



MISSOURI'S BROWNFIELD TAX CREDIT PROGRAM

From Brown to Green

In 2005, Missouri won a significant battle to retain the corporate headquarters of Express Scripts, one of the nation's leading managers of pharmacy benefit plans, in St. Louis County. After a national site search, Express Scripts elected to build its new corporate headquarters on the campus of the University of Missouri-St. Louis, making Express Scripts the highest-ranking Fortune 500 company to maintain its corporate headquarters on a university campus.

What made Express Scripts choose Missouri over the other attractive locations it considered? Among other things, Missouri was able to offer state Brownfield Tax Credits to make the redevelopment of the UMSL site feasible.

Express Scripts wanted a central location, and proximity to a university campus was appealing. Most central locations by nature involve an adaptive re-use of the property. In the case of the UMSL site, significant amounts of debris and hazardous materials had been buried on the property when prior structures were demolished. By all reports, historical demolition practices involved knocking down structures and simply dumping all waste material into existing basements, resulting in ground that was not only contaminated, but also not suitable for building.

For a project that already had an ambitious budget, the Brownfield Credits were able to bridge the gap needed to seal the deal. A private investor purchased the credits and injected equity into the project to pay to costs of the remediation work. Now, the corporate headquarters of Express Scripts is an iconic development just south of I-70, creating new jobs and enhancing the tax base in Missouri. The project was so successful that Express Scripts quickly expanded its campus, adding a Phase II building and developing Phase III plans.

What is the Brownfield tax credit?

The Brownfield tax credit encourages the redevelopment of commercial and industrial sites that are contaminated with hazardous substances and have been abandoned or underutilized for at least three years. Empire Theater, Express Scripts, and the Bonne Terre Industrial Park are just a few examples of projects that have used this tax credit. There are three subsets of the program: remediation credits, demolition credits, and jobs/investment tax benefits. The tax credits are sellable and transferable.

Stakeholders

There are a number of parties that have an interest in the existence of this program. The short list below indicates the diversity of the parties interested in the Brownfield tax credit:

- Municipalities
- Construction companies
- Environmentalists
- Commercial real estate developers
- Trade unions
- Lenders
- End users of projects

Qualification standards and application process

An application must be submitted to the Department of Economic Development (DED) to determine if the project is eligible for the tax credits. In addition, an application must also be submitted to, and accepted by, the Department of Natural Resources (DNR) for participation in Missouri's Voluntary Cleanup Program.

Advancing public policy for the commercial real estate industry.

The following conditions must be met in order for the project to be eligible for a Brownfield tax credit.

- The applicant cannot be a party who intentionally or negligently caused the release or potential release of hazardous substances at the project.
- If the property is not owned by a public entity, the city or county must endorse the project.
- The project must be accepted into the Voluntary Cleanup Program of Missouri.

Finally, no Brownfield tax benefits will be provided until the eligible project is projected to create at least 10 new jobs, or 25 retained jobs or combination thereof. These jobs must be approved and documented by DED.

Recent Usage

The tax credit encourages businesses to redevelop and locate on a Brownfield site through several incentives. First, after the application has been approved by the appropriate government agencies and the project is completed, the business can receive \$500 to \$1,300 in tax credits per year for each new job created (for 4 to 10 years). The credit is good for \$500 per job for the first 10 jobs. In addition, for each new job after 10 have been created or each additional job after 25 have been retained, there is an additional \$400 per job credit. Finally, there are tax credits of another \$400 per year for each new job provided for "a person difficult to employ," which means the person was unemployed for at least three months before being employed by the business.

The following chart indicates the amount Missouri invests in this program each year through the three subsets of the program. (Demolition tax credits were first introduced in FY 2006).

FY-2003	Demo	Jobs credit	Remed
Credits Authorized	0	2,570,825	18,770,621
Credits Issued	0	2,570,825	15,600,763
Credits Redeemed	0	90,893	5,669,489
FY-2004	Demo	Jobs credit	Remed
Credits Authorized	0	1,246,525	9,647,043
Credits Issued	0	1,246,525	4,250,346
Credits Redeemed	0	2,134,891	16,101,975
FY-2005	Demo	Jobs credit	Remed
Credits Authorized	0	406,273	15,515,319
Credits Issued	0	1,646,927	14,808,297
Credits Redeemed	0	1,726,687	10,627,870
FY-2006	Demo	Jobs credit	Remed
Credits Authorized	50,000	3,000,000	32,148,894
Credits Issued	37,500	1,691,127	14,159,740
Credits Redeemed	0	1,476,143	10,611,324
FY-2007	Demo	Jobs credit	Remed
Credits Authorized	0	0	32,737,068
Credits Issued	0	1,864,199	33,012,124
Credits Redeemed	22,755	1,701,408	16,710,519
FY-2008	Demo	Jobs credit	Remed
Credits Authorized	0	0	23,481,361
Credits Issued	12,500	1,901,250	20,424,920
Credits Redeemed	27,245	1,726,005	26,466,007

Data from the Missouri Department of Economic Development

Community impact

Brownfield tax credits are vital tools that encourage developers to revitalize cities with older urban cores such as Kansas City and St. Louis. Over the past 10 years, there have been hundreds of projects in both cities that have contributed to the rebirth of their urban cores.

In addition to projects in major cities, Brownfield tax credits help spur projects all across Missouri. The chart below contains a **small** sample of Missouri communities both large and small that use Brownfield tax credits to redevelop contaminated and abandoned sites.

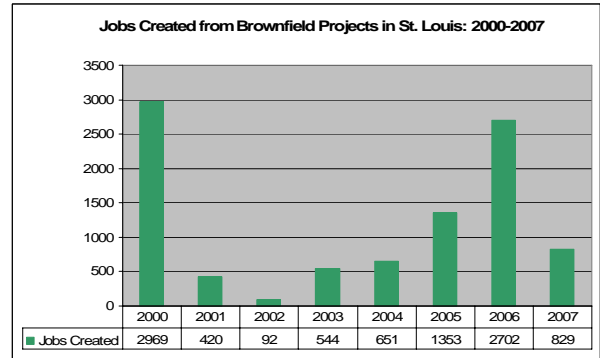
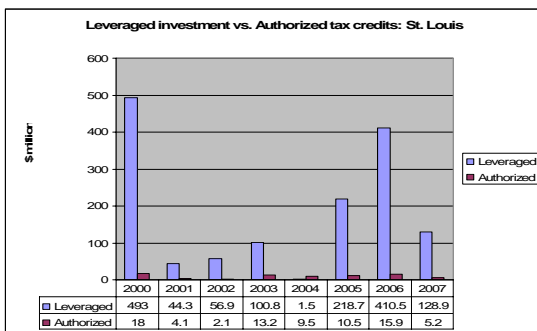
Project Name	Location
BONNE TERRE INDUSTRIAL PARK	Bonne Terre
BROWN TRANSFER AND STORAGE (FORMER)	St. Joseph
1635 WASHINGTON AVE. THE VENTANA	St. Louis
UNIVERSITY PLACE/NORTH PARK - EXPRESS SCRIPTS	Cool Valley
ALLEN REPAIR SHOP (FORMER)	Hannibal
AMERICAN WILCON PLASTICS	Orrick
BRICK CITY EAS REDEVELOPMENT	Springfield
BROWN'S AGRI SERVICE	Rock Port
EMPIRE THEATER - KC LIVE	Kansas City
BRYANT MOTOR COMPANY	Sedalia
DOCTORS REGIONAL MEDICAL CENTER	Poplar Bluff

Data from the Missouri Accountability Portal.

In 2005, the Missouri Department of Natural Resources (DNR) conducted a study of 50 completed projects that used Brownfield tax credits. The study found that over **250,000** tons of contaminated soil and materials were removed from the sites. In addition, the DNR study stated that the projects resulted in the creation of **11,053** new jobs and over **\$2.2 billion** in investments.

Brownfields to greenfields in St. Louis

St. Louis is one of the two major metropolitan areas of Missouri and unfortunately has many brownfield areas. As a result of urban flight and a national trend of inner city decay, ten years ago many people thought St. Louis would continue to rapidly decline. However, in part due to the use of Brownfield tax credits to redevelop contaminated and abandoned sites, the city is undergoing revitalization with new lofts, a new stadium, and new jobs. The graphs below illustrate the return on investment from the Brownfield tax credits.



Data from the St. Louis Development Corporation.

Concerns

The main concern regarding the Brownfield tax credit program focuses on fiscal matters. While the state does spend roughly \$20 million a year on Brownfield tax credits, the return on that investment is clear. Contaminated and underutilized sites throughout the state have been redeveloped, harmful substances to the environment have been carted away, and new jobs have been created in the process. These tax credits provide a crucial incentive necessary to make these results a reality. In addition to a cleaner Missouri, it is important to never forget that, “no Brownfield tax benefits will be provided until the eligible project is projected to create at least 10 new jobs, or 25 retained jobs or combination thereof. These jobs must be approved and documented to DED.”

Recommendation

MGA does not support any measures to reduce, cut, or sunset this vital redevelopment tool. Real estate investors have many choices when considering where to invest their dollars. Development tools such as the Brownfield Tax Credit can serve as the gap-filler that brings a potential project across the finish line by securing a revenue source that is not otherwise available in the private market. Removing or limiting the use of these credits would without question reduce the investment dollars flowing to Missouri real estate development.