



## **CHAPTER 353 TAX ABATEMENT REDEVELOPMENT INCENTIVE POLICY**

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### **Overview**

Chapter 353 tax abatement is an incentive allowed by Missouri law to encourage the redevelopment of blighted areas through the abatement of real property taxes and, where appropriate, the use of eminent domain. To be eligible for tax abatement, either the City or a private entity must form an Urban Redevelopment Corporation (URC) pursuant to the Urban Redevelopment Corporations Law (Chapter 353 of the Revised Statutes of Missouri).

Under Chapter 353, tax abatement on real property taxes is available for a period up to 25 years. During the first 10 years, the property is not subject to real property taxes except in the amount of real property taxes assessed on the land, exclusive of improvements, during the calendar year preceding the calendar year during which the URC acquired title to the real property. During the next 15 years, the real property may be assessed up to 50% of its true value. Under Chapter 353, tax abatement is not available for personal property taxes such as equipment or machinery. The length of time abatements shall be permitted will be outlined within the guidelines developed for each area or project designated.

Payments in lieu of taxes (PILOTS) may be imposed on the URC or private entity by contract with the city. PILOTS are paid on an annual basis to replace all or part of the real estate taxes, which are abated.

### **Statutory Requirements**

Tax abatement is only available to an URC pursuant to the Urban Redevelopment Corporations Law. In order to implement a Chapter 353 tax abatement district, the City may establish the Liberty Municipal Redevelopment Corporation or, if appropriate, the property owner may establish its own Urban Redevelopment Corporation; the articles of association will be prepared in accordance with the general corporation's law of Missouri and contain certain items set forth in the Law. One of these items is a declaration that the urban redevelopment corporation is organized for the purpose of clearance, re-planning, reconstruction or rehabilitation of blighted areas. Tax abatement is only extended to real property that has been found to be a "blighted area" by the city. Real property may be found to be blighted even though it contains improvements, which by themselves do not constitute blight. Tax abatement may also be extended to a tract of real property, which

by itself does not meet the definition of a blighted area if such tract is necessary to the redevelopment project and the area on a whole constitutes a blighted area.

### **Policy Guidelines**

In accordance with Missouri law, the City of Liberty will consider in its discretion the granting of Chapter 353 partial real property tax abatement within established boundaries approved by the City Council. In addition to this statutory requirement, each of the following criteria should be satisfied:

1. Show a clear demonstration of public purpose and economic benefit through the advancement of the City's economic development goals which include expanding the tax base, creating quality jobs, and spurring development in targeted City locations.
2. Demonstrate the project would not occur "but for" the incentives offered. The incentive should make a difference in determining the decision of the property owner to improve the property.
3. Include evidence that the property owner has the financial ability and capacity to complete the project.
4. Include a capital investment as outlined within the Abatement Guidelines of each Redevelopment Area established by the City Council.
5. Be compatible with the specific location and the surrounding area. The proposed use must be clean, nonpolluting and consistent with all development ordinances and codes. The applicant is responsible for conducting all necessary environmental audits and taking any and all remedial action necessary as required by the City or any other governmental entity.
6. The improvements included within the request for abatement shall be at least 50% exterior improvements so as to be visible to the public.
7. Payments in lieu of taxes (PILOTS) may be imposed by the City and paid by the property owner if deemed appropriate for the project. PILOTS are paid on an annual basis to replace all or part of the real estate taxes, which are abated. PILOTS shall be made to the County Collector by December 31<sup>st</sup> of each year. The City Clerk shall furnish the Collector with a copy of the agreement by which the PILOTS are imposed. The PILOTS must be allocated to each taxing district according to their proportionate share of ad valorem property taxes. 353.110.4, RSMo.
8. Comply with the statutory requirements set forth in Sections 353.010 – 353.150 RSMo.
9. Properties receiving tax abatement must be maintained in compliance with minimum standards, codes, and ordinances of the City.

10. Upon determination that the provisions within the development plan are not being satisfied (i.e. use, operate, maintain), the City may proceed with revocation of tax abatement.
11. Subject to the statutory requirements of Chapter 353, applications for Chapter 353 partial real property tax abatement may be approved where not all of the above criteria are met if the application clearly demonstrates that the project, as a whole, is of vital economic interest to the City. Because the approval of such partial real property tax abatement is granted within the discretion of the City Council, an application's satisfaction of the above criteria does not guarantee that City Council approval will be granted. Projects that produce other forms of additional revenue (e.g., an increase in City's sales tax revenue) may be considered for a longer tax abatement period upon City Council approval.

### **General Abatement Procedures**

Development Plan: Urban redevelopment corporations have the power to operate one or more redevelopment projects pursuant to a development plan which has been authorized by the City after holding a public hearing. The City may assist in the preparation of a development plan. The City must make a finding of blight regarding the area included within the development plan.

It is anticipated that each redevelopment area (district) may have several projects; the number, location and construction details of which cannot be predicted at this time. Each project shall prepare a project plan that will implement the development plan approved for the redevelopment area. Preparation of each project plan within a redevelopment district shall be the responsibility of the developer/property owner and require its own public hearing and is included as an amendment to the development plan. Each individual project within a larger district covered by a development plan need not make a blight finding each time a project is considered.

Tax Impact Analysis: The Missouri State Statute requires the governing body to hold a public hearing regarding any proposed development plan. Before the public hearing, the governing body must furnish to the political entities whose boundaries include any portion of the property to be affected by tax abatement notice of the scheduled public hearing and a written statement of the impact on ad valorem taxes such tax abatement will have on the taxing entities. When establishing a district with several properties, a tax impact analysis will be prepared at the time the specific project is considered by the City Council.

Development Performance Agreement: The development performance agreement, between the City, the property owner and the URC, describes the obligations to carry out the development plan. Among the provisions that are included in the redevelopment performance agreement are procedures for acquiring property, the tax abatement period, the schedule for construction, and procedures for the transfer of title to the property. The

agreement shall require that an annual report be submitted to the City by March 1 of each year the abatement is in place. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting and status of the project.

Abatement Program: Once a project has been approved, and the redevelopment corporation has taken title to real property, that real property shall not be subject to assessment or payment of general ad valorem taxes for a period of 10 years after the date upon which the corporation became owner of such property, except the amount of the assessed value of the land exclusive of improvements determined by the county assessor during the calendar year preceding the calendar year in which the corporation acquired title to the property.

The City may, as included within a project's Development Performance Agreement allow abatement for up to the next 15 year period of 50% of the actual assessed value on land and improvements. The City Council shall determine the length of time for this period of abatement based upon the amount of investment and adherence to the Policy Guidelines. A standard abatement period during this second period shall be from 1 to 5 years except as allowed within the Policy Guidelines above.

Application: Applications for the program will be accepted by the City staff on behalf of the URC. A (\$200) filing fee to the City is required with the final application to cover the cost of staff time for review and processing the application and any mailings and public notices. The applicant is required to first complete a Pre-qualification application and meet with staff to determine project eligibility. A final application may then be submitted to the Administration office for processing. A copy of both the Pre-qualification application and final application may be obtained on the City's website within the economic development section of the City's web page [www.ci.liberty.mo.us](http://www.ci.liberty.mo.us)