HB 423 -- DISTRESSED AREAS LAND ASSEMBLAGE TAX CREDIT ACT

SPONSOR: Zerr

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Economic Development by a vote of 26 to 1.

This bill changes the laws regarding the Distressed Areas Land Assemblage Tax Credit Act. The bill revises the definition of "acquisition costs" to include engineering, surveying, title insurance, and architectural and design costs incurred in connection with the acquisition, financing, parcel consolidation, or site and redevelopment area planning regarding one or more eligible parcels. Acquisition costs include maintenance costs for a period of 12 years, instead of the current five years but cannot include costs for title insurance and survey.

The bill revises the definition of "eligible parcel" to exclude any parcel acquired by the applicant from a municipal authority prior to August 28, 2007.

The definition of an “eligible project area” is revised to include a redevelopment area as defined under the Real Property Tax Increment Allocation Redevelopment Act that contains at least 300 acres in 80 or more parcels, includes or previously included more than 1 million square feet of commercial building space, and is located within a low-income community as defined in 26 U.S.C. Section 45D as of January 1, 2011. An applicant is required to own at least 50 acres of eligible parcels within an eligible project area, excluding any parcels acquired from a municipal authority. The applicant must own at least 150 contiguous acres of real property, which may be separated by the width of public right-of-way, within the urban renewal area or redevelopment area containing the eligible project area.

The bill revises the definition of "interest costs" to exclude attorney fees that relate to or arise out of loans relating to acquisition costs including without limitation, interest, loan fees, and closing costs associated with the refinancing of loans relating to acquisition costs.

An applicant is allowed to receive a tax credit for the acquisition and interest costs of an eligible parcel for 12 years instead of the current five years. Currently, an applicant can receive a tax credit for 50% of reasonable demolition costs. The bill increases the amount of the tax credit to 100% of the reasonable demolition costs. An applicant is allowed to file for the tax credit quarterly instead of annually.

The annual amount of tax credits that can be issued is increased from $20 million to $30 million, and the aggregate program cap authorized after August 28, 2013, is $95 million. The bill establishes a process for allocating the annual $30 million in tax credits depending upon the number of eligible applicants. No single applicant can receive more than 50% of the annual $30 million tax credits. No credits can be authorized after August 28, 2019. Currently, no credits can be authorized after August 28, 2013.

PROPONENTS: Supporters say that the land assemblage tax credit will assist in the redevelopment of areas by helping developers pay for the acquisition and interest costs associated with large-scale development. This will result in better housing, more businesses, fewer vacant lots, and less crime. Urban areas have experienced a mass exodus in recent years. Redeveloping urban areas in St. Louis City and Kansas City will also result in more tax revenue for the state and urban schools. Much of the delay in the St. Louis area has been the result of protracted litigation.

Testifying for the bill were Representative Zerr; Paul McKee, McEagle Properties/Northside Regeneration; Midge McKee, McEagle Properties/Northside Regeneration; Brian Schmidt, Northside Regeneration; Polsinelli Shughart PC; John Sharp, Kansas City Missouri; Reverend Earl E. Nance Jr., St. Louis Metropolitan Clergy Coalition; Reverend Ken McKoy, Moses/AME Zion Church; L. B. Eckelkamp, Jr.; Rodney Crim, St. Louis Development Corp; Kevin Logan, X3 LLC; Brian Krueger; William Laskowsky; Lynn Carey; Bernard Whittington, X3 LLC; and John Cross.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that there is no way to measure the success of jobs that are not being created.

Testifying on the bill was United for Missouri.