

# Missouri Downtown Redevelopment Financing Tools - An Overview

Columbia

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# Downtown Redevelopment and the State of Missouri

- Who can use the tools?
- What types of tools are available?
- How do the tools work?
- When does the state get involved?
- Why does the state get involved?
- Where can I find more information?

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# Who Can Use the Tools?

- Downtown Redevelopment incorporates many different partners
- State financing tools are designed specifically for different partners to use:
  - City
  - Private Developer
  - Business owner
  - Non Profit

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# What Types of State Tools are Available?

- Contribution tax credits – used by non-profits as a carrot to solicit donations for specific projects – credits are used to offset Missouri income tax
- Example:
  - Neighborhood Assistance Tax Credit Program
    - May cover typical construction or renovation costs of property owned by NFP, or may cover programming costs or NFP



# What Types of State Tools are Available?

- Investment tax credits – used by for profit entities to generate cash for specific project costs – credits are used to offset Missouri income tax
- Example:
  - Historic Preservation Tax Credit Program
    - 25% state credit (matches 20% federal credit) covers costs related to renovation of buildings on Historic Register or Contributing to Historic District, sellable and transferable
  - Brownfield Remediation Tax Credit Program
    - 100% state credit covers costs related to remediation and demolition of buildings or properties with known hazardous materials



# What Types of State Tools are Available?

- Tax Increment Financing – used by municipalities and private developers to pay off project costs over time by dedicating new revenues realized as a result of the redevelopment (EATS - economic activity taxes and PILOTS - payments in lieu of taxes)
- Example:
  - Missouri Downtown Economic Stimulus Act (MODESA)
    - Covers costs of public infrastructure improvements directly related to redevelopment activities
  - Missouri Downtown Preservation Act
    - Covers costs of public infrastructure improvements directly related to redevelopment activities



# Comparison of State TIF, MODESA and Downtown Preservation

State TIF	MODESA	Downtown Preservation
<p>Limited to blighted areas located in a federal empowerment zone, state enterprise zone, urban core or central business district. CBD is not defined.</p>	<p>Limited to blighted or conservation areas in a central business district. CBD is defined as the area at or near the historic core locally known as the “downtown.”</p>	<p>Limited to blighted or conservation areas in a central business district. CBD is defined as the area at or near the historic core locally known as the “downtown</p>
<p>Area must contain one or more buildings at least 50 years old</p>	<p>At least 50% of the area’s buildings must be 35 years of age or older.</p>	<p>At least 50% of the area’s buildings must be 35 years of age or older.</p>
<p>Area must be suffering from a declining population or property valuation over a 20-year period.</p>	<p>Declining population and property valuation is a consideration.</p>	<p>Declining population and property valuation is a consideration.</p>
<p>No limitation on median annual income for city.</p>	<p>Median annual income for city must be at or below \$62,000.</p>	<p>Median annual income for city must be at or below \$62,000</p>
<p>State TIF requires that a project be named in the state appropriation for the program.</p>	<p>No such requirement – simply a general appropriation out of the fund.</p>	<p>No such requirement – simply a general appropriation out of the fund.</p>



<b>State TIF</b>	<b>MODESA</b>	<b>Downtown Preservation</b>
Total amount limited to \$15 million annually.	Total amount limited to \$150 million annually.	Total amount limited to \$15 million annually.
To receive State TIF, the project must use 100% of local PILOTS and 50% of local EATS.	To receive state financing, the project must use 100% of local PILOTS and 50% of local EATS, although contributions to the project from private not-for-profits can be substituted on a dollar for dollar basis and other local financing can be substituted on a dollar for dollar basis.	To receive state financing, the project 50% of local sales tax increment.
State TIF requires the applicant to choose the state increment sought – either up to 50% of the state general revenue sales tax increment OR up to 50% of the state income tax increment.	Allows for greater flexibility - up to 50% of the state general revenue sales tax increment OR up to 50% of the state income tax increment OR a combination of both.	Up to 50% of the state general revenue sales tax increment
Limited to 15 years absent approval by DED and the Office of Administration for a greater time period, not to exceed 23 years.	Limited to 15 years absent approval by DED and MDFB for a greater time period, not to exceed 25 years.	Not to exceed 25 years.



# What Types of State Tools are Available?

## Statutory Authorities Used by Municipalities in Downtown Revitalization Include:

- Local Tax Increment Financing
- Community Improvement Districts
- Transportation Development Districts
- Chapter 353 Urban Redevelopment Corp.
- Development/Cooperation agreements

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# When Does the State get Involved ?

- DED may be a resource or partner from the beginning concept stages of a project
- DED may provide technical assistance on financing opportunities and resources
- DED may offer lessons learned from previous applicants
- Application Review

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# Why Does the State Get Involved?

- We share a common interest in the outcome or result desired;
- There is a proven gap in financing;
- Without state assistance, the private sector could not and would not carry the project;
- There is a measured reasonable return to the private developer;
- There is a positive economic impact for the state and a positive net general revenue impact for the state.



# Where Can I find More Detailed Information?

- [www.ded.mo.gov](http://www.ded.mo.gov)
- Business and Community Services
- *“A Practical Guide to Building a Better Missouri”*

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# Questions?

Thanks!

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