



# **Economic Development Incentive Policy**

**Guide to Economic Development Financing Tools**

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August 2019



**RESOLUTION**

**A RESOLUTION ADOPTING AN ECONOMIC DEVELOPMENT INCENTIVE POLICY FOR THE CITY OF HOLLISTER.**

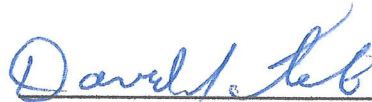
WHEREAS, the City of Hollister has identified the need for an economic development incentive policy; and

WHEREAS, The City desires to make the aforesaid policy generally available, for use by interested parties; and

NOW, THEREFOR BE IT RESOLVED BY THE BOARD OF ALDERMEN OF THE CITY OF HOLLISTER, MISSOURI AS FOLLOWS:

Section 1: The Mayor and the Board of Aldermen of the City of Hollister, Missouri hereby adopt the "Economic Development Incentive Policy": Guide to Economic Development Financing Tools; publish under separate cover; date August 2019

**THIS RESOLUTION READ, PASSED AND TRULY AGREED TO ON THE 1<sup>ST</sup> DAY OF AUGUST, 2019.**



**David G. Tate, Mayor**

**ATTEST:**



**Bridget Epps, City Clerk**



**ECONOMIC DEVELOPMENT INCENTIVE POLICY**

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## **Introduction**

The City of Hollister works in cooperation with the Taney County Business Development Partnership, the Hollister Regional Economic Partnership and the State of Missouri to create an environment that encourages and promotes development for the betterment of the community.

The following information summarizes various financing and economic development programs, including the City's implementation policies for each. Potential funding options for these programs can be divided into several categories and these broad categories are briefly summarized below.

The City of Hollister offers incentives in the following four broad categories:

**Special Taxing Districts:** Pursuant to State law, the City may establish or approve the establishment of special districts that can impose special assessments and/or taxes in order to pay for public improvements or to eliminate blight. These districts require the cooperation of a majority of the property owners in the district. Typical taxing districts include Neighborhood Improvement Districts (NID), Community Improvement Districts (CID) and Transportation Development Districts (TDD).

**Property Tax Abatement:** Tax abatement is offered through a variety of programs geared to job creation, private investment, and redevelopment. Typically, the development continues to pay taxes on land and improvements based on their value prior to the new investment. All or a portion of the incremental increase in property taxes is abated for a set period of time. This incentive is sometimes referred to as Chapter 99 (Land Clearance for Redevelopment Authority), Chapter 100 (Industrial Development Bonds), or Chapter 353 (Urban Redevelopment Corporation).

**Redirection of the Incremental Increase in Taxes:** The development pays all taxes owed and a portion or all of the incremental increase in taxes resulting from development are captured and redirected to pay redevelopment project costs. Taxing jurisdictions continue to receive the taxes based on the pre-development value. This incentive is known as Tax Increment Financing (TIF). A TIF may also capture new taxes imposed after the TIF is approved. As an alternative to the TIF program the City of Hollister offers a Developers Agreement which provides for an individual project agreement that includes the applicable aspects of other programs and is able to forgo unnecessary or undesirable requirements embodied in other program statutes.

## **General Policies:**

1. It is the policy of the City of Hollister to consider the judicious use of incentives for projects which demonstrate a substantial and significant public benefit by constructing public improvements in support of developments that will, by creating new jobs and retaining existing employment; eliminate blight, strengthen the employment and economic base of the City, increase property values and tax revenues, reduce poverty, create economic stability, upgrade older neighborhoods, facilitate self-sufficiency, and implement the City's Comprehensive Plan and economic development strategy.
2. Developers are strongly encouraged to discuss their projects with staff prior to filing any applications for incentives.
3. The City encourages developers to meet with taxing jurisdictions that will be affected by the incentive.
4. All discretionary incentives will be subject to a "but for" test. There must be a finding by the City Council that the project would not occur, or would only occur at a significantly smaller scale, or will not be financially feasible or stable, or that public benefit will not occur if the incentive is not provided. Discretionary incentives will only be granted to those projects that would not otherwise occur if incentives were not provided, unless the City Council finds there to be an overriding public benefit or a reduction in costs that would otherwise be paid by the City.
5. Discretionary incentives will be granted only at the level necessary to make the project financially feasible.
6. The City will consider additional incentives for projects that create or retain quality jobs that pay wages equal to or higher than the Taney County average wage and offer competitive benefits.
8. The City's "annual appropriation", or General Fund, guarantee will not be pledged for economic development projects.
9. Taxes will not be reduced below the base year, as established by the individual redevelopment plans, after an incentive is approved.
10. The City will not waive City permit or development fees.
11. All projects receiving incentives must be consistent with the City's Comprehensive Plan and must comply with all applicable City zoning and building codes.
12. Since each project is unique, every proposal will be evaluated under the City's Policies on its individual merit and overall contribution to the local economy and the City's goals.
13. The City shall require periodic reporting evidencing compliance with the requirements of the program and measuring the economic benefit to the City and the region.



## **Preliminary Funding Agreement**

Some projects requesting incentives are fairly straight-forward and can be handled by existing staff and within current work programs. Larger projects, particularly those that request establishment of a Tax Increment Financing District or use multiple financing tools, require substantial staff commitment and usually necessitate engaging outside consultants. The City does not have a source of funds to pay for costs incurred for additional legal, financial and other consultants or for out-of-pocket expenses and other costs resulting from services to research, analyze and plan for the most appropriate mix of funding sources. In those cases, the City will require that the applicant enter into a Preliminary Funding Agreement.

## **State of Missouri Economic Development Incentives**

The State of Missouri offers economic development incentives including programs directed at job creation projects and downtown development. The City works closely with the State of Missouri to coordinate the economic development incentives administered by the Department of Economic Development.



# Section I

# Special Taxing Districts

Economic Development Incentive Policy

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CITY OF  
**HOLLISTER**  
MISSOURI



## **Community Improvement District “CID”**

A Community Improvement District (CID) is a non-profit corporation or a separate political subdivision of the state that may be created for the purpose of issuing bonds, levying taxes, and applying special assessments to finance public improvements, public services, and blight removal within a defined area.

**Authorization:** Sections 67.1401 to 67.1571 RSMo.

**Eligible Activities:** Public improvements and services and blight removal may be financed by a CID. The improvements or services must be located or provided within the district boundaries. Eligible public improvements and services include, but are not limited to the following:

### **Improvements**

- Parks
- Convention centers
- Parking lots
- Sidewalks
- Streets
- Bridges
- Storm water facilities
- Sanitary Sewer
- Facility operation

### **Services**

- Economic, planning, marketing or other studies
- Waste collection/disposal
- Recreational and cultural activities
- Special events
- Cleaning and maintenance of public and private property
- Security

**Blight Removal:** CIDs may pay for the costs of demolishing, renovating, and rehabilitating structures (either public or private) that are located within blighted areas.

**Financing:** The following sources of revenue may be utilized by CIDs organized as either political subdivisions or nonprofit corporations:

- Special Assessments: if approved by owners collectively owning more than 50% of the assessed value, and by more than 50% per capita of property owners in the district
- Fees and rents for district property or services
- Grants, gifts, or donations

The following sources of revenue are available only to CIDs organized as political subdivisions:

- Property Tax; may be imposed if approved by majority vote of qualified voters in the district
  - Sales Tax; may be imposed in one-eighth of one percent increments up to a maximum of one percent if approved by majority vote of qualified voters in the district
- Qualified voters are defined as registered voters living in the district or, if there are no registered voters, the property owners within the district.

Bonds; Community Improvement Districts may issue bonds, notes, and other obligations. Such obligations shall mature within 20 years of the date they are issued.

**Approval Process:** A Community Improvement District is created by petition of the property owners. The petition must contain the signatures of property owners collectively owning more than 50% of the assessed value of real property, and more than 50% per capita of all owners of real property within the district. The petition must also contain the following elements:

1. A 5-year plan that describes the purposes of the proposed district, the proposed public improvements and services, and the estimated costs of those improvements and services
2. Information on the type of district being proposed and its governance. CIDs may be organized either as a separate political subdivision of the state or as a nonprofit corporation (this affects how the district may fund improvements and select its board of directors)
3. The maximum rates of property taxes and special assessments, if any, that may be imposed
4. A statement concerning whether a sales tax will be sought
5. A statement Of limitations on the borrowing capacity and revenues of the district
6. The period of time the CID will exist.

State law provides specific direction concerning the elements that must be contained in the petition. State law also provides specific direction concerning the time period for certification of the petition by the City Clerk and for notice to property owners and the public. After giving proper notice, City Council shall hold a public hearing. Following the public hearing, City Council may adopt an ordinance establishing the district. The process for creating a Community Improvement District is relatively short, usually taking no longer than two months.

**Board of Directors:**

1. Political Subdivision; The petition specifies whether the Board of Directors will be elected by qualified voters or appointed by City Council. The Board of Directors shall consist of at least 5 but not more than 30 members. Each director must either be a registered voter or an owner or authorized representative of a business or property in the district.
2. Nonprofit Corporation; Directors are elected in accordance with Chapter 353 RSMo.

**Community Improvement District Policies:**

1. The City of Hollister will consider the establishment of Community Improvement Districts to finance public improvements and/or public services that will directly benefit the property owners, business owners, customers, and residents of the district.
2. Community Improvement Districts formed for the purpose of financing public improvements will terminate when the public improvement expense has been reimbursed.
3. Perpetual CIDs are discouraged.

4. The developer and/or CID will be responsible for paying for the district public improvements and seeking reimbursement through district revenues. The City will not typically provide upfront financing.
5. CIDs established to provide additional funding to expedite retiring Tax Increment Financing (TIF) districts are encouraged, especially when non-captured CID revenues are pledged to assist the payment of TIF obligations that CID eligible.
6. The developer and CID will enter into a cooperative agreement with the City of Hollister detailing the eligible CID projects and reimbursement schedule.
7. The CID petition must contain a provision that terminates the district after six (6) months if a cooperative agreement acceptable to the City and the district has not been executed.
8. To ensure consistency and ease of administration, developers will use the City's preferred petition and cooperative agreement forms.
9. The CID will comply with all applicable open meetings and open records laws.

**Transportation Development District “TDD”**

A Transportation Development District (TDD) is a separate political subdivision of the state that may be created for the purpose of issuing bonds, levying taxes, and applying special assessments or tolls to finance transportation-related improvements. A TDD may finance transportation improvements outside of its boundaries so long as the improvements directly benefit the TDD.

**Authorization:** Sections 238.200 through 238.275 RSMo.

**Eligible Activities:** Transportation Development Districts may be utilized to fund, promote, plan, design, construct, improve, maintain, and operate transportation-related projects. Eligible projects include but are not limited to the following:

- |                 |                 |                                       |
|-----------------|-----------------|---------------------------------------|
| • Bridges       | • Signalization | • Docks                               |
| • Roads         | • Parking lots  | • Airport                             |
| • Highways      | • Bus stops     | • Railroad                            |
| • Interchanges  | • Terminals     | • Mass transit                        |
| • Intersections | • Hangars       | • Any similar or related              |
| • Signing       | • Rest areas    | improvement or infrastructure project |

**Eminent Domain:** If approved by the Missouri Highways and Transportation Commission, the District may use the power of eminent domain to acquire land for District projects.

**Financing:**

1. Sales Tax - may be imposed in increments of one-eighth of one percent (1/8%) up to a maximum of one percent (1%) upon approval of a majority of qualified voters in the district.

2. Property Tax - may be levied with the approval of at least 4/7 of the qualified voters within the district and may impose a property tax not to exceed the annual rate of \$0.10/\$100.00 assessed.
3. Special Assessments - may be imposed for improvements that specifically benefit properties within the district. Majority voter approval is required. More than one special assessment may be imposed within the district.
4. Bonds, notes, and other obligations - May be issued to finance the transportation-related improvements. Term cannot exceed 40 years.

Qualified voters are defined as registered voters living in the district or, if there are no registered voters, the property owners within the district.

**Approval Process:** Transportation Development Districts may be created by a petition filed with the Circuit Court of the county in which the district is located. The petition shall consist of at least fifty registered voters within the proposed district or all owners of real property within the district if there are no registered voters in the district boundaries. A Transportation Development District petition may also be filed by the governing body of a city, or by two or more local transportation authorities (i.e., cities) by adoption of resolutions calling for the joint establishment of a district and then filing a petition with the Circuit Court requesting the creation of a district. The Circuit Court shall hear the case and determine whether the petition is defective, or the district is illegal or unconstitutional, or constitutes an undue burden on any property owner or is unjust and unreasonable. If the court determines the petition is valid, it may enter judgment declaring the district formed.

**Board of Directors:** Because a Transportation Development District is a separate political subdivision of the state, it has its own board of directors that serves as its governing body. Directors are elected by qualified voters within the district if it was created by petition of registered voters, property owners or the governing body of a city. If created by petition of two or more local transportation authorities, the board of directors consists of the presiding officers of the local transportation authorities and a second representative of each local transportation authority.

**Transportation Development District Policies:** The City of Hollister answers the TDD petition in court and can effectively block a TDD by refusing to enter into a contract with the TDD. The following policies apply to those TDDs where the City participates in the TDD establishment by virtue of the financed project(s) being City initiated or the TDD is part of a larger public/private partnership.

1. The City will consider supporting the establishment of Transportation Development Districts to finance public improvements and/or public services that will directly benefit the property owners, business owners, customers, and residents of the district.



2. Transportation Development Districts formed for the purpose of financing public improvements will terminate when the public improvement expense has been reimbursed unless the TDD is also intended to fund ongoing maintenance.
3. The developer and/or TDD will be responsible for paying for the district public improvements and seeking reimbursement through district revenues. The City will not typically provide upfront financing.
4. The developer and TDD will enter into a cooperative agreement with the City of Hollister detailing the eligible TDD projects, financing arrangements and reimbursement schedule.
5. The TDD will comply with all applicable open meetings and open records laws.

**Neighborhood Improvement District “NID”**

Neighborhood Improvement Districts (NIDs) are designed to finance public improvements that will benefit the district through assessments on properties within the district.

**Authorization:** Article II, Section 38(c) of the Missouri Constitution and Sections 67.453 through 67.475 RSMo.

**Eligible Activities:**

Only public improvements or facilities may be financed by a Neighborhood Improvement District (NID). Such improvements must benefit property located within the district. However, the improvement may be located outside the district if the improvement benefits the property in the district. Eligible improvements include but are not limited to the following:

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Property acquisition</li> <li>• Streets</li> <li>• Gutters</li> <li>• Sidewalks</li> <li>• Water, gas, and utility mains</li> <li>• Street lights</li> <li>• Parks and playgrounds</li> </ul> | <ul style="list-style-type: none"> <li>• Storm water facilities</li> <li>• Sanitary sewer</li> <li>• Off-street parking</li> <li>• Engineering and legal fees associated with public improvement projects</li> <li>• Maintenance of the project during the term of the bonds or notes</li> </ul> |
|--|--|

**Financing:**

1. Bonds: Project improvements may be financed with general obligation bonds issued by the City. Maximum bond term is 20 years.
2. Special Assessments: The bonds are repaid by special assessments placed on the properties within the district. Property owners may make a one-time lump sum payment before assessments are imposed.

NIDs established after August 28, 2004 must include provisions for maintenance of the project during the term of the bonds or notes. Section 67.469 RSMo. provides that the special assessment shall constitute a lien on the property.

### **Approval Process:**

Unlike Community Improvement Districts and Transportation Development Districts, Neighborhood Improvement Districts are not separate political subdivisions. NIDs can be established in one of two ways. The City Council may adopt a resolution calling for an election of voters within the proposed district. The election to establish the NID must pass by at least a 4/7 majority of district voters. Alternatively, a petition signed by at least 2/3 of property owners by area of all real property within the proposed district may be submitted for City Council consideration. Under both methods, the petition or the resolution calling for an election must identify the project name, proposed improvements, district boundaries, method of assessment, and other information required by law. Following the election or petition, the City will prepare plans for the proposed improvements and a preliminary assessment roll. After a public hearing and adoption of the resolution creating the NID, Council will order the improvements constructed, and assess the property owners within the district the cost of the project after construction is completed.

### **Neighborhood Improvement District Policies:**

1. Petitions requesting establishment of a NID must be signed by owners of at least 2/3 by area of all real property in the proposed district.
2. The sale of bonds authorized for an approved NID shall be determined by the City. All costs normally associated with the sale of bonds shall be considered project costs and shall be reimbursed through the special assessments.
3. If development is to occur before bond sale, NID petitioners must provide a written commitment from an acceptable lending institution to finance the NID improvements for the district on an interim basis.
4. The property in the district liable for the special assessment must have a value sufficient to service the debt. Value may be determined using the Taney County Assessor's data or an appraisal prepared by an appraiser acceptable to the City.
5. NID petitions must indicate the intent of each petitioner to dedicate without cost right-of-way and easements needed to carry out the NID projects.
6. Each petitioner must certify that he does not have a financial interest in an existing development that has delinquent special assessments or taxes.
7. NID petitioners will be financially responsible for any project cost overruns in excess of the maximum bonding amount authorized by City Council.

8. NID petitioners will be financially responsible for any costs involved in the preparation of preliminary plans regardless of the outcome of the district formation.

9. NID petitioners must provide an acceptable market analysis and feasibility study to establish economic viability of the project and the rate of development that can be supported.

10. For developer-initiated NIDs, the developer shall indemnify the City against any nonpayment of assessments.

11. The City retains the right to place a lien on properties for nonpayment of special assessments.



# Section II

# Property Tax Abatement

Economic Development Incentive Policy

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*City of*  
**HOLLISTER**  
*Missouri*



## **Industrial Development Bonds "Chapter 100"**

Industrial Development Bonds issued pursuant to Chapter 100 RSMo. may be used to provide real and personal property tax exemption and to provide sales tax exemption on qualified purchases.

**Authorization:** Article VI, Sections 27 and 27(b), Missouri Constitution; Sections 100.010 to 100.200 RSMo.

**Eligible Activities:** Industrial development bonds may be issued to finance the land, buildings, fixtures, and machinery for warehouses, distribution facilities, research and development facilities, office industries, service industries engaged in interstate commerce, industrial plants, and a wide variety of commercial development.

### **Program Benefits:**

- **Real Property Tax Abatement:** The property is owned by the City during the bond term and thus is exempt from taxes. A payment in lieu of taxes (PILOT) agreement may be required to modify the level of abatement.
- **Personal Property Tax Abatement:** Chapter 100 may also be used to purchase machinery and fixtures. As with the real property, the City owns the equipment during the bond term.
- A PILOT agreement may be required to modify the level of abatement.
- **Sales Tax Exemption:** Equipment purchases may be structured such that the City's sales tax exemption is used.
- **Bonds:** Chapter 100 bonds may be tax-exempt, which makes it possible to issue the bonds at a lower interest rate compared to conventional financing.

### **Approval Process:**

1. Chapter 100 RSMo. allows local governments to issue bonds to finance development projects, including certain types of commercial development for private corporations, partnerships, and individuals. Upon issuance of the bonds, the company transfers ownership of the development site and/or equipment to the local government. The bond proceeds are then used to fund the construction of the development project. The company buys the bonds and repays them over a set time period. Once the bonds are completely repaid, the local government conveys title of the site and/or equipment back to the company.

2. City Council must hold a public hearing prior to approving Chapter 100 bonds and must notify all taxing jurisdictions of the public hearing.

## **Industrial Development Bond Policies:**

1. Real property tax exemption through Chapter 100 RSMo. may be considered for projects that meet the following criteria:

a. For existing businesses, the total new investment in real property must be a minimum of \$5 Million and the business must create or retain a minimum of 100 jobs with an average wage equal or greater than the Taney County average wage.

b. For new businesses, the total new investment in real property must be a minimum of \$5 Million OR the business must create a minimum of 100 jobs with an average wage equal or greater than the Taney County average wage within two (2) years.

c. The job creation/retention component may be waived or modified for projects where the City Council finds there to be an overriding public benefit.

d. Property tax exemption will typically mirror the abatement level granted through the Enhanced Enterprise Zone program (Sections 135.950 through 135.973, RSMo.). The exemption will be granted at a rate of 50% on improvements for 10 years. The City will require the company to make payments in lieu of taxes to all taxing jurisdictions in an amount equal to the "unabated" property taxes. These PILOTS will be distributed in accordance with local levies.

e. Property taxes will not be reduced below the amount of tax on land and improvements paid in the year preceding the application for Chapter 100 exemption.

f. The company will be required to annually report employment numbers to the City. Tax exemption shall be terminated effective the last day of the calendar year in the event the company reduces its labor force by more than 25% from the preceding year or by more than 50% from the date of the first year of the abatement.

2. Personal property tax exemption through Chapter 100 RSMo. may be considered for projects that meet the following criteria:

a. For existing businesses the total personal property to be acquired and installed must have a cost of at least \$5 Million and the business must create or retain a minimum of 100 jobs with an average wage equal or greater than the Taney County average wage.

b. For new businesses, the total personal property to be acquired and installed must have a cost of \$5 Million OR the company must create a minimum of 100 new jobs with an average wage equal or greater than the Taney County average wage within two (2) years.

c. The exemption will typically be granted at a rate of 50% on new personal property for 10 years. The City will require the company to make payments in lieu of taxes to all



taxing jurisdictions in an amount equal to 50% of the exempted personal property taxes. These PILOTS will be distributed in accordance with local levies.

d. Replacement of equipment financed under a previous Hollister Chapter 100 Bond issuance is not eligible.

e. The company will be required to annually report employment numbers to the City. Tax exemption shall be terminated effective the last day of the calendar year in the event the company reduces its labor force by more than 25% from the preceding year or by more than 50% from the date of the first year of the abatement.

3. The City will not extend its sales tax exemption for purchases unless City Council finds there to be an extraordinary public benefit or the savings from such exemption will be used to reduce the City's cost in connection with a project.

4. All projects will be subject to the following:

a. The City may consider an increased exemption level in those cases where the jobs created or retained pay 150% or more of the Taney County average wage.

b. The beneficiary will be responsible for all costs relating to issuing the bonds and obtaining the exemption.

c. PILOTS are due by December 31 of each year. Failure to pay PILOTS will result in termination of the tax exemption.

d. The beneficiary will be required to submit annual compliance reports. Failure to comply with the terms of the PILOT and lease agreements will result in a loss or reduction in the exemption.

### **Urban Redevelopment Corporations "Chapter 353"**

The purpose of the Urban Redevelopment Corporations Law is to encourage the redevelopment of blighted areas through property tax abatement.

**Authorization:** Chapter 353 RSMo.

**Eligible Activities:** Within an approved redevelopment area, an Urban Redevelopment Corporation may undertake the following types of activities:

- Land acquisition
- Land disposition
- Building construction and rehabilitation
- Blight removal activities

**Eminent Domain:** An Urban Redevelopment Corporation operating pursuant to a redevelopment agreement with a municipality for a particular redevelopment area may exercise the power of eminent domain provided the agreement was executed prior to December 31, 2006.

**Blight:** The statute defines "blighted area" as "that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration have become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes."

**Program Benefits:**

**Property Tax Abatement:**

1. Under this program, real property taxes can be abated for a period up to 25 years. During the first 10 years of tax abatement, 100% of the incremental increase in property taxes for the land and the improvements are abated. The property owner continues to pay property taxes during this period based on the assessed value of the land only (exclusive of improvements) during the year preceding the Urban Redevelopment Corporation obtaining title of the property. During the last 15 years of tax abatement, 50% of real property taxes on the land and improvements may be abated. The City has the authorization to provide up to 100% abatement in the 15 year period; however, most Chapter 353 projects in Hollister receive 50% abatement.
2. Payments in lieu of taxes (PILOTS) may be imposed on the Urban Redevelopment Corporation by contract with the City. They are paid on an annual basis to offset a portion of the taxes that are abated. The City of Hollister typically imposes PILOTS during the initial 10 year abatement period to offset any loss of tax revenue on existing improvements that has been abated.

**Procedures for Obtaining Tax Abatement:** Pursuant to Chapter 353 RSMo., real property tax abatement may only be offered within blighted areas. In order to obtain tax abatement, an Urban Redevelopment Corporation must be created in accordance with the general corporations laws of Missouri and obtain title to the blighted property. In addition, the Urban Redevelopment Corporation must prepare a Blight Report, Tax Impact Statement and a Development Plan. The Blight Study is reviewed by the Land Clearance for Redevelopment Authority which makes a recommendation to City Council regarding blight. The Development Plan is reviewed by the Planning and Zoning Commission for consistency with the Comprehensive Plan. All documents, including a City-prepared Redevelopment Agreement, are then forwarded to the City Council which conducts a public hearing, followed by adoption of an ordinance declaring the redevelopment area blighted, approving the Development Plan and Redevelopment Agreement and authorizing real property tax abatement.

**Blight Report:** This document must be sufficient to prove blight pursuant to Section 353.020(2) RSMo.

**Tax Impact Statement:** This is a written statement of the impact on ad valorem taxes the proposed tax abatement will have on the taxing jurisdictions. At a minimum, the statement must include an estimate of the amount of ad valorem tax revenues of each jurisdiction that will be affected by the abatement.

**Development Plan:** This document identifies the proposed redevelopment area, the redevelopment projects, the program to be implemented in order to remove blighting influences, and the estimated project costs.

**Redevelopment Agreement:** This document outlines the Urban Redevelopment Corporation's obligations for implementing the Development Plan. It typically includes the following:

- Procedures for acquiring property;
- Payments in lieu of taxes (PILOTS);
- The period for which the tax abatement will be provided;
- The time period in which the Urban Redevelopment Corporation will operate; and
- Procedures for the corporation to transfer title to property in the redevelopment area.

After the abatement period starts, the property may be transferred from the Redevelopment Corporation to a development entity and the tax abatement will continue provided the developer complies with the contractual obligations on an ongoing basis.

**Urban Redevelopment Corporation Policies:** Real property tax abatement through Chapter 353 RSMo. may be considered for projects that meet the following criteria:

1. Proposed blight studies must be reviewed by the Land Clearance for Redevelopment Authority for their recommendation regarding blight.
2. Proposed development plans must be reviewed by the Planning and Zoning Commission and found to be consistent with the City of Hollister Comprehensive Plan.
3. Designation of redevelopment areas and adoption of development plans will be limited to urban core areas where blighting factors are most severe.
4. Property tax abatement will typically be granted at a rate of 100% on improvements and on the incremental increase in land value for 10 years and 50% on land and improvements for the next 15 years.
5. Property taxes will not be reduced below the amount of tax on land and improvements paid in the year preceding the application for Chapter 353 abatement. During years 1 - 10, the City will require annual payments in lieu of taxes (PILOTS) equal to the property taxes paid for improvements during the year preceding when the corporation obtained title to the property within the redevelopment area.
6. Proposals for development plans and property tax abatement pursuant to Chapter 353 RSMo. will be strongly discouraged in approved Tax Increment Financing districts because tax

abatement conflicts with the intent of the TIF statute to capture the incremental increase of taxes to fund TIF improvements.

7. Applicants for property tax abatement will be required to enter into a redevelopment agreement with the City of Hollister, covenanting that the property will continue to be used in a manner consistent with the redevelopment plan throughout the abatement period or the abatement will be subject to termination.

### **Enhanced Enterprise Zone**

The Enhanced Enterprise Zone (EEZ) program encourages business development and job creation by granting property tax abatement and state tax credits to business enterprises that locate or expand within designated enhanced enterprise zones. Zone boundaries are established in conjunction with the Missouri Department of Economic Development and are based on areas of low income and high unemployment, the potential to create sustainable jobs in a targeted industry and the impact on local industry cluster development. Enhanced Enterprise Zone encompasses all of the Hollister and the surrounding unincorporated portions of Taney County.

**Authorization:** Sections 135.950 through 135.973 RSMo.  
City of Hollister Ordinance 12-27 and Ordinance 12-28

### **Eligible Activities:**

1. Businesses that operate within the following business clusters are eligible for EEZ incentives provided they are located within an Enhanced Enterprise Zone and make improvements to their property.

#### **By NAICS Codes:**

- 21: Mining, Quarrying, and Oil and Gas Extraction
- 22: Utilities
- 23: Construction
- 31-33: Manufacturing
- 42: Wholesale Trade
- 48-49: Transportation and Warehousing
- 51: Information
- 52: Finance and Insurance
- 53: Real Estate and Rental and Leasing
- 54: Professional, Scientific, and Technical Services
- 55: Enterprise Management
- 56: Administrative and Support and Waste Management and Remediation Services (with the exclusion of NAICS 562112-Hazardous Waste Collection, 562119-Other Waste Collection, 562211-Hazardous Waste Treatment, 562212-Solid Waste Landfill, 562213-Solid Waste Combustor and Incinerators and 562219-Other Nonhazardous Waste Treatment and Disposal)
- 62: Health Care and Social Assistance

- 71: Arts, Entertainment and Recreation (with the exclusion of NAICS group 7132-Gambling Establishments)
- 72: Accommodation and Food Services (with the exclusion of NAICS subsector 722-Food and Drinking Places)
- 81: Other Services (with the exclusion of NAICS group 8131-Religious Organizations)

2. Value-added agricultural products, by Section 345.950(7)(b)RSMo., headquarters or administrative offices of an otherwise excluded business may qualify for benefits if the offices serve a multistate territory. In the event a national, state, or regional headquarters operation is not the predominant activity of a project facility, the new jobs and investments of such headquarters operation is considered eligible for benefits under this section if the other requirements are satisfied. Service industries may be eligible only if a majority of its annual revenues will be derived from out-of-state.

**Program Benefits:**

1. Property Tax Abatement: Qualified businesses locating in the Enhanced Enterprise Zone are entitled to receive local real property tax abatement on 50% of the new investment (excluding land and personal property) for a period of ten (10) years.

2. State Tax Credits: State tax credits can be applied to income taxes, excluding withholding taxes, as defined in Chapter 143 RSMo. The tax credits are refundable, and may also be transferred, sold, or assigned. Tax credits are disbursed by the Missouri Department of Economic Development at its discretion based on economic benefit to the state, the number of new jobs, wages, the amount of capital investment, and the availability of state funds. In order to qualify for state tax credits, a business must meet the qualification requirements for property tax abatement and create, on an average annual basis, at least two new jobs and \$100,000 of new investment.

**Approval Process:**

1. Property Tax Abatement: The Director of the Taney County Business Development Partnership is designated as the Enhanced Enterprise Zone (EEZ) Administrator. Upon application by a business, the EEZ Administrator certifies to the County Assessor that the business is physically located in the Zone and is an eligible industry to receive abatement.

2. State Tax Credits: The Taney County Business Development Partnership works with individual businesses to obtain tax credit proposals from the State Department of Economic Development. Tax credits are awarded when the company fulfills the obligations of the proposal.

**Enhanced Enterprise Zone Policies:**

1. Businesses that locate or expand within a designated enhanced enterprise zone and qualify as one of Hollister's targeted industries are entitled to 50% abatement on improvements for 10 years.

2. Businesses must apply for Enhanced Enterprise Zone abatement prior to the County Assessor assessing the improvements and certifying the improvements to the County Collector.
3. Property taxes will not be reduced below the amount of tax on land and improvements paid in the year preceding the certification for Enhanced Enterprise Zone abatement.

## Section III

# Increment Financing

Economic Development Incentive Policy

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## **Developer Agreement**

The City of Hollister negotiates Developer Agreements to provide necessary public improvements in conjunction with new development. Traditionally these agreements are used to finance public improvements for which there is already a need but no public funds available to finance.

**Authorization:** Hollister City Code Section 140.380:A1;

**Eligible Activities:** Eligible types of reimbursements include, but are not limited to, the following:

- Preliminary Funding Agreement
- Professional services
- Plans and specifications
- Site preparation
- Public improvements

**Program Benefits:** Typically, Developer Agreements involve either sales tax reimbursement or developer participation. These agreements are customized to the particular public improvement need.

### 1. Sales Tax Reimbursement:

a. City participation in this type of Developer Agreement is predicated on creation of new sales tax revenue. The developer pays for the eligible expenses and is reimbursed through new sales tax revenues generated by the development. The City typically uses 50% of the 1% general sales tax for reimbursement.

b. In certain cases the project qualifies for reimbursement as “tourist related infrastructure”. The developer pays for the eligible expenses and is reimbursed through new sales tax revenues generated by the development. In these specific projects the City typically uses 50% of the 5% Tourism Tax for reimbursement.

2. **Developer Participation:** In this type of agreement the developer provides partial or total funding to expedite an unfunded public improvement that will benefit their development.

**Approval Process:** A Developer Agreement is a contract between the City and a private developer and must be approved by City Council. The terms of the contract are negotiated between City staff and the developer.

## **Developer Agreement Policies:**

1. Developer Agreements will be used for qualifying improvements only.

2. Sales tax reimbursement contracts will typically use 50% of the City's sales taxes stated in paragraph 1.a. and 1.b. above, to reimburse the developer for the qualifying expenses. Dedicated taxes, such as the capital improvements and transportation sales taxes, will not typically be utilized in the sales tax reimbursement.

3. City reimbursement to the developer will typically occur over a five (5) to ten (10) year period and will be explicitly defined in the Developer Agreement. Outstanding developer expenditures not reimbursed at the end of the Agreement term will be the developer's responsibility.

4. When considering a Developer Participation Agreement, the City will evaluate the project on the merits of available matching funds (if necessary), compatibility with the current work program, and whether the project addresses an immediate or emerging public need.

### **Tax Increment Financing (TIF)**

Tax Increment Financing (TIF) provides for the redirection of the incremental increase in sales and property tax revenue resulting from a redevelopment project to be used for approved project-related costs, infrastructure and capital improvements.

**Authorization:** Sections 99.800 through 99.865 RSMo.; Hollister City Code Section 115.010

**Eligible Activities:** Tax Increment Financing may be used to reimburse the following types of redevelopment project costs:

- Professional services
- Plans and specifications
- Land acquisition and site preparation
- Public improvements
- Private improvements, provided the TIF District has been declared blighted

**Eminent Domain:** If granted the power by City Council, the TIF Commission may use eminent domain in a TIF area to obtain property for use by a private developer implementing a project approved in the TIF plan.

**Program Benefits:** The following revenue sources are transferred to a special allocation fund that is administered by the City and used to finance project costs.

1. Payments in Lieu of Taxes (PILOTS): The tax increment produced as a result of increased assessed property values over the base level. The Statute authorizes the redirection of 100% of the incremental increase in property taxes to the TIF special allocation fund. Taxing jurisdictions will continue to receive taxes based on the property values prior to the redevelopment.

2. Economic Activity Taxes (EATS): The Statute authorizes the redirection of 50% of the incremental increase in taxes generated by economic activities within the project, such as new sales, earnings, profits, utility and food and beverage taxes.

3. Bonds: The TIF Commission may also issue obligations to pay for Redevelopment Project Costs and pledge the funds in the special allocation fund to retire the obligations. Maximum bond term is 23 years.

### **Tax Increment Financing Commission:**

The Statute requires that a TIF Commission be established by City Council. The Commission must include two members appointed by the County Commission; two members appointed by the School District; one member appointed by the "other taxing districts" that levy taxes within the proposed TIF District; and 6 members appointed by the Mayor and confirmed by the City Council.

**Concept of Tax Increment Financing:** TIF is based on the premise that there will be an increase in the value of real property, new jobs and other economic activity within the redevelopment area as redevelopment occurs. As the property is improved, the assessed value of real property in the redevelopment area increases above the base level. By applying property taxes to the increase in the assessed value of the property over the base level, a tax increment is produced. These tax increments, also referred to as "payments in lieu of taxes" or PILOTS, are transferred to a special allocation fund that is administered by the City. The City and County also transfers 50% of all incremental sales tax revenues to this fund. The money collected in the special allocation fund is then used to pay directly for the redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

### **Approval Process:**

1. Projects using Tax Increment Financing must have a redevelopment plan approved by City Council after a recommendation from the Tax Increment Financing Commission. A key element of the TIF Plan is to document that the area would not be developed unless the incentive is implemented. Section 99.810.1(1) RSMo. requires this "but for" provision. Once approved, the redevelopment project may utilize Tax Increment Financing for up to 23 years.

2. The redevelopment plan designates the redevelopment area, describes the redevelopment project, and sets forth a comprehensive program for redevelopment. The redevelopment area must contain property classified as the following or any combination thereof:

- Blighted Areas - areas which retard the provision of housing accommodations or constitute an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use, due to specific conditions;
- Conservation Areas - areas in the City in which 50% or more of the structures have an age of 35 years or more and may become blighted because of certain specific conditions, or;

- Economic Development Areas - areas that do not meet the requirements for a "Blighted Area" or "Conservation Area", and in which the Council indicates that redevelopment is in the public interest because it will discourage economic development activities from moving to another state; or result in increased employment; or result in preservation or enhancement of the tax base of the City.

3. Notices must be provided to taxing jurisdictions, to property owners and the general public prior to adoption of the redevelopment plan and Tax Increment Financing. The TIF Commission and the City Council must conduct a public hearing prior to adoption.

**Tax Increment Finance Policies:**

1. Each TIF application must demonstrate that the applicant has thoroughly explored the use of alternative financing methods.
2. TIF applicants must demonstrate that they have the financial ability to complete and operate the project.
3. The use of TIF will be considered for those projects which demonstrate a substantial and significant public benefit by constructing public improvements in support of developments that will create new jobs and retain existing employment, eliminate blight, and/or strengthen the employment and economic base of the City.
4. Most favorable consideration will be given to TIF plans that propose no more than 20% of total project costs (including all hard and soft costs and developer fees) be reimbursed with TIF revenues.
5. Any developer receiving TIF assistance shall provide a minimum of fifteen percent (15%) cash equity investment in the project. TIF revenue and land values shall not be used to supplant cash equity. Projects with equity contributions from the developer in excess of 25% will be viewed more favorably.
6. TIF applications for retail and commercial projects will be considered for projects that encourage an inflow of customers from outside the City or will provide services or fill retail markets that are currently unavailable or in short supply in the City. Additional consideration will be given to projects in excess of \$15 Million or the development of vacant property in areas where the project will be the initial development or will serve as a catalyst for further quality development.
7. TIF projects which are constructed in phases are viewed with greater skepticism. TIF projects that propose a reasonable and certain end date for construction and occupancy and demonstrate clearly and convincingly how those goals will be achieved will be viewed positively. Projects with commitments by tenants by lease or other legally binding contracts will be viewed with greater favor.

8. The term of the TIF shall be the minimum necessary, with shorter terms receiving more favorable consideration than those extending the maximum 23 years.
9. Most favorable considerations will be given to TIF projects that provide immediate benefit to taxing jurisdictions.
10. Proposed blight studies for TIF districts must be reviewed by the Land Clearance for Redevelopment Authority and TIF Commission for their recommendations regarding blight.
11. The City will maintain a retainage account until each project is completed or satisfies other performance standards.
12. The City may charge an administrative fee of 2% of annual TIF revenues to partially offset the cost of record-keeping for each TIF project. The fee may be assessed on a quarterly basis against the annual increment generated by the TIF project.
13. Notwithstanding, the foregoing TIF applications which do not meet the above criteria will be viewed favorably if the application clearly demonstrates that the project is of vital interest to the City and will significantly assist the City in the elimination of blight, financing desirable public improvements, strengthening the employment and economic base of the City, increasing property values, reducing poverty, creating economic stability, upgrading older neighborhoods, and/or facilitating economic self-sufficiency.