



**Thomas A. Schweich**  
Missouri State Auditor

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## Economic Development

# Brownfield Remediation Tax Credit Program

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April 2014  
Report No. 2014-023



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Brownfield Remediation Tax Credit Program

### Background

The Brownfield Remediation Tax Credit (BRTC) Program was established in 1995. The Department of Economic Development (DED) manages this program, which provides financial incentives for the redevelopment of commercial/industrial sites that are contaminated with hazardous substances and have been abandoned or underutilized for at least 3 years. To be eligible for BRTCs, the Missouri Department of Natural Resources (DNR) must accept the project into the Voluntary Cleanup Program (VCP) and approve the applicant's remedial action plan. Applicants cannot have intentionally or negligently caused the release or potential release of hazardous substances at the project. The DED must project at least 10 new jobs will be created or at least 25 jobs will be retained as a result of the completed BRTC project. Applicants may receive BRTCs for up to 100 percent of the eligible costs of demolition and remediation, but under state law BRTCs are limited to the least amount necessary for the project to occur and limited to the projected state economic benefit as determined by the DED. BRTCs are non-refundable but transferable and may be carried forward for 20 years. The DED authorized over \$185 million in BRTCs for 115 projects during fiscal years 2003 to 2013. Audit staff reviewed 15 BRTC projects and interviewed DED staff involved in those projects.

### Program Administration and Oversight

The DED has not conducted a formal evaluation of the BRTC to determine whether authorizing BRTCs for 100 percent of eligible costs is the most advantageous to the state, and this practice results in developers having little incentive to minimize remediation and demolition costs. In addition, the DED has not (1) designed a formal procurement process that requires the lowest and best bids to be accepted and restricts conflict of interest situations, (2) compiled a historical listing of reasonable prices for various remediation activities, and (3) required an engineer, architect, or certified public accountant to certify eligible project costs. These weaknesses provide little assurance that projects are completed at a fair and reasonable cost to taxpayers.

For one project, the DED reduced the amount of authorized BRTCs after discovering the developer had obtained, but not submitted to the DED, a lower bid. For that same project, the DED did not reduce the authorized BRTCs for the proceeds from the sale of scrap materials generated during demolition. For another project, the DED issued BRTCs for activity not included in the remedial action plan, and the DNR did not conduct independent verification and testing prior to certifying remediation activities were properly completed.

Program Efficiency and Effectiveness

The DED does not always require developers to enter into clawback agreements in the event the project does not create the projected number of jobs. Audit staff reviewed 15 projects and found, for the 10 projects with completed remediation activities, developers projected 2,500 jobs would be created, but only 116 full-time and 322 part-time jobs were actually created. Because the DED uses these job creation estimates in the annual cost-benefit analysis submitted to the General Assembly, the state economic impact of the BRTC program is significantly overstated.

The General Assembly has not established annual or cumulative limits on BRTCs, or a sunset provision for the BRTC program. State law does not prohibit claiming the same project costs under two or more tax credit programs. This "stacking" of tax credits can be lucrative for developers without generating additional economic activity or state benefit. Previous DED and DNR officials did not require parties responsible for environmental damage to be fully responsible for remediation costs. As a result, state taxpayers will end up primarily funding the remediation costs for a project through the issue of \$12.275 million in BRTCs. The DNR also did not hold previous owners responsible for environmental damages for 4 additional projects where some hazardous materials were likely generated by former owners.

In the areas audited, the overall performance of this program was **Poor\***

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor  
and  
Mike Downing, Director  
Department of Economic Development  
and  
Sara Parker Pauley, Director  
Department of Natural Resources  
Jefferson City, Missouri

We have audited certain operations of the Brownfield Remediation Tax Credit Program in fulfillment of our duties under Chapter 29, RSMo and Section 620.1300, RSMo. The scope of our audit included, but was not limited to, the 3 years ended June 30, 2013. The objectives of our audit were to:

1. Analyze the costs and benefits of the program to determine if it is an effective and efficient use of state resources.
2. Evaluate the internal controls over significant management and financial functions related to the program.
3. Evaluate compliance with certain legal requirements related to the program.
4. Evaluate the economy and efficiency of certain management practices and operations.

For the areas audited, we (1) determined certain aspects of program effectiveness and efficiency could be improved, but due to weaknesses in program data, other aspects of program effectiveness and efficiency could not be adequately determined, (2) identified deficiencies in internal controls, (3) identified significant instances of noncompliance with legal provisions, and (4) identified the need for improvement in management practices and procedures.

Except for the matter discussed in the last paragraph of the Scope and Methodology Section, we conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Management Advisory Report presents our findings arising from our audit of the Brownfield Remediation Tax Credit Program.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Dennis Lockwood, CPA
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# Brownfield Remediation Tax Credit Program

## Introduction

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### Background

The Brownfield Remediation Tax Credit (BRTC) Program was established in 1995 as a part of the Brownfield Redevelopment Program under Section 447.708, RSMo. The redevelopment program included the BRTC, the jobs/investments tax credit, and the demolition tax credit. The Department of Economic Development (DED) manages this tax incentive program. The program provides financial incentives for the redevelopment of commercial/industrial sites that are contaminated with hazardous substances and have been abandoned or underutilized for at least 3 years.

The BRTC is a discretionary tax credit. Eligible projects must be abandoned or underutilized property to be acquired, established, expanded, remodeled, rehabilitated or modernized for industry, commerce, distribution or research, or any combination thereof, the operation of which, alone or in conjunction with other facilities, will create new jobs or preserve existing jobs and employment opportunities. If the property is not owned by a public entity, the city or county must endorse the project. The Missouri Department of Natural Resources (DNR) must accept projects into the Voluntary Cleanup Program (VCP) to be eligible for BRTCs. Participants in the VCP must submit a remedial action plan, which identifies the known or suspected environmental hazards and how the applicant will remediate those hazards. The DNR must approve the remedial action plan. Applicants cannot be a party who intentionally or negligently caused the release or potential release of hazardous substances at the project. The DED must project at least 10 new jobs will be created or at least 25 jobs will be retained as a result of the completed BRTC project.

Applicants may receive BRTCs for up to 100 percent of the costs of materials, supplies, equipment, labor, professional engineering, consulting and architectural fees, permitting fees and expenses, demolition, asbestos abatement, and direct utility charges for performing voluntary remediation activities for preexisting hazardous substance contamination and releases. Eligible costs may also include up to 100 percent of the costs of demolition that are not directly part of the remediation activities, provided that the demolition is on the property where the voluntary remediation activities are occurring, the demolition is necessary to accomplish the planned use of the facility where the remediation activities are occurring, and the demolition is part of a redevelopment plan approved by the municipal or county government and the DED. The amount of the credit available for demolition cannot exceed the total amount of credits approved for remediation.

Under Section 447.708.3(2), RSMo, BRTCs are limited to the least amount necessary for the project to occur and under Section 447.701.1, RSMo, the total amount of BRTCs for each eligible project shall be limited to the projected state economic benefit, as determined by the DED. The DED estimates the net state economic benefit by using the projected number of new or retained jobs and investments as inputs into an economic modeling



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## Brownfield Remediation Tax Credit Program Introduction

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software program. The DED determines the authorized credit amount based on the lesser of the estimated amount of eligible remediation and demolition costs, the proven gap in financing, or the net state economic benefit.

The DED issues BRTCs for actual eligible project costs up to 75 percent of the authorized amount through the completion of remediation and demolition activities. The DED issues the remaining 25 percent (also known as the holdback) after the DNR VCP has issued a certificate of completion letter. The DED may increase the authorized amounts if project remediation costs exceed the estimated costs as long as the total credits do not exceed the financing gap or projected net state economic benefit. The DED, before issuing any BRTCs, requires the developer to submit invoices and proof of payment for any for eligible costs.

BRTCs are non-refundable,<sup>1</sup> but transferable. The credits may be carried forward for 20 years and may be redeemed against the income tax imposed by Chapter 143, RSMo, excluding withholding tax imposed by Sections 143.191 to 143.265, RSMo, the corporate franchise tax imposed by Chapter 147, RSMo, and the financial institution tax imposed by Chapter 148, RSMo.

The DED authorized over \$185 million in BRTCs for 115 projects during state fiscal years 2003 to 2013. Ninety-one of those projects were located in the St. Louis metropolitan area, 10 projects in the Kansas City metropolitan area, and 14 projects in other parts of the state.

### Credits in other states

According to a recent report,<sup>2</sup> Missouri is one of 13 states that have established state tax credits for brownfield remediation. Nine states treat the credits as an entitlement program and in four states, including Missouri, the credits are discretionary and based upon a needs test. Tax credit percentages for site assessment and remediation costs vary from 12 to 100 percent. Two states base the credit on total investment rather than remediation costs. Six states have established per-project caps ranging from \$150,000 to \$500,000. Florida has established an annual program cap of \$2 million. Iowa has recently increased its annual cap to \$10 million. Connecticut, which limits its program to large industrial projects, has set an aggregate cap of \$500 million. The report noted Michigan had recently eliminated its Brownfield tax credit because of fiscal concerns. Missouri does not have a per-project, annual or aggregate program cap. In addition, 8 of these 13 states, including

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<sup>1</sup> The taxpayer must have a tax liability the credit can be offset against.

<sup>2</sup> Redevelopment Economics, "Analysis of the Economic, Fiscal, and Environmental Impacts of the Massachusetts Brownfield Tax Credit Program," October 2012, <[http://www.redevelopmenteconomics.com/yahoo\\_site\\_admin/assets/docs/Mass\\_impact\\_report\\_final\\_NBP.196220244.pdf](http://www.redevelopmenteconomics.com/yahoo_site_admin/assets/docs/Mass_impact_report_final_NBP.196220244.pdf)>, accessed January 3, 2014.



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## Brownfield Remediation Tax Credit Program Introduction

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Missouri, allow credits to be transferred or sold. Many other states have some form of incentive for environmental remediation such as direct grants, loan programs, or property tax abatement.

### Reporting

The DED provides the General Assembly and the public key program information for the BRTC program through the tax credit activity report.

Agencies administering tax credit programs are required under Section 33.282, RSMo, to submit the estimated amount of tax credit activity for the next fiscal year to the State Budget Director for submission to the Chairmen of the Senate Appropriations and House Budget Committees. In addition to the estimates of tax credit activity, the agencies must also include a cost-benefit analysis of the program for the preceding fiscal year. The annual estimates and cost-benefit analyses are submitted on forms called tax credit analysis forms. State law requires the tax credit activity report be submitted to the State Budget Director by October of each year and to the Chairmen of the Senate Appropriation and House Budget Committees by January 1 of each year.

In addition, Section 135.805, RSMo, requires companies receiving tax credits to submit an annual report to the DED for a period of 3 years after issuance of the credits. This report is required to include the actual number of jobs created as a result of the tax credits for each month of the preceding 12-month period; whether the property is used for residential, commercial, or governmental purposes; the projected or actual project cost and labor cost; and date of completion. The DED makes this information available to the public, as required by Section 135.805, RSMo.

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### Scope and Methodology

To gain an understanding of the program, we interviewed DED officials involved in the application and approval process as well as staff involved in monitoring these projects. We also interviewed officials of the DNR VCP and officials of a city development agency involved in one remediation project.

To understand how Missouri's BRTC program compares to other states, we obtained information from various Internet searches.

We analyzed BRTC activity for 62 remediation projects that had BRTCs authorized or issued during fiscal years 2010 through 2013. We selected 15 BRTC project files for further review, interviewed DED staff involved in those projects, and determined if DED staff followed required procedures on those projects.

To evaluate potential improvements to the program, we reviewed reports from the Missouri Tax Credit Review Commission. The commission was created by the Governor in July 2010 and charged with reviewing the state's tax credit programs and making recommendations for greater efficiency and



## Brownfield Remediation Tax Credit Program Introduction

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enhanced return on investment. The commission released reports in November 2010 and December 2012.<sup>3</sup>

We obtained aggregate totals of annual tax credit redemptions from the DOR. In accordance with the Missouri Supreme Court decision in the case of *Director of Revenue v. State Auditor* 511 S.W.2d 779 (Mo. 1974), auditors are not provided individual tax returns. As a result, auditors were not able to verify the completeness and accuracy of redemption data provided.

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<sup>3</sup> The December 2012 report included a supplemental report that we also reviewed.

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# Brownfield Remediation Tax Credit Program

## Management Advisory Report

### State Auditor's Findings

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#### **1. Program Administration and Oversight**

The DED has not conducted a formal evaluation of the BRTC program to determine whether authorizing BRTCs for 100 percent of eligible costs is the most advantageous to the state, and this practice results in developers having little incentive to minimize remediation and demolition costs. In addition, the DED has not (1) designed a formal procurement process that requires the lowest and best bids to be accepted and restricts conflict of interest situations, (2) compiled a historical listing of reasonable prices for various remediation activities, and (3) required an engineer, architect, or certified public accountant to certify eligible project costs. These weaknesses provide little assurance that projects are completed at a fair and reasonable cost to taxpayers.

For one project, the DED reduced the amount of authorized BRTCs after discovering the developer had obtained, but not submitted to the DED, a lower bid. For that same project, the DED did not reduce the authorized BRTCs for the proceeds from the sale of scrap materials generated during demolition. For another project, the DED issued BRTCs for activity not included in the remedial action plan, and the DNR did not conduct independent verification and testing prior to certifying remediation activities were properly completed.

##### **1.1 Eligible cost percentage and per-project caps**

The DED has not conducted a formal evaluation of the BRTC to determine whether authorizing BRTCs for 100 percent of eligible costs is the most advantageous to the state. The DED issues BRTCs for up to 100 percent of the eligible costs, subject to limitations of the proven financing gap and the state net economic benefit provisions. State law<sup>4</sup> provides the DED with the authority to base the credit on a lower percentage. For 6 of 15 projects reviewed, the DED authorized BRTCs for 100 percent of eligible costs. In addition, Missouri has not established a per-project cap. Of the 13 states with brownfield remediation programs, only Missouri and Connecticut authorize tax credits for up to 100 percent of eligible costs. The rates noted for the other states ranged from a low of 12 percent for some types of projects in Iowa to 75 percent in New Jersey. Six states have established per-project caps ranging from \$150,000 to \$500,000.

The practice of authorizing BRTCs at 100 percent of eligible costs provides little or no incentive for developers to minimize remediation and demolition costs. To contain the cost of the BRTC program, the DED should evaluate and consider lowering the percentage of eligible costs qualifying for BRTCs, and the General Assembly should consider establishing caps on individual projects.

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<sup>4</sup> Section 447.708.3(1), RSMo



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## 1.2 Procurement of Project Services

The DED does not require developers to solicit bids for project services on a competitive basis, require detailed unit price/quantity bids, or require bids for some project costs. The DED does not have policies to restrict potential conflicts of interest on BRTC projects. The DED does not compile historical unit costs. As a result, the DED has little assurance BRTC project activities are completed at a fair and reasonable cost.

### Competitive procurement

The DED does not require developers to conduct a formal procurement process that includes advertising and posting public notices of bid opportunities, distributing requests for proposals to interested parties, ensuring requests for proposals are sufficiently detailed, requiring the use of sealed bids, publicly opening bids, establishing appropriate conflict of interest policies, ensuring bids are only accepted from qualified and capable contractors, and using a formal bid evaluation process that considers all relevant criteria.

The DED requires applicants to submit three informally obtained cost estimates (bids) for remediation, demolition, and related services that are to be included as BRTC eligible costs. The DED uses the bids to help support the amount of BRTCs authorized for projects. DED staff base the authorized amount on the lesser of the estimated eligible costs, the proven gap in financing, or the net state economic benefit. The DED does not require the bids to be awarded to the lowest and best bidders.

Competitive bidding would help contain the cost of BRTCs by ensuring remediation and development activities are completed at a reasonable cost, and would help ensure all interested parties are provided an opportunity to participate in projects funded by BRTCs.

### Unreported bids

The DED does not have adequate procedures in place to ensure developers submit the lowest bids received. In February 2012, the developer for the Northwest Plaza Project (NWP) submitted 3 bids for asbestos abatement, 3 bids for household hazardous waste disposal, and 3 bids for demolition. Using the lowest bid in each category, the DED authorized BRTCs totaling \$7,761,225 for the project in October 2012. In October 2013, the DED reduced the amount of authorized BRTCs for the NWP by \$288,000 because the developer had not submitted the lowest asbestos abatement bid received.

In August 2012, the NWP developer obtained a substantially lower demolition bid of \$1.8 million from the another contractor. The DED had used the previously lowest demolition bid of \$3.335 million to determine the authorized amount of BRTCs. The DED eventually learned from a third party the developer had not reported this lower demolition bid. DED officials indicated they did not consider this bid to be a responsive bid. However; this bid raises concerns regarding whether the original bid process



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resulted in the least amount necessary for the project to proceed. To ensure the amount of BRTCs issued are limited to the least amount necessary, as required by state law, the DED should establish formal procedures that require developers to submit all bids the developer obtains.

Unit price/quantity bidding

The DED often receives bid documents from developers that do not contain detailed information. For 8 of the 15 projects reviewed, developers submitted lump sum (fixed price) bids that did not include detailed quantities, unit/prices, and unit price adjustment factors.

For the ongoing NWP project, the bids included an estimate to remediate over 1.1 million square feet of asbestos materials. The lowest bid, to remediate the asbestos at the time the developer submitted his application to the BRTC program, was submitted by the environmental consulting firm and totaled approximately \$3.7 million. This amount was included in the amount of BRTCs authorized by the DED. The DNR, while conducting VCP monitoring questioned the need for the remediation of the entire estimated quantity of asbestos because the developer decided to remodel rather than demolish 3 large buildings. The environmental consultant revised the estimated quantity of asbestos remediation to about 540,000 square feet, about half of the original amount. DED officials indicated they are aware of the significant change in the quantity of asbestos remediation required for this project. However, since the bid summary did not include unit price adjustment factors for the various types of asbestos abatement, it is unclear what impact, if any, the change in quantity will have on project costs and the amount of BRTCs issued.

To help ensure project cost estimates and related BRTCs issued are reasonable, the DED should require contractors to submit bid information that includes detailed quantities, unit/prices, and unit price adjustment factors.

Project cost analysis

The DED does not compile a historical listing of unit prices for various types of remediation activities to determine if amounts bid are reasonable. Maintaining a database with historical cost information would help the DED to determine the reasonableness of amounts bid.

Other project costs

The DED does not require some project costs to be competitively procured. Examples of project costs not requiring competitive proposals included environmental consulting, monitoring, and testing. These additional project costs can range from a few thousand dollars on smaller projects to several hundred thousand dollars on large projects.

Conflict of interest

In 6 of 15 projects reviewed, the environmental consultants that obtained and evaluated bids for the developer also submitted bids and/or subsequently performed substantial portions of project activities. On one project, the environmental consultant assisted a contractor to prepare a bid



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totaling about \$6.9 million for remediation services. After the DED required 2 additional bids, the developer submitted bids from the consulting firm for about \$14.4 million and from another contractor for about \$14.1 million. However, these 2 bids were based on a different technology. The developer selected the environmental consultant as the general contractor for the project. This firm subsequently also performed the remediation activities for which the \$6.9 million in BRTCs were authorized. For 2 of these 6 projects, the environmental consultant did not submit a bid but subsequently performed the services and submitted invoices totaling the amount of BRTCs authorized. These 2 projects received BRTCs totaling \$1.275 million.

Allowing environmental consultants to obtain and evaluate bids, select firms from which bids are solicited, submit competing bids, and/or then perform project activities creates a conflict of interest and results in little assurance that the BRTCs issued are the least amount necessary for the projects to be completed.

Tax Credit Review  
Commission

In its 2012 report,<sup>5</sup> the Tax Credit Review Commission recommended the General Assembly "provide agencies more authority to require government procurement and bidding practices of recipients of tax credits for expenses incurred relative to tax credit projects with the intent to assure competitive costs." The commission also recommended the General Assembly "provide agencies more authority to define related party transactions and provide applicable limitations to benefits provided to related parties."

### 1.3 Cost certification

The DED does not require certification of the actual project costs by a licensed engineer, architect or certified public accountant.

The DED requires the developer to submit source documentation showing actual project costs including invoices and proof of payment prior to issuance of the BRTCs. The developer is also required to attest to the accuracy of all information provided. DED personnel indicated they review the documentation to determine whether the remediation activities invoiced are likely activities included in the remedial action plan and compare invoices to amounts bid. However, personnel indicated invoiced costs often do not agree to specific remediation activity line items in the bid since the

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<sup>5</sup> In July 2010 the Governor created the Tax Credit Review Commission to review various tax credit programs and make recommendations concerning how the programs should be changed to achieve greater efficiency and provide a positive return on Missouri's investment. The commission's report was issued November 30, 2010. Neither the 2011 nor the 2012 legislative sessions resulted in any tax credit reform. In September 2012, the Governor asked the commission to review and update its 2010 report. The commission's follow-up report was issued December 15, 2012.



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line items are based on estimates and subject to change. In addition, as noted previously, the DED does not require bids to contain enough detailed information.

The DED requires a certification of eligible costs by a certified public accountant (CPA) in other tax credit programs including the Historic Preservation and Low Income Housing Tax Credit programs. Both Iowa and Florida require an independent CPA firm to review eligible costs prior to issuance of Brownfield tax credits. Given the lack of incentive for developers to control costs coupled with the lack of a formal procurement process and the existence of conflict of interest situations, the DED should consider requiring project costs be certified by the project architect, engineer, and/or certified public accountant to help ensure BRTCs issued are reasonable.

#### 1.4 Scrap values

The DED authorized BRTCs for \$2,265,000 more than the financing gap for the NWP project because the DED did not reduce the authorized BRTCs for the proceeds from the sale of scrap materials generated during demolition. As a result, the DED authorized BRTCs for more than the least amount necessary for the project to proceed as required by state law. In addition, the DED has not established policies and procedures to handle such situations.

On October 1, 2012, the DED authorized BRTCs totaling \$7,761,225<sup>6</sup> for the estimated remediation and demolition costs of the NWP project. Based on bids the developer submitted to the DED to establish the amount of BRTCs authorized, scrap rights were to be retained by the demolition contractor. However, the developer and the contractor entered into a separate agreement requiring the contractor to segregate and deliver the scrap materials to third parties. The third parties were required to submit payment for the scrap materials directly to the developer. The agreement required the contractor to pay the developer any difference if scrap payments amounted to less than \$2,265,000, and allowed the contractor to receive any proceeds in excess of \$2,265,000. However, the developer did not include scrap proceeds in the sources and uses of funds analysis used by the DED that identified a project financing gap of \$7,781,225. DED officials indicated they were aware of the scrap agreement, but produced no documentation to support this statement. DED officials also acknowledged the scrap value was not included in the financing gap calculation. If the scrap proceeds were included in an analysis of sources and uses, the financing gap would have been \$5,516,225, and the DED would have authorized \$2,265,000 less in BRTCs.

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<sup>6</sup> The DED subsequently reduced the authorized amount to \$7,473,225 in October 2013 when the developer presented the DED with a lower remediation bid.



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The DED, also, does not consider the proceeds of the sale of scrap as a reduction or offset to the eligible demolition costs. The DED limits authorization of BRTCs to estimated remediation and demolition costs and limits issuance of BRTCs to actual remediation and demolition costs. As of January 31, 2014, the DED had not yet issued BRTCs because the project was still in progress.

DED officials indicated this project is the only one that had significant scrap value; however, the DED has not established policies and procedures to handle such situations. The DED is required by Section 447.708.3(2), RSMo, to limit the BRTCs to the least amount necessary to cause the project to occur. The DED has determined the least amount necessary is the lesser of the amount of eligible remediation and demolition costs or the proven gap in financing. It appears reasonable to limit authorization and issuance of BRTCs for demolition to net demolition costs (demolition costs less the proceeds from the sale of scrap, or \$5,516,225).

The DED should reduce the authorization award associated with the NWP project by \$2,265,000 and establish appropriate policies and procedures to handle scrap proceeds in the future.

## 1.5 Remediation oversight

The DED authorized BRTCs totaling \$1,814,976 for one project in September 2008 and in March 2009 authorized additional BRTCs totaling \$604,038. In February 2011, the DNR, unaware of the additional remediation work for which the additional tax credits were authorized, issued a certificate of completion for the project and the DED, unaware that the certificate of completion did not encompass the additional remediation activities, issued BRTCs totaling \$2,419,014. In early 2012, after receiving a complaint from a subsequent owner, a joint DNR and DED review determined (1) the site was still contaminated, (2) the developer had not properly completed some remedial activities required by the remediation plan, and (3) the DNR had not approved alternative remediation activities that included repainting rather than removing windows.

The DNR subsequently rescinded its certificate of completion for the project and in September 2012, the Attorney General's office filed a lawsuit against the project developer to recover BRTCs issued. However, in March 2014 the parties agreed to dismiss the case. Also, the DED authorized \$462,481 in additional BRTCs for the subsequent owner to perform further remediation activities.

Section 447.708.3(1), RSMo, indicates the DED, with the approval of the DNR, may grant a remediation tax credit to an applicant provided the remediation activities are included in a plan submitted to and approved by the DNR. Section 260.573, RSMo, requires the DNR to issue a letter stating



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that no further action need be taken at the site after remedial action has been taken in accordance with the approved remedial action plan.

Lack of communication between the DED and the DNR allowed BRTCs to be issued for a project that was not properly remediated. The DED implemented new procedures to require a copy of the DNR approved remediation plan to be on file with the DED prior to authorization of BRTCs, and to confirm the DNR had approved activities for which the developer requested any additional BRTCs. The DNR modified its project monitoring procedures to include verification of cleanup test results through independent sampling and testing by DNR personnel.

## Recommendations

The DED:

- 1.1 Evaluate and consider decreasing the percentage of eligible costs qualifying for BRTCs.
- 1.2 Promulgate state regulations to establish procedures requiring BRTC applicants to procure project activities competitively and to select the lowest and best bid, and rules to define and limit conflicts of interest. We also recommend the DED maintain a database of historical cost information for BRTC projects.
- 1.3 Require certification of actual project costs by a licensed engineer, architect, and/or certified public accountant.
- 1.4 Reduce the authorization award associated with the NWP project by \$2,265,000 and establish policies and procedures to handle scrap proceeds.

The DED and DNR:

- 1.5 Comply with newly implemented procedures to ensure approved remediation activities are properly completed before issuing BRTCs.

The General Assembly:

- 1.1 Consider establishing per-project caps for individual projects.

## Auditee's Response

*The DED and the DNR provided the following responses.*

- 1.1 *As required by law, DED evaluates each application individually for eligibility and to determine the appropriate amount of tax credits that may be awarded. The amount of tax credits awarded may be less than one-hundred percent of the full amount of eligible*



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*costs consistent with the statutory requirement that any tax credit award be limited to the "least amount necessary to cause the project to occur." Section 447.709.3(2), RSMo.*

*In determining the least amount necessary to cause the project to occur, DED evaluates the developer's sources and uses, internal rate of return (IRR), market rates for eligible costs, industry employment and wages, and a determination of whether the developer' private debt and equity has been maximized. Eligible projects are awarded tax credits equal to the lesser of:*

- The amount necessary to achieve a positive net fiscal benefit to the state;*
- The amount of the project financing gap;*
- The lowest cost estimate provided by qualified firms; or*
- The actual amount of eligible costs for the project.*

*As the audit indicates, nine of the 15 projects reviewed in this audit were awarded tax credits in an amount less than one-hundred percent of eligible costs. Additionally, the projects that were denied were also awarded less than one-hundred percent of eligible costs. For the six projects funded at one-hundred percent of eligible costs, the amount of the award was limited to the least amount necessary to cause the project to occur as required under the statute.*

- 1.2 *As the audit recognizes, DED bases the award of tax credits under the Brownfield Remediation Tax Credit program on the lowest of at least three responsive bids obtained by the applicant from a party unrelated to the developer. Although the developer is not required to contract with the lowest responsive bid, it is the amount of the lowest responsive bid that governs the award of tax credits, even if the eligible costs ultimately end up being higher. To further formalize the required procurement process and conflict of interest prohibitions, DED has filed regulations with the Secretary of State. See 4 CSR 85-10.010-85-10.060.*

*The audit references a bid submitted in August 2012 to the NWP developer as raising concerns regarding whether the original bid process resulted in the least amount necessary for the project to proceed. However, this referenced bid was submitted eight months after the applicant's deadline to receive responsive bids, after all of the other bids had been opened, and after the amounts of the others bids had become known. In addition, this bid was offered to the*



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*developer unsolicited and without reference to any bid specifications. Accordingly, this bid was not considered responsive.*

*The audit also takes issue with the fixed-price contract utilized by the NWP project for certain remediation work. However, under the circumstances, awarding tax credits based on the fixed-price contract provided the maximum protection for taxpayers by ensuring that any cost overruns on the project were the sole responsibility of the developer. Although the NWP project is not yet complete, to date it has experienced an estimated \$700,000 in additional costs over and above the fixed-price contract upon which the award of tax credits was based, including an asbestos coated gas main (unearthed by another contractor) that required the removal of 3,000 linear feet of gas line; the mandatory removal of 15,240 square yards of asphalt paving to meet municipal specifications; structural, mechanical, electric and plumbing conditions encountered during interior demolition; a difference in the quantity and size of footings and foundations at two structures beyond the size provided by architectural drawings; remobilization of various buildings to remove remnant floor tile in formerly inaccessible areas exposed by remodeling; and full containment of 18,775 square feet to remove black mastic found under multiple layers of flooring. Because the tax credit award was based on the fixed-price contract, these additional costs will be borne by the developer and will not result in additional tax credits to complete the work.*

- 1.3 DED has filed rules with the Secretary of State requiring involvement by a licensed engineer in various aspects of a project, including inspection of property, determination of hazardous materials in type and quantity, development and drafting of any remedial action plan, development and drafting of any preliminary cost estimate, developing and drafting and bid specifications and solicitation of bids. See 4 CSR 85-10.050.*
- 1.4 By law, DED is required to limit the amount of any tax credit award to the least amount of state assistance necessary to cause the project to occur. Section 447.709.3(2), RSMo. The referenced scrap value was taken into account in DED's analysis of the least amount necessary and is already reflected in the amount of tax credits awarded for the NWP project. Applying the audit's recommendation to reduce the authorization would result in the scrap value being double-counted.*

*DED accounted for the scrap value as a property sale revenue in the first two years of the project, along with all of the developer's*



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*additional property sale revenues and lease income the developer would realize as part of the project, in determining the internal rate of return (IRR), an evaluation tool commonly used in real estate development projects that involve discretionary public funding. DED evaluates the IRR to ensure that it is reasonable—if the IRR is too high, the amount of the tax credit award is lowered. If the developer can achieve a reasonable IRR without state funding, then no tax credits are awarded. Accordingly, the IRR is a component in the required determination of the "least amount necessary to cause the project to occur." See Section 447.709.3(2), RSMo. Because DED included the scrap value in the IRR to determine the least amount of tax credits necessary to cause the NWP project to occur, further reducing the amount of tax credits authorized by including the scrap value as a developer's source in the developer's sources and uses would result in the scrap value being counted twice in determining the tax credit award.*

*Additionally, to provide greater clarity for future projects, DED has filed rules with the Secretary of State that address salvage rights in detail. See 4 CSR 85-10.050.*

## Auditor Comment

DED officials, after multiple requests by auditors, failed to provide any documentation to support their claim scrap value was accounted for as property sale revenue. We noted in the project file an email from an attorney for the developers to the DED project manager stating the property sales line on the IRR shows sales revenues from the sale of lots. It appears the scrap value was not reflected in the amount of BRTCs issued.

The DED's proposed rules were first published March 17, 2014. Under proposed rule 4 CSR 85-10.020(3)(D)(2), salvage rights must be considered as part of the cost of remediation. The applicant may retain the salvage in which case the reimbursable costs should be reduced by the value of the salvage retained. If this rule had been in effect at the time the DED authorized the BRTCs for the NWP project, the BRTC eligible costs and the amount of BRTCs authorized would have been reduced by \$2,265,000.

*1.5 DED and DNR will continue to comply with all procedures to ensure approved remediation activities are properly completed before issuing tax credits.*

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## 2. Program Efficiency and Effectiveness

The DED does not always require developers to enter into repayment agreements in the event the project does not create the projected number of jobs. The BRTC does not have an annual or cumulative limit, or a sunset provision. BRTC eligible costs may also be eligible costs under other tax credit programs. DED and DNR officials made decisions that resulted in parties responsible for environmental damage not being held fully



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accountable for the remediation costs. As a result, taxpayers paid remediation costs through the BRTC program.

## 2.1 Job Creation

The DED does not require developers to enter into legally binding clawback agreements requiring repayment of the value of the BRTCs issued in the event that projected economic activity does not occur.

For the 15 projects we reviewed, no project had the amount of authorized BRTCs limited because of the state economic benefit calculation. The economic benefit calculation seldom impacts the amount of BRTCs authorized, because developers overestimate the number of jobs to be created. Most BRTC projects do not create the projected number of new jobs. Of the 15 projects reviewed, 10 had completed remediation activities. For these 10 projects, developers projected approximately 2,500 jobs would be created, however only 116 full-time and 322 part-time jobs actually were created according to the annual reports developers submitted to the DED. Only 1 of the 10 projects created the number of proposed jobs indicated in the initial application used by the DED to determine the state's economic benefit. In addition, because the DED uses the developers' estimates in the annual cost-benefit analysis submitted to the General Assembly, the state economic impact of the BRTC program is significantly overstated.

### Clawback provisions

The DED does not usually include clawback provisions that require developers to repay portions of the BRTCs if the number of projected new jobs are not created. According to DED personnel, the DED has required clawback provisions for only three projects since programs inception. DED officials indicated the clawback provisions are only used when they determine there is an unusually high risk the project will not create the estimated number of jobs. The DED placed additional restrictions on the following projects we reviewed.

- On December 17, 2010 (and later amended March 26, 2012), the DED entered into a redemption agreement for one project (Carondelet Coke) that allows the DED to withhold previously authorized BRTCs if the 400 projected jobs were not created by December 31, 2017. DED officials indicated this agreement was the first usage of a clawback provision.

The redemption agreement; however, amounts to only \$1,393,750, or approximately 11.4 percent of the total BRTC authorizations for this project. If the environmental contractor cleans up the properties in accordance with the remedial action plan, but the developer never creates a single new job, the developer will own the project and the DED will have issued BRTCs totaling approximately \$10.9 million. DED officials indicated another project that we did not select for review had a similar redemption agreement.



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- For another project (NWP), the DED required the developer to enter into a repayment agreement totaling up to \$6,850,000 (88 percent of credits authorized) if the developer did not create the 500 projected jobs in certain parts of the development within 5 years. DED officials said at the time of the agreement, the developer did not have letters of intent from businesses interested in occupying the development, so the DED required a repayment agreement to mitigate the risks associated with additional phases of the project.

Tax Credit Review  
Commission

In its 2012 report, the Tax Credit Review Commission reaffirmed its recommendation from its 2010 report that the General Assembly impose a statutory clawback on the program requiring repayment of the value of the credits in the event that estimated jobs and investment do not occur.

The commission recommended that strict statutory clawbacks be enforced in cases of non-compliance with program requirements and applicants for state incentives be required to enter into a contract with the agency administering the tax credit specifying standards of performance, program requirements, and penalties in the event of non-compliance.

Clawback provisions are needed to ensure state economic benefits are received in return for BRTCs issued.

2.2 Annual and cumulative  
limits

The General Assembly has not established annual or cumulative limits on the BRTC. During the period of state fiscal years 2003 through 2013, the DED issued BRTCs totaling approximately \$174 million and redemptions have totaled approximately \$168 million. The General Assembly should consider implementing annual and cumulative limits on the BRTC to better contain the cost of this tax credit program.

2.3 Sunset Provision

As noted in Report No. 2010-47, *Tax Credit Cost Controls*, issued in April 2010, state law does not include a sunset provision for many tax credits, including the BRTC program. The Sunset Act, passed in 2003, provides for new programs to sunset after a period of not more than 6 years unless reauthorized by the General Assembly or the program is exempted from the Sunset Act. The Act requires the Committee on Legislative Research to review applicable programs before the sunset dates and present a report to the General Assembly regarding the sunset, continuation, or reorganization of each affected program. However, the BRTC program was created prior to the Sunset Act and is exempted.

By adopting a sunset provision for the BRTC program, the General Assembly can better determine whether the program is achieving its intended purpose and whether program funding should be increased, decreased, or eliminated.



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## 2.4 Use of multiple incentives

As noted in Report No. 2012-117, *Division of Business and Community Services*, issued in September 2012, state law does not prohibit claiming the same project costs under two or more tax credit programs. This "stacking" of tax credits can be lucrative for developers and additional tax credits are issued while no additional economic activity or state benefit is generated.

Companies may claim certain project costs under the Historic Preservation, Low Income Housing, Brownfield Remediation, and the Neighborhood Preservation Tax Credit programs. Between fiscal years 2000 and 2011, the state issued tax credits totaling approximately \$738 million for 117 projects that received funding from two or more of these tax programs.

In December 2012, the Tax Credit Review Commission recommended changes when Brownfield, Historic Preservation, and Low Income Housing Tax Credits or any combination thereof are awarded to a single project. The commission recommended a specific ordering process and Brownfield credits would be calculated first based on eligible remediation expenditures. Next, the eligible Historic Preservation credit expenditures would be reduced by the amount of Brownfield credits. Finally, the Brownfield and Historic Preservation credits would be deducted from the total expenditures eligible for the Low Income Housing Tax Credit. The DED should work with the General Assembly to establish cost containment provisions regarding project costs claimed under multiple tax credit programs.

## 2.5 Carondelet Coke Project

Previous DED and DNR officials did not require parties responsible for environmental damage to be fully responsible for remediation costs. As a result, state taxpayers will end up primarily funding remediation costs for one project through the issue of \$12.275 million BRTCs.

### Project History

In 1992, the St. Louis Land Reutilization Authority (LRA), acquired 42 acres in the City of St Louis through a tax foreclosure sale. The LRA operates under the oversight of the St. Louis Development Corporation (SLDC), a governmental economic development agency. The property is known as the Carondelet Coke or Broadway Business Center project. A local utility company had owned the site from 1902, developed it into a manufactured gas plant by 1915 and operated it through 1950. The plant converted coal into coal gas for use in the utilities gas supply system and industrial coke. In 1950, the plant was sold to another company that concentrated on coke production. In 1980, the plant was again sold to an owner that continued producing industrial coke and then abandoned the site in 1987.

When the LRA acquired the property, it contained several buildings that needed to be demolished, known surface and aboveground hazardous conditions, and suspected significant subsurface hazardous conditions. In August 1995, the DNR notified the three former owners the hazardous waste cleanup would be enforced under the Comprehensive Environmental



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Response, Compensation and Liability Act (CERCLA), also known as Superfund, unless the former owners entered the site into the VCP.

In October 1995, the local utility enrolled the site in the VCP and undertook some site assessment activities to determine the nature and extent of the subsurface contamination. The utility indicated the expectation was for other responsible parties to participate in the cost of conducting the site investigation and cleanup. In early September 1996, the LRA also applied to the VCP to demolish the above ground structures and clean up the surface of the site. In September 1996, the DNR Superfund Section completed a site investigation documenting surface and subsurface contamination, and potential risks to human health and the environment. The investigation documented the site had Hazard Ranking System score of 28.5 or greater, making it eligible to be proposed to the National Priorities Listing and enforcement under CERCLA. The DNR in a letter to the U.S. Environmental Protection Agency (EPA) indicated, "Should [this responsible party] become ineligible or withdraw from this voluntary cleanup program, the Carondelet Coke site should be addressed under Superfund authority." In October 1996, the EPA agreed to allow the cleanup to remain in the VCP "as long as [this responsible party] entered into an agreement with the state for site evaluation and remediation, as determined necessary by the state." The utility performed additional assessment and monitoring activities; however, it was unwilling to undertake remediation activities unless other responsible parties were included.

In August 2004, the Land Clearance Redevelopment Authority (LCRA), also under the oversight of the SLDC, submitted an application to the DED requesting \$6.7 million in BRTCs to remediate the structures on the site. In April 2005, the DNR approved an amendment to the VCP agreement allowing the SLDC to address the subsurface contamination. The SLDC indicated it continued to negotiate an agreement with the local utility and second previous owner for financial assistance. In March 2009, the DED authorized issuance of BRTCs totaling \$150,000 to fund additional site investigation activities. The DED indicated the SLDC would be required to have a fully executed remediation agreement between the City of St. Louis and the two companies for their financial participation in the cleanup efforts and agreements with the developer and the environmental remediation contractor before approving additional BRTCs. The SLDC remediation agreement with two responsible parties required the two companies to contribute a total of \$942,500, about 8 percent of the total cleanup costs, and in exchange, the companies were relieved of further liability related to the remediation project. As part of the agreements, the LCRA purchased an additional 7.5 acres from the local utility for \$500,000 and the developer also purchased 4.1 acres from the utility.



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In August 2009, the DED authorized \$6.7 million of BRTCs for the project. In December 2010, the DED authorized an additional \$5.575 million in BRTCs to address subsurface conditions for the original and additional acreage and surface conditions on the additional acreage. The BRTCs of \$12.275 million funded about 93 percent of total cleanup costs.

In December 2013, the DNR issued a certificate of completion for 9 acres of the 53.6 acre site. Test results on the remaining acreage indicated remediation efforts had not reduced the contamination to acceptable levels and the DNR is requiring the environmental consultant to continue groundwater monitoring for at least one year. As of December 2013, the DED has issued approximately \$9.1 million in BRTCs. Issuance of the remaining credits is subject to the issuance of a DNR certificate of completion and a repayment agreement if the projected number of jobs are not created.

### Past decisions

In retrospect, a number of past decisions made several years ago by the DED and DNR appear questionable. While documentation to fully explain the analytic processes no longer exist, these decisions resulted in previous owners not being required to pay the majority of the cost to remediate environmental issues. Instead, the DED will issue \$12.275 million in BRTCs to fund the cleanup costs through the BRTC program, while the 2 of 3 responsible parties will pay a total of \$942,500. Questionable decisions include:

- Not taking legal action against the most recent owner that produced industrial coke.
- Not requiring the other 2 previous owners to fund more of the costs to remediate the site. One option available to the DNR was to request the EPA to enforce the cleanup under Superfund authority.

DED officials indicated former DED officials had discussed the adequacy of the financial commitments by the two companies and the failure to include the third company or its officials in the agreement. However, the former DED officials, in consultation with former DNR officials, determined seeking additional compensation from those parties would likely require legal action (with no certain outcome) resulting in several years delay to address the environmental concerns. DNR personnel indicated the third and most recent owner refused to engage in negotiations, had filed for bankruptcy, and was believed to have no resources that could be accessed to fund the remediation. However, according to media reports, the owner also owned several industrial coke plants in other states at the time.

### Other projects

The DNR also did not hold previous owners responsible for environmental damages caused. Of 15 projects reviewed, the DNR had identified 4 project



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sites that had some hazardous materials that were likely generated by former owners. These projects included (1) the sites of automotive repair shops previously operated by prominent national chains, (2) a former site of a major automotive manufacturer, (3) a former site of a regional brick manufacturer, and (4) a project site that had large quantities of asbestos containing materials that had been buried during prior demolition activities and other hazardous substances left untreated by former owners. The DNR has identified at least 10 other former manufactured gas plants that warrant a site investigation.

Section 260.375(29), RSMo, requires the DNR to clean up any hazardous wastes placed into or on the land in a manner that may endanger the health of humans or the environment, and to recover remediation costs from the person responsible for the waste. Section 447.700(3), RSMo, prohibits parties that intentionally or negligently caused the release or potential release of hazardous substances from receiving BRTCs. The DED did not authorize BRTCs to parties causing the environmental issues for any of the projects reviewed. The DED and the DNR should take all reasonable efforts to hold responsible parties accountable for environmental damages on BRTC projects.

## Recommendations

The DED:

- 2.1 Include clawback provisions for BRTC projects.

The General Assembly:

- 2.2 Evaluate and consider implementing an annual limit on the amount of BRTCs awarded.
- 2.3 Establish a sunset provision for the BRTC program.
- 2.4 Establish cost containment provisions regarding project costs claimed under multiple tax credit programs.

The DED and the DNR:

- 2.5 Ensure all reasonable efforts are made to hold responsible parties accountable for environmental damages on BRTC projects.

## Auditee's Response

*The DED and the DNR provided the following responses.*

- 2.1 *Section 447.708.4, RSMo, outlines a procedure for terminating and revoking tax credits awarded under the program. As recognized by the audit, DED has also required applicants to enter into repayment agreements that require repayment of the value of any tax credits*



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*issued upon a failure to perform. DED has also filed rules with the Secretary of State requiring mandatory repayment agreements for all Brownfield tax credit projects. See 4 CSR 85-10.030.*

- 2.5 *DNR will continue to work to hold responsible parties accountable for environmental damages as warranted while working with DED to assist in the remediation of contaminated properties in order to protect the environment and return such properties to productive reuse. As indicated in the audit, DED has not authorized tax credits to any parties causing environmental issues for any of the projects reviewed. A number of decisions regarding efforts by DNR to hold potentially responsible parties liable for contamination in the project primarily discussed in the audit were made during the 1990s. DNR will continue to insure the remediation of contaminated properties.*

## Brownfield Remediation Tax Credit Activity

The following table lists BRTCs authorized, issued, and redeemed for fiscal years 2003 through 2013.

Fiscal Year		Amount Authorized	Amount Issued	Amount Redeemed
2003	\$	18,770,621	15,600,763	5,669,489
2004		9,647,043	4,250,346	16,101,975
2005		15,515,319	14,808,297	10,627,870
2006		32,148,894	14,159,740	10,611,324
2007		32,737,068	33,012,124	16,710,519
2008		23,481,361	20,424,920	26,466,007
2009		10,527,923	22,121,637	29,194,784
2010		21,710,015	13,978,902	17,590,273
2011		5,734,035	18,410,524	11,432,109
2012		3,234,873	7,717,895	16,967,400
2013		11,913,711	9,851,350	6,378,613
<b>Totals</b>	<b>\$</b>	<b>185,420,863</b>	<b>174,336,498</b>	<b>167,750,363</b>

Source: Department of Economic Development annual reports on tax credits administered.

# Tax Credit Redemptions

The following table shows redeemed tax credits for fiscal years 2010 through 2013 for all state tax credit programs. We did not audit the information.

Program	Year Ended June 30,			
	2010	2011	2012	2013
Adoption (Special Needs)	\$ 1,894,187	1,346,454	1,036,226	744,155
Affordable Housing Assistance	11,647,956	4,880,797	5,629,466	7,406,988
Agricultural Product Utilization Contributor	114,674	466,048	1,468,156	1,267,239
Alternative Fuel Vehicle Refueling Property <sup>1</sup>	0	23,365	45,690	69,454
Bank Franchise	2,013,584	4,233,673	2,333,619	2,559,444
Bank Tax Credit for S Corporation Shareholders	1,823,612	2,787,708	5,523,276	4,533,837
Brownfield Jobs/Investment	1,650,222	1,620,384	1,660,626	68,693
Brownfield Remediation	17,590,273	11,432,109	16,967,400	6,378,613
Business Use Incentives for Large-Scale Development (BUILD)	8,306,413	10,976,914	6,591,948	8,212,533
Business Facility	2,883,729	5,682,965	4,867,041	4,572,711
Certified Capital Business <sup>2</sup>	495,459	586,135	411,014	590,235
Charcoal Producers <sup>1</sup>	14,642	521,380	59,595	0
Children in Crisis	420,857	587,137	629,456	792,368
Community Development Corporation <sup>2</sup>	5,915	22,703	224	231
Development	1,589,618	1,001,142	3,856,648	3,863,814
Developmental Disability Care Program	n/a	n/a	0	7,819
Disabled Access	12,526	26,273	24,791	14,603
Distressed Areas Land Assemblage	6,731,635	13,534,347	7,558,203	1,651,415
Domestic Violence	789,233	757,609	988,996	851,517
Dry Fire Hydrant <sup>1</sup>	2,634	7,715	3,124	0
Enhanced Enterprise Zone	2,916,392	4,000,689	7,324,093	6,451,698
Enterprise Zone	1,479,702	1,128,432	232,990	557,312
Examination Fees and Other Fees	5,227,134	4,974,981	4,926,191	5,886,105
Family Development Account	3,000	25,000	10,616	95
Family Farms Act	104,798	49,825	53,948	32,032
Film Production	1,925,158	1,563,218	4,839,217	56,665
Food Pantry	793,734	1,081,076	796,156	72,822
Health Care Access Fund	0	0	0	0
Historic Preservation	107,973,542	107,767,393	133,937,747	78,814,711
Homestead Preservation <sup>1</sup>	2,478,624	773,465	0	0
Life and Health Guarantee Association	0	3,260,829	3,306,409	5,664,124
Low Income Housing	142,141,458	143,055,387	164,208,547	144,082,976
Maternity Home	762,701	726,355	1,354,431	1,138,969
MDFB Bond Guarantee	0	0	0	0
MDFB Infrastructure Development	13,970,215	25,597,348	33,444,754	14,804,416



Appendix B  
Tax Credit Redemptions

Program	Year Ended June 30,			
	2010	2011	2012	2013
Missouri Automotive Manufacturing Jobs Act	n/a	0	0	0
Missouri Health Insurance Pool	7,896,391	10,931,565	14,318,218	16,874,865
Missouri Property and Casualty Guarantee Association	592,308	(53)	0	0
Missouri Quality Jobs	14,238,179	27,936,799	35,431,828	39,278,156
Neighborhood Assistance	10,065,993	8,513,472	9,757,095	7,392,113
Neighborhood Preservation	6,739,123	4,427,639	2,159,654	1,232,214
New Enterprise Creation <sup>2</sup>	77,098	11,499	25,000	0
New Generation Cooperative Incentive	3,287,882	1,984,424	826,953	2,100,091
New Jobs Training	3,228,601	3,175,559	4,090,193	3,081,261
New Market	0	1,199,285	15,385,989	12,934,464
Pregnancy Resource	1,198,394	1,103,384	1,892,183	1,194,477
Property Tax	118,594,589	114,886,668	117,603,638	113,962,551
Public Safety Officer Surviving Spouse	11,910	16,861	32,793	78,249
Qualified Beef	0	9,447	219,062	522,858
Rebuilding Communities	1,553,894	1,277,135	1,388,190	1,430,329
Qualified Research Expense <sup>1</sup>	890,135	n/a	n/a	n/a
Residential Dwelling Accessibility	23,040	20,086	6,501	10,258
Residential Treatment Agency	47,599	323,376	283,501	292,396
Retain Jobs	8,145,996	5,758,163	2,403,687	1,960,931
Self-Employed Health Insurance	652,850	1,428,143	1,847,045	1,811,060
Shared Care	159,222	44,152	70,004	41,645
Small Business Incubator	219,014	107,549	166,336	68,441
Small Business Investment (Capital) <sup>1</sup>	0	1,701	(19,395)	0
Transportation Development <sup>1</sup>	9,176	52,124	9,342	12,510
Wine and Grape Production	112,057	29,411	61,598	15,301
Wood Energy	1,546,453	3,818,378	2,282,401	3,563,209
Youth Opportunities	4,405,158	3,589,991	4,979,138	3,906,263
<b>Total</b>	<b>\$ 521,458,689</b>	<b>545,145,614</b>	<b>629,311,552</b>	<b>512,911,236</b>

n/a - Tax credit did not exist in this fiscal year.

<sup>1</sup> The tax credit has expired or has been repealed. Redemptions may be reported due to carry forward provisions.

<sup>2</sup> The tax credit program has met the cumulative program cap.

Source: Office of Administration, Department of Revenue, and tax credit administering agencies