

City of Lake Saint Louis

**Economic Development Incentive
Policy**



Table of Contents

	Page #
Policy Introduction	3
Chapter 353 Urban Redevelopment Corporation	4
Chapter 100 Industrial Development Bonds	5
Tax Increment Financing (TIF)	6
Transportation Development District (TDD)	7
Community Improvement District (CID)	8
Neighborhood Improvement District (NID)	9

Introduction

The City of Lake Saint Louis seeks to expand and promote the local economy by encouraging economic development. The City understands that due to a variety of factors, at times economic development incentives are utilized by municipalities in order to attract or retain businesses to their communities. This policy serves as an overview of tools that are available to the City for use in economic development under the right circumstances.

In general, the City is receptive to using incentives for projects that will provide clear benefit to the community, such as through job creation, wage growth, or tax base expansion. All projects will be considered upon their individual merits. While the City will consider the use of any policy listed herein, there is no set criteria for when these incentives will be utilized – analysis of a project and the appropriateness of incentives will be done on a case by case basis. In addition, the list of incentives listed herein is subject to change based upon state or federal legislation.

The City will also consider other types of incentives not listed herein, such as sales tax rebates or real estate tax abatements if the proper circumstances are present. It is important to note that the City does not currently have a personal property tax, and as such that cannot be abated.

Parties interested in learning more about these incentives or their potential use within the City are encourage to contact the City's economic development department at 636-625-1200.

Lake Saint Louis is an attractive location for businesses. Located along I-70; I-64 and MO 364, the City is easily accessible to metropolitan St. Louis. The City's job base is rapidly expanding. Approximately 4,200 jobs were located in Lake Saint Louis in 2013 (using latest available Census data), a solid increase of about 2,500 jobs from 2002. The highways help the City "attract" some 3,900 outsiders into the City for jobs each day.

Job growth by sector is broad. The largest single job sector in the City is retail including restaurants. Other sectors are also growing rapidly.

<i>Sector</i>	<i>Rate of Growth Since 2002</i>
Retail	76%
Manufacturing	82%
Health Care	41%
Wholesale Trade	59%
Government	52%

Chapter 353 Tax Abatement

Background

Enacted in 1947, the Urban Redevelopment Corporation Law is the earliest vehicle providing tax abatement assistance to private corporations involved in urban redevelopment. Chapter 353 tax abatement is available to any city within the state and provides for the creation of a specialized corporation to acquire, construct, maintain, and operate redevelopment projects. The Urban Redevelopment Corporation's ("URC") conditions of organization are set forth in §353.030.

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. In order to establish an URC, articles of association must be prepared in accordance with the general corporations law of Missouri.

Under Chapter 353, tax abatement on real property taxes is available for a period up to 25 years. For the first 10 years, the statute provides for 100% abatement on the increased assessed value of the improvements on the property (excluding land). For the next 15 years, Chapter 353 allows for 50% abatement on the actual assessed value of the property (land and improvements). Payments in lieu of taxes may be required by the City to reduce the amount of the abatement authorized by statute and to ensure no loss of existing property tax revenues by taxing jurisdictions such as the City and school district. Tax abatement is not available for personal property taxes on equipment or machinery.

Chapter 100 Industrial Revenue Bonds

Background

Sections 100.010 to 100.200 of the Missouri Revised Statutes provide a method of financing industrial and commercial development projects for private companies through the issuance of industrial development bonds (“IDBs”). The Act permits any city, county, town, or village to issue IDBs to finance the costs of warehouses, distribution facilities, industrial plants, and “office industries,” which include national and regional headquarters. In connection with such projects, the bond proceeds may be used to finance land, buildings, fixtures, and machinery. IDBs issued under the Act could be used to finance the acquisition of land and construction and equipping of a new facility for major commercial enterprises.

Overview

Missouri law authorizes municipalities, counties, towns and villages to issue Industrial Revenue Bonds to finance industrial development projects for private corporations, partnerships or individual companies. Under Chapter 100, the city issues bonds to finance real and/or personal property for eligible development projects. Eligible projects include warehouses, distribution facilities, research and development facilities, office industries, agricultural processing facilities, service facilities (which provide interstate commerce), and manufacturing plants.

Upon the issuance of Chapter 100 bonds, the municipality may provide tax abatement on the bond financed property over the term of the bonds. Under this arrangement, the city retains ownership of the real and/or personal property and leases it back to the company under a lease-purchase agreement. Through the lease agreement, the company is responsible for making payments that are sufficient to pay the principal and interest on the bonds as they come due. Most commonly, the bonds are purchased by the company. 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. The company then assumes ownership at the end of the term of the bonds. In addition to property tax abatement, the company may also benefit from a sales tax exemption for construction materials and/or equipment for the project, if applicable.

Tax Increment Financing (TIF)

Background

Tax increment financing (“TIF”) is a redevelopment tool used by local governments to underwrite redevelopment project costs that would otherwise make a redevelopment project economically unfeasible. TIF has its roots in urban renewal—it began in California in the late 1970s in reaction to cuts in federal funds available for community and economic development. Now nearly 40 states, including Missouri, have adopted some form of TIF.

Overview

Missouri’s Real Property Tax Increment Allocation Redevelopment Act, §§ 99.800-99.865, RSMo (the “TIF Act”) is typical of most TIF statutes. It enables cities to finance certain redevelopment costs with the revenue generated from (i) payments in lieu of real estate taxes, as measured by the net increase in assessed valuation resulting from redevelopment and (ii) a portion of the increase in other local tax revenue associated with new economic activity. Tax increment financing is a “pay-for-itself” and “pay-as-you-go” redevelopment tool. It is premised on the theory that by agreeing to underwrite certain redevelopment project costs, a local government can attract new private development in a redevelopment area, which will in turn generate the new tax revenues used to retire notes or bonds issued to pay for the redevelopment project costs.

When a TIF plan is adopted, real estate taxes in the redevelopment area are frozen at their current level. By applying the real estate tax rate of all taxing districts having taxing power within the redevelopment area to the increased assessed valuation resulting from redevelopment, a tax “increment” is produced. The real estate tax increments are referred to as payments in lieu of taxes, or “PILOTs,” and are deposited in a special allocation fund. In addition to PILOTs, fifty percent of certain local taxes generated by new economic activities in the redevelopment area, such as sales taxes and taxes on utility gross receipts (economic activity taxes, or “EATs”), are deposited in the special allocation fund. The revenue from PILOTs and EATs in the special allocation fund is then used to directly pay for project costs or to retire obligations issued to pay project costs.

Transportation Development District (TDD)

Background

The Missouri Transportation Development District Act (the “TDD Act”) became effective on May 30, 1990. See §§ 238.200-.275, RSMo. The TDD Act provides for the formation of a transportation development district (a “District”) to fund, promote, plan, design, construct, improve, maintain, and operate one or more projects or to assist in such activity. A District is a separate political subdivision of the state. Pursuant to the TDD Act, the term “*project*” includes any bridge, street, road, highway, access road, interchange, intersection, signing, signalization, parking lot, bus stop, station, garage, terminal, hangar, shelter, rest area, dock, wharf, lake or river port, airport, railroad, light rail, or other mass transit and any similar or related improvement or infrastructure.

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 is 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.

Community Improvement District (CID)

Background

Established by the Community Improvement District Act, Sections 67.1401-67.1571, RsMO, a CID is either a political subdivision, with the power to impose special assessments and real property taxes, or a nonprofit corporation, with the power to impose special assessments, to pay for public improvements.

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 Board of Aldermen, 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 within the proposed CID boundary.

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, special assessments 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 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 directors consisting of business owners, property owners, and voters either elected or appointed by the Mayor with the consent of the Board of Aldermen would oversee District activities. Although the CID is established by ordinance of the Board of Aldermen, once formed the District operates independently in accordance with the provisions set forth in the petition and Missouri State Law.

Neighborhood Improvement District (NID)

Background

Authorized by the Neighborhood Improvement District Act in 1991, a Neighborhood Improvement District (NID) is a geographically bounded area within which certain public improvements are financed by the local government through the issuance of notes or general obligation bonds, which are in turn retired by assessing the property owners in the district on some equitable basis. See § 67.453(6), RSMo.

Overview

A Neighborhood Improvement District (NID) is formed to finance public improvements, including acquisition, construction, engineering, legal and related costs. In most cases, 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.

Unlike community improvement districts and transportation development districts, a NID is not a separate legal entity; rather, it is an area of the city within which improvements are constructed and assessments are levied to pay for those improvements.