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)	\$0 to (\$3,000,000)
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 to <u>(\$3,000,000)</u></b>	<b>\$0 to <u>(\$3,000,000)</u></b>	<b>\$0 to <u>(\$3,000,000)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001	FY 2002	FY 2003
	(10 Mo.)		

<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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FISCAL IMPACT - Small Business

This proposal may have positive fiscal impact on small businesses that sell building material, if this proposal increases the purchase of building materials and supplies.

DESCRIPTION

This proposal requires the Department of Economic Development to establish six rural housing development loan pilot programs. The program authorizes no-interest loans for the construction of single family homes. The maximum loan shall be \$70,000.

APPLICATIONS - Any non-profit organization may apply to the Missouri Housing Development Commission (MHDC) for funding. The Department will make the loans according to need. The Department may require an expiration date of the loan, progress reports and inspections of the construction sites.

REVOLVING FUND - Loans are to be put in a revolving fund to build homes one at a time, as they are sold.

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DESCRIPTION (continued)

CONSTRUCTION - Homes shall be constructed only where water and sewer services are available. All homes are to be constructed according to rural development building standards of the United States Department of Agriculture (USDA).

SALE - Homes are to be sold at cost plus a \$2,500 fee for any construction supervisor hired. Priority shall be given to low and moderate income families. Every sales contract shall contain an anti-speculation clause to deter buyers from reselling the home solely to make a profit.

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 Revenue  
Department of Economic Development  
Office of Administration  
Budget and Planning



Jeanne Jarrett, CPA  
Director  
January 24, 2000