



## **Economic Development Incentives Policy**

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## POLICY INTRODUCTION

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The City of Liberty is dedicated to achieving the highest quality of development, infrastructure, and quality of life for its citizens. These goals are met, in part, through the enhancement and expansion of the local economy. Because of the inherent competition between localities for new businesses and jobs, the City recognizes that incentives are sometimes necessary to allow a community to reach its full economic potential.

The purpose of this policy is to establish standards and guidelines that will govern the granting of financial incentives to facilitate economic growth. These guidelines are predicated on the belief that the City has an interest in taking positive action to maximize its long-term financial capacity while responding to the service demands of both new and existing development without placing a disproportionate tax burden on homeowners.

The decision to grant incentives will be based on a “case by case” review of each incentive application and offered only upon a clear demonstration of substantial and significant public benefit. Accordingly, the Liberty City Council is under no obligation to approve any requested incentive and reserves the right to deviate from the policies and criteria contained herein under its sole discretion when deemed to be in the best interest of the City.

## TAX INCREMENT FINANCING

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### Overview

Tax Increment Financing (TIF) is a public funding mechanism to assist private development of an area within the City. TIF may only be used: 1) when there is evidence the development would not occur without public assistance; and 2) when the project area qualifies as a blighted, conservation, or economic development area.

TIF is a financial tool used to capture the increase in property taxes and sales taxes created from new construction. Up to 100% of the increase in property taxes and 50% of the increase in local sales taxes (the “increment”) can be captured within the TIF project area. The property tax and sales tax increment may then be used to reimburse a private developer for eligible expenses or to repay principal and interest on bonds used to finance the eligible expenses for up to 23 years.

### Statutory Requirements

By law, the City must determine that certain requirements have been met before approving a Tax Increment Financing Plan filed by the applicant. These requirements are set forth under Sections 99.805 to 99.865 of the Revised Statutes for the State of Missouri (RSMo).

### Policy Guidelines

In addition to meeting the statutory requirements referenced above, the City has established several criteria that will be applied in the review and evaluation of applications for TIF financing. In general, applications that meet *each* of the evaluation criteria will be viewed most favorably. However, TIF applications that do not meet some of these criteria may be approved if the application clearly demonstrates that the project, as a whole, is of vital economic interest to the City.

1. Demonstrates a substantial and significant public benefit by constructing public improvements that strengthen the economic and employment base of the City; and serves as a catalyst for further high quality development or redevelopment.
2. TIF assistance will be provided for improvements that create significant public benefit(s).
3. Expenses eligible for reimbursement under TIF include but are not limited to the following:
  - a. Studies, surveys, plans and specifications.
  - b. Professional services such as architectural, engineering, legal, marketing, financial, and planning.
  - c. Site preparation, including demolition of structures, clearing and grading of land.
  - d. Constructing public infrastructure such as streets, sewers, utilities, parking, and lighting.
  - e. Financing costs including bond issuance.
  - f. Relocation costs if persons or businesses within the redevelopment area are displaced.

4. Applications which include TIF assistance for land acquisition and residential development will be discouraged unless creatively integrated into a large scale mixed-use project.
5. TIF applications requesting the issuance of bonds or notes shall be required to demonstrate that the payments-in-lieu of taxes and/or economic activity taxes expected to be generated will be sufficient to provide debt service coverage of at least 1.25 times the projected debt service on any tax increment financing bonds or notes.
6. TIF assistance to the project should generally not exceed 35 percent of total project costs. However, project assistance above 35% may be considered in circumstances where the developer:  
1) has a proven track record in completing successful projects comparable in scope and scale; 2) documents the developer's financial capacity to complete the proposed project; and 3) demonstrates that tenant commitments are already in place for a significant portion of the proposed project.
7. Applications that include the utilization of a Community Improvement District (CID), Neighborhood Improvement District (NID), Transportation Development District (TDD) or other private or public financing mechanisms that result in reducing the term of the TIF project will be viewed more favorably.
8. Evidence the applicant has thoroughly explored alternative financing methods and has a track record which demonstrates the financial and technical ability to complete the project.
9. Generally, TIF applications which encompass a project area of less than 10 acres will be discouraged.

### **City Application/Approval Process**

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. An application may then be submitted to the Administration Department, Attn: Economic & Business Development Manager for review and processing. A copy of the formal application may be obtained through the Administration Department or online within the Economic Development web page. The applicant may be required to enter into a funding agreement with the City to cover the City's expenses associated with the TIF consideration and approval process.

Following a public hearing before the City's TIF Commission and approval of the TIF Plan by the City Council, the City and the applicant shall enter into a redevelopment agreement for the purpose of governing the implementation of the TIF Plan.

## CHAPTER 100 INDUSTRIAL REVENUE BONDS

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### Overview

Sections 100.010 to 100.200 of the Revised Statutes of Missouri (“Chapter 100”) authorize municipalities, counties, towns and villages to issue Industrial Development Bonds, which are revenue bonds used to finance industrial development projects for private corporations, partnerships or individual companies. Under Chapter 100, the City issues revenue bonds to finance real and/or personal property for eligible development projects. Eligible projects include warehouses, distribution facilities, research and development facilities, office industries and manufacturing plants; and may apply to the financing of land, buildings, fixtures, and machinery.

Under this type of financing, the company passes title in the real or personal property involved to the City pursuant to a lease-purchase agreement. The lease-purchase agreement will provide that the City will issue the revenue bonds in the amount necessary to finance the purchase, new construction, or expansion contemplated for the project. Under the lease-purchase agreement, the City will retain ownership of the real and/or personal property and lease it back to the company. The rent charged to/paid by the company will be an amount sufficient to pay the principal and interest on the bonds as they come due. Most commonly, the bonds are purchased by the company. The lease-purchase agreement will also provide for the company to resume or assume ownership of the real and/or personal property once the bonds have been paid off.

Because title to the property is held in the name of the City during the lease term, the property acquired with the bond proceeds is tax exempt, which effectively results in tax abatement for the company. Under the City’s program, the company will be required to make payments in lieu of taxes (PILOTs) for a portion of the taxes it would have otherwise been required to pay. This is described in more detail in the Abatement Guidelines section below. In addition to property tax abatement, the company also benefits from a sales tax exemption for construction materials and/or equipment for the project.

### Statutory Requirements

According to Missouri law, the city must approve a “plan for industrial development” pursuant to Section 100.050 of the Revised Statutes for the State of Missouri (RSMo).

### Policy Guidelines

In addition to complying with the statutory requirements referenced above, the City has established several criteria that will be used to review and evaluate applications for Chapter 100 financing and tax abatement. Each of the following 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 new job opportunities and expanding the tax base from targeted industrial areas.

2. Demonstrate the project would not occur “but for” the incentives offered. The incentive should make a difference in determining the decision of the business to locate, expand or remain in the City; and would not otherwise occur without the availability of the abatement.
3. Demonstrate that the applicant has a sound financial base and has the capacity to complete the project. The City’s Financial Advisor shall make recommendations to the City as to an applicant’s financial stability.
4. Not result in the City, County, Liberty School District or any other taxing jurisdiction affected by the incentive receiving less total real and personal property tax revenue from the property than was received prior to the granting of tax abatement.
5. Comply with the City’s Comprehensive Plan and be appropriately zoned.
6. Be environmentally 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.
7. Comply with statutory requirements set forth in Sections 100.010 to 100.200 RSMo.

Applications that do not meet all of these criteria may be approved if the application clearly demonstrates that the project, as a whole, is of vital economic interest to the City.

### **Abatement Guidelines**

The City may issue Industrial Development Bonds in conjunction with other economic development tools in order to meet some or all of the objectives previously mentioned in this policy.

#### **A. Standard Abatement**

1. Up to 50% property tax abatement for ten (10) years for projects that invest at least \$6,000,000 or more for a new business or at least \$3,000,000 or more for expansion of an existing business.

#### **B. Enhanced Abatement**

1. Up to 75% property tax abatement for ten (10) years for businesses that invest at least \$6,000,000 or more for a new business or at least \$3,000,000 or more for expansion of an existing business and:
  - a. At least 50 new<sup>1</sup> full-time employees<sup>2</sup> will be hired as a result of the business.
  - b. The average wage of all full-time employees<sup>2</sup> exceeds the County average wage as published by the Missouri Department of Economic Development (DED)<sup>3</sup>.

2. As an additional enhancement, businesses that achieve any of the following standards may receive an additional bonus abatement for each satisfied standard (no business shall exceed 90% abatement):
  - a. For every 30 new<sup>1</sup> full-time employees<sup>2</sup> hired above the initial 50 to qualify for the enhanced abatement, a business may receive an additional 1% (not to exceed 10%).
  - b. For every 5% of full-time employees<sup>3</sup> that are paid above double the average County wage as published by the Missouri Department of Economic Development (DED)<sup>3</sup> may receive an additional 1% (not to exceed 10%).
  - c. A business that is located within a business park that is planned as a Green Park<sup>4</sup> may receive an additional 5%.
  - d. The particular building is LEED certified or is designed with a high attention to architectural detail and is comprised of high quality building materials may receive an additional 5%.

C. Science & Technology/Office Abatement

1. Up to 100% property tax abatement for ten (10) years for businesses that invest at least \$6,000,000 or more for a new business or at least \$3,000,000 or more for expansion of an existing business and:
  - a. The business must be a science, research technology, or engineering based business that is related to agricultural, biological, life sciences, informational technology, or engineering research.

or

The project must be a Class A<sup>5</sup> office building of at least three or more stories.
  - b. The business and/or project must be located within science and technology designated priority areas.
  - c. At least 30 new<sup>1</sup> full-time employees<sup>2</sup> to Liberty will be hired as a result of the business or project.
  - d. The average wage of all full-time employees<sup>2</sup> exceeds the County average wage as published by Missouri Department of Economic Development (DED)<sup>3</sup>.

The portion of property taxes not abated pursuant to this program shall be paid to the City as PILOT's for distribution to the appropriate taxing jurisdiction(s). The level of enhanced abatement may increase or decrease annually based upon the satisfaction of the standards identified in Section B of this policy.



## City Application/Approval Process

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. An application may then be submitted to the Planning Department for review and processing.

If the project meets the policy guidelines outlined above, the company will be invited to submit a “plan for industrial development” as outlined under Section 100.050 RSMo. The “plan for industrial development” will then be considered for formal approval by the Liberty City Council.

Following approval of the “plan for industrial development”, the City and the applicant shall enter into a Chapter 100 lease-purchase agreement which will govern the terms of the abatement. The agreement shall require that an annual report be submitted to the City by March 1 of each year. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting of the project, including certification on the number of employees (newly added during that period and existing) and associated wages.

The authority and decision to issue Industrial Revenue Bonds and grant tax abatements is vested solely with the Liberty City Council. This policy is intended to establish standards and guidelines to the City Council in considering both the Industrial Revenue Bonds and/or tax abatement applications. The decision to issue Industrial Revenue Bonds and/or tax abatements is discretionary and shall be considered on a case-by-case basis. The City Council is under no obligation to approve any requested bond issuance and/or tax abatement and reserves the right to deviate from the policies and criteria contained herein if, in the opinion of the Liberty City Council, circumstances exist to warrant such deviation, as long as any deviation does not conflict with state law. Property owners, applicants and others are cautioned not to rely upon receipt of abatement until all steps for granting an exemption have been approved.

<sup>1</sup> Newly created job; new hire

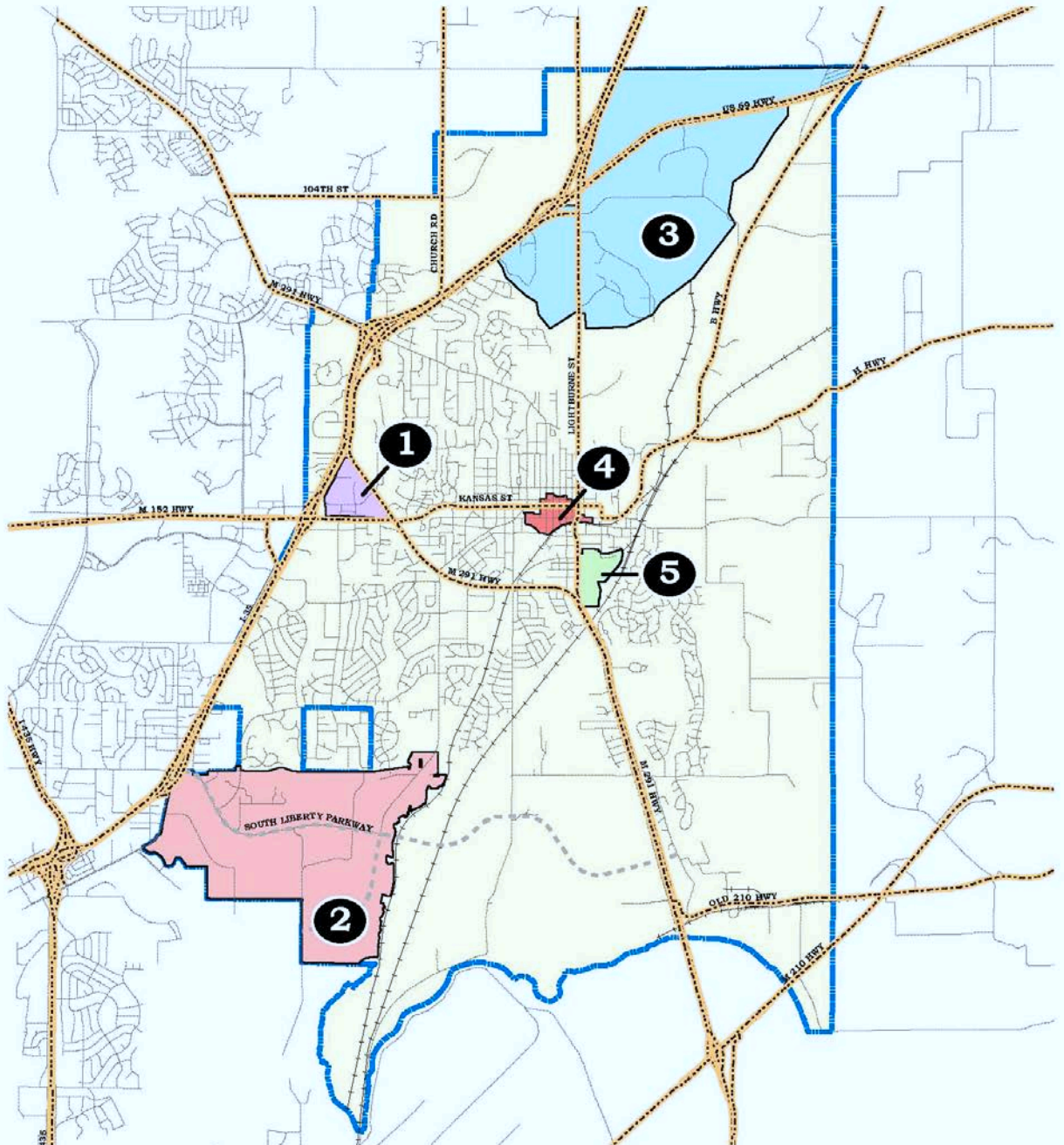
<sup>2</sup> An employee of the company that is scheduled to work an average of at least 35 hours per week for a 12-month period.

<sup>3</sup> Average county wages are based on Census of Employment and Wages, Missouri Economic Research and Information Center (MERIC). Updates to be made annually.

<sup>4</sup> Green Park – A larger area rather than a single building that is designed with environment and renewable energy in mind. This could include wind turbines and solar power going back into a business park, use of bioswales, stormwater in basins/ponds used to irrigate common areas, use of native landscaping, use of recyclable building materials and preservation of habitat corridors.

<sup>5</sup> Class A office buildings generally attract high quality tenants, are in an excellent location and have good access and use high quality building materials (cost usually greater than \$150 per sq ft).

## APPENDIX A: Target Development Sites



- |                                    |                                |                |
|------------------------------------|--------------------------------|----------------|
| (1) Liberty Triangle               | (3) Hallmark Property          | (5) Guys Plant |
| (2) South Liberty Roadway Corridor | (4) Downtown Business District |                |

Map Document ID: 074041 - Liberty Economic Development Committee

## **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)

## **NEIGHBORHOOD IMPROVEMENT DISTRICTS**

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### **Overview**

A Neighborhood Improvement District (NID) is a type of special purpose district which is formed to finance public improvements, including acquisition, construction, engineering, legal and related costs. General obligation bonds are issued by the municipality and retired through special assessments against property owners in the area in which the improvements are made. The cost of the public improvements assessed against property owners in the district are apportioned in a manner commensurate to the amount of benefit received from such improvements.

The creation of a NID may be established by one of two methods. The first is by a favorable vote of qualified voters living within the boundaries of the proposed district. The second is through a proper petition signed by at least two-thirds of the owners of record of all real property within the proposed district. In both instances, approval by the City Council is required in order to establish the NID.

### **Statutory Requirements**

By law, the City must determine that certain requirements have been met before approving the establishment of a Neighborhood Improvement District (NID). These requirements are set forth under Sections 67.453 to 67.475 of the Revised Statutes for the State of Missouri (RSMo).

### **Policy Guidelines**

The City of Liberty is prepared to approve petitions for Neighborhood Improvement Districts (NID) to facilitate business activity and economic development within Liberty. Because the municipality issues general obligation bonds backed by the full faith and credit of the City, decisions to approve the establishment of a NID will be determined on a case-by-case basis and approved only where there is a clear demonstration of substantial and significant public benefit. At a minimum, all statutory requirements must be met.

### **City Application/Approval Process**

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. Once deemed eligible, the property owner(s) may file a petition or submit a written request for an election to be held pursuant to RSMo 67.453 - 67.475. The petition or request for an election should be submitted to the City Clerk. Petitions that comply with the statutory requirements will be forwarded to the City Council for consideration. Under certain conditions a cooperative agreement may be required to establish the terms of the relationship between the City and the NID board.

## COMMUNITY IMPROVEMENT DISTRICTS

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### Overview

A Community Improvement District (CID) is a special purpose district in which property owners voluntarily tax themselves to fund a broad range of public improvements and/or services to support business activity and economic development within specified boundaries. Created by an ordinance of the City Council, establishment of the CID would be considered upon receipt of a petition, signed by owners of real property, representing more than 50 percent of the assessed valuation within the proposed CID boundary and over 50 percent per capita of all owners of real property.

A CID may be established either as a separate political subdivision that is distinct from the municipality or as a not-for-profit corporation. If the CID is organized as a political subdivision, the District can impose a sales tax up to 1% on most retail sales and/or a real property tax. If the CID is organized as a non-profit corporation, it may only impose special assessments to finance the cost of improvements and services. The District, if desired, may issue tax-exempt revenue bonds to finance capital improvement projects for up to 20 years. Responsibility for repayment of the bonds lies solely with the District. As such, the City does not pledge its full faith and credit behind the repayment of the bonds. In terms of governance, a board of businesses, property owners, and voters either elected or appointed by the City Council would oversee District activities. If the District is funded solely through special assessments, a nonprofit agency could serve as the administrator. Although the CID is established with the approval of City Council, once formed the District operates independently in accordance with the provisions set forth in the petition and Missouri State Law.

### Statutory Requirements

By law, the City must determine that certain requirements have been met before approving the establishment of a Community Improvement District. These requirements are set forth under Sections 67.1401 - 67.1571 of the Revised Statutes for the State of Missouri (RSMo).

### Policy Guidelines

The City of Liberty is prepared to approve petitions for Community Improvement Districts (CID) to facilitate business activity and economic development within Liberty provided the petition meets the statutory requirements referenced above.

### City Application/Approval Process

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. Once deemed eligible, the property owner(s) may file a petition pursuant to RSMo 67.1401 - 67.1571 to the office of the City Clerk. Upon receipt of the petition, the City Clerk shall determine whether the petition substantially complies with statutory requirements. Following confirmation that the petition complies with these requirements, a public hearing will be held by the City Council. The City Council would then consider whether to approve an ordinance to establish the CID.



Once established, the applicant will either seek to impose a sales tax and/or a property tax within the district or assign a special assessment within the district in accordance with the procedures and provisions set forth in the state statutes. Following the approval of the tax or assessment, the City and the CID board shall enter into a cooperative agreement for the purpose of establishing the terms of the relationship between the City and the board.

## **TRANSPORTATION DEVELOPMENT DISTRICTS**

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### **Overview**

Transportation Development Districts (TDD) are independent political subdivisions organized to levy taxes or assessments to pay for the construction of roads, bridges, interchanges, intersections, parking facilities or other transportation related improvements. TDDs are approved and organized by order of the circuit court. Property owners may petition for the creation of a district as large as several counties or as small as a single parcel of property. As long as the TDD is proposed to construct transportation related improvements, any property is eligible to be included in a TDD.

TDDs may generate revenues through sales taxes (up to 1%); ad valorem taxes on real and personal property (up to ten cents per \$100 assessed valuation); special assessments; or tolls. The TDD is authorized to issue bonds on its own behalf, utilizing these captured taxes and assessments to pay debt service on bonds issued to construct transportation projects. Either MoDOT or the City are required to sponsor the project(s) and must agree to accept a completed project for maintenance. When the bonds are paid off, the TDD is terminated.

### **Statutory Requirements**

By law, the City must determine that certain requirements have been met before approving the establishment of a TDD. These requirements are set forth under Sections 238.200 – 238.275 of the Revised Statutes for the State of Missouri (RSMo).

### **Policy Guidelines**

The City may pass a resolution endorsing (or opposing) a project prior to the time of the circuit court review of the petition filed to establish the TDD. Although the City may also provide support through guarantees of debt or design/contracting assistance, the City will only assume this responsibility in circumstances where a project creates a substantial public benefit by advancing the City's goals.

### **City Application/Approval Process**

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. Once deemed eligible, the property owner(s) may file a petition to the circuit court and the office of the City Clerk. Upon receipt of the petition, the City shall determine whether the request substantially complies with statutory requirements and City policy and will then forward the matter to the City Council. The City Council will then consider a resolution of support in favor of the TDD. Once established and approved by the circuit court, the City and the TDD board shall enter into a cooperative agreement for the purpose of establishing the terms of the relationship between the City and the board.

## MISSOURI DOWNTOWN ECONOMIC STIMULUS ACT

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### Overview

The Missouri Downtown Economic Stimulus Act (MODESA) is a program administered by the State of Missouri to create jobs and facilitate the redevelopment of downtown areas. Under the program, a portion of the new state and local taxes created by a project may be diverted to fund eligible public infrastructure and related costs for a period up to 25 years. The local match must be, at a minimum, 50% of the amount of the new local sales tax and 100% of the amount of the new real property tax created by the project each year. The state contribution is up to 50% of the increased amount of state sales tax generated by the project or up to 50% of the estimated state income tax withholdings from new employees associated with the project.

Bonds issued to finance the project are typically initially purchased by the developer, and later sold to the public once the increment has stabilized. The bonds are not a general obligation of the City. The developer may be reimbursed for the up-front financing of approved MODESA project costs.

Eligible areas include “central business districts” in which at least 50 percent of the buildings are 35 years or older. The Act does permit the use of eminent domain to acquire property for eligible projects.

### Statutory Requirements

The Missouri Downtown Economic Stimulus Act is authorized under Sections 99.915 – 99.980 of the Revised Statutes for the State of Missouri (RSMo).

### Policy Guidelines

In addition to meeting the statutory requirements referenced above, the City will review applications to determine whether the project demonstrates a substantial and significant public benefit by strengthening the economic and employment base of the City while also serving as a catalyst for further high quality development or redevelopment. In addition, such applications should generally follow the guidelines established in the City’s TIF policy.

### “MODESA-Lite”

“MODESA-Lite” is an incentive program available through the Missouri Department of Economic Development (DED) that is very similar to MODESA in terms of form and function, with the following exceptions:

1. Limited to communities with a population less than 200,000.
2. Maximum project size is \$500,000 for communities with a population between 10,000 and 49,000.
3. Only sales taxes are a source of funds not property taxes.
4. There are fewer procedural requirements and is administratively less complex.

The City’s review process for “MODESA-Lite” is the same as for MODESA.

### **City Application/Approval Process**

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. The applicant may be required to enter into a funding agreement with the City to cover the City's expenses associated with the TIF consideration and approval process.

A redevelopment plan for the project is then reviewed in a public hearing by the City's Downtown Economic Stimulus Authority and then the City Council. Following approval of the redevelopment plan by the City Council, the City would submit an application to the Missouri Department of Economic Development (DED) for consideration. DED will forward a recommendation to the Missouri Development Finance Board (MDFB). If a project is approved for funding by the MDFB, the DED will issue a Certificate of Approval outlining the terms of the financing.

Following the MDFB's approval of the project, the City and the applicant shall enter into a redevelopment agreement for the purpose of governing the implementation of plan.

## SALES TAX REIMBURSEMENT AGREEMENTS

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### Overview

Sales Tax Reimbursement agreements are a funding mechanism allowed by Missouri law that may be used to achieve a public benefit through funding public infrastructure. Under such an agreement, municipalities have the ability to annually appropriate the increase in sales taxes created by new private capital investment to offset a portion of their project investment costs. The sales tax increment must be used for a public purpose, primarily through the funding of public improvements. Under such an agreement, a portion of City sales taxes captured from the *increased sales* generated by the project would be reimbursed to the company for eligible expenses.

### Statutory Requirements

Under Section 70.220 of the Revised Statutes of the State of Missouri (RSMo), municipalities are authorized to contract and cooperate with private firms or corporations for the planning, development, construction, acquisition or operation of public improvements.

### Policy Guidelines

The City of Liberty is prepared to approve sales tax reimbursement agreements that would result in the stabilization of a strategically important under-utilized retail center or which would facilitate the adaptive re-use of historic properties. In addition, the following criteria should be satisfied:

1. Demonstration that the project would prevent a significant loss in existing sales tax revenue or make a significant contribution to the overall health and well-being of the local economy.
2. Show a clear demonstration of public purpose and economic benefit through the advancement of the City's economic development goals, which include the retention and expansion of the tax base and job retention and creation.
3. Demonstrate that the project would not occur "but for" the incentives offered. The incentive should make a difference in determining the decision of the business to expand or remain in the City and would not otherwise occur without the availability of the sales tax reimbursement.
4. Include evidence provided by the company that demonstrates the firm's financial stability and capacity to complete the project.
5. Not result in the City or any other taxing jurisdiction affected by the incentive receiving less total sales tax revenue from the property than was received prior to the granting of the sales tax reimbursement.
6. The term of the reimbursement should not extend beyond 10 years from approval.

### **City Application/Approval Process**

The applicant is required to first meet with Administration staff in a pre-qualification conference to determine project eligibility. A written proposal of the project may then be submitted to the Economic & Business Development Manager for review and processing.

Upon consent from the City Council, the City and the applicant would enter into a performance agreement. The agreement shall require that an annual report be submitted to the City by March 1 of each year. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting of project. The agreement may include a claw-back provision requiring specified performance on issues such as new jobs created as a condition for granting and maintaining the abatement.