



ECONOMIC DEVELOPMENT INCENTIVES

CITY OF KANSAS CITY MISSOURI

APRIL 2004

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TAX INCREMENT FINANCING

Tax Increment Financing (TIF) is an economic development tool which encourages the redevelopment of blighted areas, conservation areas and economic development areas. TIF allows future property taxes generated by a new development to be used to pay for the construction of public infrastructure, site clearance and related project expenses. TIF is based on the premise that there will be an increase in the value of real property, new jobs and other economic activity that will generate new tax revenue to the municipality; and, that these new taxes can be used to enable the desired redevelopment. The new or increased local tax revenues resulting from redevelopment projects in the designated redevelopment area are called the “tax increments”. The tax increment from local real property taxes (PILOTS) and 50% of the increment from economic activity taxes (EATS) are available to finance eligible project costs, such as the construction of public infrastructure, site clearance and related project expenses.

ELIGIBILITY CRITERIA

Projects using Tax Increment Financing must have plans approved by both the Tax Increment Financing Commission (TIFC) and the City Council at public hearings. Missouri Statute requires TIF projects to meet the “but-for” test: but for tax increment financing the area would not be developed. A designated TIF area also must meet one of three designations:

- ◆ A finding of blight or blighting conditions in the area; or
- ◆ A Conservation Area in the City 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
- ◆ An Economic Development Area which does not meet the requirements for a “Blighted Area” or “Conservation Area”, and in which the Council finds 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.

BENEFITS

A. Revenue Sources

- ◆ Payment in Lieu of Taxes (PILOTS) – Real property tax rates are frozen for a term up to 23 years per project. The taxes generated by the initial assessed value of the property are distributed to the affected taxing districts for the duration of the TIF plan. The value equal to the increase in City and County taxes due to new construction and/or rehabilitation is paid as PILOTS. The property owner pays the PILOTS at the same time as property

Authorization: Sections 99.800 to 99.865, RSMo and SB 1 (1997 special session).

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taxes and the PILOTS are then deposited in a special allocation fund.

- ♦ Economic Activity Taxes (EATS) – In addition to PILOTS, fifty percent (50%) of the taxes generated by the economic activities within the project, such as new sales, earnings, profits, utility and food and beverage taxes are deposited in a special allocation fund.

B. Bonds

The TIF Commission may also issue obligations up to 23 years to pay for Redevelopment Project Costs and pledge the funds in the special allocation fund to retire the obligations.

C. Power of Eminent Domain

The TIF Commission may exercise the powers of eminent domain in a TIF area to acquire property for use by a private developer implementing a project contemplated in the TIF plan.

APPROVAL PROCESS

- ♦ TIF Commission staff works with the applicant and stakeholders to prepare a Redevelopment Plan, conduct due diligence and to make a recommendation to the TIF Commission.
- ♦ TIF Commission holds a public hearing to review and consider the Redevelopment Plan. State Statute requires the TIF Commission to make actual findings and vote on a recommendation to City Council within 30 days from public hearing.
- ♦ If the TIF Commission recommends approval, the appropriate ordinances are introduced to the City Council. If they recommend denial, that decision is forwarded to the City Council.
- ♦ If a rezoning request accompanies the TIF plan, City Planning and Development Department staff presents the request to the City Plan Commission for recommendation to the City Council.
- ♦ Upon approval of the Redevelopment Plan by the City Council, the 23-year time frame becomes effective. The relevant State statute allows a 10-year period from the time the City Council approves the TIF Plan to activate projects within the approved TIF area.
- ♦ The developer is required to submit an annual report and a public hearing is held every five years from the date of approval.

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STATE SUPPLEMENTAL TIF

In 1997, the General Assembly amended the TIF Act to provide a mechanism that permits municipalities with qualifying projects to request that specified State tax revenues be used to supplement local TIF revenues. This mechanism is referred to as the State Supplemental TIF Program. The revenues available under this program are required to be used to supplement payments in lieu of taxes, economic activity taxes and other local funds committed by the municipality (as defined in the TIF Act).

HOW IT WORKS

To qualify for the State Supplemental TIF Program, a Redevelopment Project must be located in an eligible area. There are two types of eligible areas under the TIF Act:

1. ***Blighted Areas*** - Blighted areas must contain one or more buildings at least 50 years old and must be located in ***any*** of the following:
 - Enterprise zones, pursuant to sections 135.200-135.256, RSMo;
 - Federal empowerment zones (currently parts of the Cities of St. Louis, Kansas City and East Prairie);
 - Central Business Districts; or,
 - Urban Core Areas of cities.

In addition, the blighted areas must meet ***either*** of the following:

- Over the 20-year period immediately preceding the Redevelopment Area's designation as a project area by ordinance, the Redevelopment Area suffered from Declining Population or Property Taxes; or
- The Redevelopment Area includes a historic hotel located in a first-class county without a charter form of government with a population according to the most recent federal decennial census in excess of 150,000 and containing a portion of a city with a population according to the most recent decennial census in excess of 350,000.

2. ***Federally Approved Levee Districts*** - The TIF Act also identifies as an eligible area a federally approved levee district, where construction of a levee begins after December 23, 1997, and which is contained within a first-class county without a charter form of government with a population between 50,000 and 100,000 which contains all or part of a city with a population in excess of 400,000 inhabitants (currently the Riverside-Quindaro Bend Levee District in Clay County).

BENEFITS

A Municipality may request that up to 50% of the "new" or "incremental" state revenues (either State Sales Taxes or State Withholding Taxes) estimated for the businesses within the Redevelopment Area be used to pay

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for eligible project costs. This request must document that the proposed project could not be financed without the use of state funds, and that the request is the minimum necessary to cause the project to be developed.

APPROVAL PROCESS

Each potential applicant shall, prior to submitting a program application, submit a Pre-certification Request Form to the Department of Economic Development (DED). The DED encourages potential applicants to submit this form prior to the TIF Commission's public hearing on the Redevelopment Plan. Program applications can be submitted to DED following approval of the Redevelopment Plan by the TIF Commission and adoption of an ordinance by the applicant approving the Redevelopment Project. An application fee is required.

There are currently two projects using the State Supplemental TIF: The Midtown Market Place at Linwood & Main; and, the Three Trails Shopping Center at Bannister Road & I-435.

Authorization:
RSMo 99.800 to 99.865
House Bill No. 1564, 1990;
House Bill No. 502, 1991;
House Bill No. 566, 1993.

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RESIDENTIAL SUPER TIF

Committee Substitute for Resolution No. 990404 established a policy increasing economic incentives to be used in TIF redevelopment areas for public purposes associated with residential development in the distressed areas of the city. Incentives under this program will include the following revenues:

- ◆ Revenues not to exceed 100% of the economic activity taxes as defined in Section 99.845, RSMo
- ◆ Revenues not to exceed 100% of PILOTS pursuant to Section 99.845, RSMo
- ◆ Revenues not to exceed 100% of all other city taxes generated by the project to be annually appropriated by the City.

HOW IT WORKS

Projects using the Residential Super TIF must the following requirements:

- ◆ The source(s) of the funds associated with this incentive must be within an approved TIF District and the use(s) of the funds must be in accordance with the approved TIF plan.
- ◆ The project must include a significant residential component integrated into the overall project
- ◆ The TIF district must be located within a “distressed” area as defined by:
 - The Kansas City Enterprise Zone as it is defined at the time of TIF Plan approval; or
 - The Kansas City Enhanced Enterprise Communities area as it is defined as the time of TIF Plan approval; or
 - Areas Targeted for Incentives within the FOCUS Urban Core Plan; or
 - The eligibility area for 100% Chapter 353 Tax Abatement as established by the City Council through the adoption of Second Committee Substitute for Resolution No. 980793, As Amended.

BENEFITS

1. Creates additional incentives for increase private redevelopment efforts in distressed areas of the City.
2. TIF revenues may be used to reimburse eligible costs for capital and/or infrastructure improvements in the project area annually.

APPROVAL PROCESS

1. Applications for this incentive must receive a positive recommendation from the City Plan Commission prior to approval by the TIF Commission.

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2. In approving a TIF Plan including this incentive, the City Council must make a determination that the Plan meets the Eligibility Criteria and follows the Project Guidelines.
3. Final approval of the TIF Plan.

The Residential Super TIF was one of several incentives used to redevelop the Union Hill neighborhood.

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HOTEL SUPER TAX INCREMENT FINANCING

Committee Substitute for Resolution No. 941748 established a policy for economic incentives for the construction of a hotel in the Downtown Convention and Cultural District. Incentives under this program will include the following revenues:

- ◆ 100% of the Economic Activity Taxes
- ◆ 100% of the Payments in Lieu of Taxes

HOW IT WORKS

Projects using this Hotel Super TIF must meet the following requirements:

1. A firm commitment from a nationally recognized hotel operator or franchiser that has an established record in convention hotel operations and is associated with a national reservation network
2. Have a feasible plan for providing parking adequate to accommodate such a facility.
3. Be in the area generally defined by the Downtown freeway loop and extending north to the Missouri River between Broadway and I-35/29 and south to 20th Street between Broadway and Grand
4. Proposals will be evaluated by the City to determine whether they are in the best interests of the City.

BENEFITS

- ◆ More First Class Hotel rooms available within a short distance of Bartle Hall.
- ◆ Renovation of deteriorating buildings in the Central Business District.
- ◆ Historical value of buildings is retained.

APPROVAL PROCESS

1. Applications for this incentive must receive a positive recommendation from the TIF Commission.
2. When approving a TIF Plan including this incentive, the City Council must make a determination that the Plan meets the Eligibility Criteria and follows the Project Guidelines.

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LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

Land Clearance for Redevelopment Authority (LCRA) incentives are an excellent tool for encouraging private development of property and eliminating urban blight. The LCRA designates urban renewal areas and the associated redevelopment plans which are reviewed by the City Plan Commission and approved by the City Council. Some of the LCRA's powers include the ability to acquire and sell property, make improvements on land, borrow and lend money, and issue bonds. These actions must be incidental to an urban renewal or redevelopment project that has been approved by the City Council.

ELIGIBILITY CRITERIA

Urban renewal or redevelopment projects may be submitted by the LCRA or by any public or private person or agency. LCRA projects must be physically located within an established Urban Renewal Area. The Projects must also be in accordance with the use and design plans on the associated Urban Renewal Plan (URP). The URP is governed by State Statute (99.300 – 99.715 RSMo) to indicate such land acquisition, demolition and removal of structures, redevelopment, improvements and rehabilitation as may be proposed for the Urban Renewal Area. LCRA staff reviews project plans for conformance with the urban renewal plan, including building use and design elements appropriate to the surrounding neighborhoods, as well as, jobs and housing units created.

BENEFITS

- ◆ Use of the Power of Eminent Domain for site acquisition.
- ◆ Tax abatement (100% of the increase in assessed value of improvements for a 10-year period) to financially assist property redevelopment.
- ◆ Ability to provide bond financing for appropriate projects.

APPROVAL PROCESS

Urban Renewal Areas and the associated redevelopment plans are designated by the LCRA, reviewed by the City Plan Commission and approved by the City Council by ordinance. An Urban Renewal Plan is submitted to the City Plan Commission for review and recommendation, and is forwarded to the City Council for approval.

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CHAPTER 353 TAX ABATEMENT

Initially enacted in 1943 as special legislation for St. Louis, Chapter 353's purpose was to address urban blight. This was an era when cities were impoverished and economically distressed. Missouri's Chapter 353 law is the second oldest in the United States. Chapter 353 establishes incentives to stimulate private investment and redevelopment of blighted areas in the city. Redevelopment is defined by Chapter 353 to involve the clearance, planning, and reconstruction or rehabilitation of any blighted area, and provision for such industrial, commercial, residential, public structures and recreational developments.

Many of Kansas City's most prominent buildings in the Downtown area were constructed using Chapter 353 tax abatements. The Chapter 353 State Statute (353.010 to 353.190 RSMo) authorizes cities to establish Urban Redevelopment Corporations, which are private not-for-profit entities. The Redevelopment Corporation makes application to the city to obtain certain rights and powers and incentives in exchange for redeveloping the area.

Special program requirements include:

- ♦ A finding of **blight or blighting conditions** in the project area.
- ♦ **But For** Provisions – Implementation of "353" is necessary in order for the development to occur.

BENEFITS

1. ***Tax Abatement*** - Granted for 100% of the value of the real property for a ten-year period. For the following 15 years, Chapter 353 allows for 50% abatement of property taxes. Property taxes on the assessed value of the property before new construction or rehabilitation are frozen and paid at their original rate to the appropriate taxing districts.
2. ***Eminent Domain*** – The Power of Eminent Domain enables the developer to condemn properties that could not be acquired through normal negotiations.

APPROVAL PROCESS

- ♦ Redevelopment Plan is submitted to City Plan Commission and City Council for review at public hearings.
- ♦ Determination of blight is made, Redevelopment Plan is approved and 353 status is granted.
- ♦ Approval and development conditions are authorized through a contract between the City and the Redevelopment Corporation. An ordinance is enacted establishing an expiration date for the development rights, the power to use eminent domain, and the power to use property tax abatement, in the event the Redevelopment Corporation fails to execute the redevelopment plan.

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FOCUS 353 - 25-YEAR 100% TAX ABATEMENT FOR COMMERCIAL PROJECTS

This program is an expansion of the Chapter 353, 100%, 25-year tax abatement program for residential projects. FOCUS 353 authorizes Kansas City to provide up to 100% property tax abatement for up to twenty-five (25) years in order to encourage commercial projects in certain areas of the City for the purpose of providing jobs and positive economic impacts within those areas.

ELIGIBILITY CRITERIA

- ◆ The commercial project must locate within a Enhanced Enterprise Community and meet the definition of a “distressed community” contained in House Bill No. 1656 and Senate Bill No. 911
- ◆ Compliance with all approved land use and neighborhood plans and with all other provisions governing the approval of Chapter 353 tax abatement.
- ◆ Other requirements relating to employment, location, financing, and socio-economic factors to be developed later.

BENEFITS

Up to 100% property tax abatement for 25 years for commercial, industrial and residential redevelopment projects.

APPROVAL PROCESS

- ◆ Redevelopment Plan is submitted to City Plan Commission and City Council for review at public hearings
- ◆ Determination of blight is made, Redevelopment Plan is approved and 353 status is granted by City Council
- ◆ Approval and development conditions are authorized through a contract between the City and the Redevelopment Corporation

This program is recent and no applications have been received.

Legislation

Section 353.010-180 RSMo

Chapter 74 of KCMO Administrative Code

For more information contact:

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PLANNED INDUSTRIAL EXPANSION AUTHORITY

The Planned Industrial Expansion Authority (PIEA) was formed in 1974 to foster commercial and industrial development in specifically designated redevelopment areas.

ELIGIBILITY CRITERIA

Redevelopment proposals submitted to the Authority are reviewed and approved on the basis of:

1. Investment in the project area
2. Job creation and/or retention
3. Compatibility with designated land uses
4. Public Benefit

BENEFITS

- ◆ Use of PIEA Taxable Lease Revenue Bond financing for land acquisition, construction and equipment purchases provides added incentive for private participation.
- ◆ Use of The Power of Eminent Domain for property acquisition.
- ◆ Property tax abatement on improvements through or similar to Chapter 353 Tax Abatement Program.

APPROVAL PROCESS

Legislation: RSMo 100.310-620

1. A request to designate a redevelopment area is made to the PIEA by a property owner, developer or other interested party and a blight study is submitted.
2. The PIEA reviews the blight study and considers designation of the redevelopment area. A recommendation is forwarded to the City Council.
3. The City Council considers approval of a blight ordinance. Upon approval, a general development plan is prepared by the PIEA for review by the City Council.
4. Upon approval of the development plan the area is approved for PIEA designation.

For more information contact:

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URBAN ENTERPRISE ZONE

The Enterprise Zone program offers new and expanding business located within the Enterprise Zone a variety of state and/or local tax credits. Benefits are designed to encourage investment and growth and to help address unemployment and underemployment within the City's Enterprise Zone. Tax exemptions and credits apply to State Corporate Income Tax and local property tax abatement for property owners who make improvement to real property. The State Enterprise Zone area includes the federal enhanced enterprise community described below.

The Enhanced Enterprise Community is a federal designation designed to empower people and communities to create jobs. Section 179 expense deductions are the only incentives included in the Enhanced Enterprise Community program. Location of a project within an Enhanced Enterprise Community is a requirement to receive any of these incentives. Currently the City of Kansas City has an Enhanced Enterprise Community designation.

ELIGIBILITY CRITERIA

- ◆ Location within the enterprise zone and the facility must be eligible based on SIC Code as itemized in state law
- ◆ Employ at least 2 new employees and meet investment requirements
- ◆ Other requirements exist. See contact agency for complete program packet.

BENEFITS

Legislation

Section 135.200-135.245, RSMo

State-Level Incentives:

- ◆ New Job Credit (State): \$400 per job per year. Eligible employee must work full-time or at least 80% of a company's season.
- ◆ Resident Credit: Up to \$400 per year (State): This credit is for employees who are residents of the zone and is based on the number of days per year the employee resides in the zone.
- ◆ Special Employee Credit (State): Up to \$400 per employee per year. A "Special Employee" worker is one who was unemployed for at least three months immediately prior to being employed at the enterprise zone facility or is one who is eligible for aid to families with dependent children (AFDC) or general relief programs.
- ◆ Training Credits (State): 80% of costs over \$400, up to \$400 per employee. This credit applies to training expenses for workers who are zone residents or have "Special Employee" status and is a one-time credit.
- ◆ Other Additional Benefits such as investment credit and exemption of on some portions of state taxable income attributed to the new

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or expanded facility in the enterprise zone.

Local-Level Incentives:

- Owners of real property within the enterprise zone may be eligible to receive property tax abatement of 50% for ten (10) years for improvements made to their real property.
- Qualified enterprise zone business can be eligible to receive the new jobs, resident, special employee and investment tax credits and the income tax exemption each year for ten (10) years within a fifteen (15) year period that starts with the year of the enterprise zone's original designation.

APPROVAL PROCESS

1. Submit a Schedule A application to the Business Assistance Center of City Planning and Development Department.
2. Staff of the Business Assistance Center will review the proposed application as well as the Mayors Office to determine the eligibility of the proposed business.
3. A letter of City approval is forwarded with the Schedule A application to the State by the applicant.
4. Tax credit applications must be submitted each tax year to the Department of Economic Development for recalculations of jobs and investment credits.

For more information contact:

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ENTERPRISE ZONE ENHANCED ENTERPRISE COMMUNITY

The Enterprise Zone program offers new and expanding business located within the Enterprise Zone a variety of state and/or local tax credits. Benefits are designed to encourage investment and growth and to help address unemployment and underemployment within the City's Enterprise Zone. Tax exemptions and credits apply to State Corporate Income Tax and local property tax abatement for property owners who make improvement to real property. The State Enterprise Zone area includes the federal enhanced enterprise community described below.

The Enhanced Enterprise Community is a federal designation designed to empower people and communities to create jobs. Section 179 expense deductions are the only incentives included in the Enhanced Enterprise Community program. Location of a project within an Enhanced Enterprise Community is a requirement to receive any of these incentives. Currently the City of Kansas City has an Enhanced Enterprise Community designation.

ELIGIBILITY CRITERIA

- ♦ Location within the enterprise zone and the facility must be eligible based on SIC Code as itemized in state law
- ♦ Employ at least 2 new employees and meet investment requirements
- ♦ Other requirements exist. See contact agency for complete program packet.

BENEFITS

State-Level Incentives:

- ♦ New Job Credit (State): \$400 per job per year. Eligible employee must work full-time or at least 80% of a company's season.
- ♦ Resident Credit: Up to \$400 per year (State): This credit is for employees who are residents of the zone and is based on the number of days per year the employee resides in the zone.
- ♦ Special Employee Credit (State): Up to \$400 per employee per year. A "Special Employee" worker is one who was unemployed for at least three months immediately prior to being employed at the enterprise zone facility or is one who is eligible for aid to families with dependent children (AFDC) or general relief programs.
- ♦ Training Credits (State): 80% of costs over \$400, up to \$400 per employee. This credit applies to training expenses for workers who are zone residents or have "Special Employee" status and is a one-time credit.
- ♦ Other Additional Benefits such as investment credit and exemption of on some portions of state taxable income attributed to the new or expanded facility in the enterprise zone.

Legislation

Section 135.200-135.245, RSMo

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Local-Level Incentives:

- Owners of real property within the enterprise zone may be eligible to receive property tax abatement of 50% for ten (10) years for improvements made to their real property.
- Qualified enterprise zone business can be eligible to receive the new jobs, resident, special employee and investment tax credits and the income tax exemption each year for ten (10) years within a fifteen (15) year period that starts with the year of the enterprise zone's original designation.

APPROVAL PROCESS

1. Submit a Schedule A application to the Business Assistance Center of City Planning and Development Department.
2. Staff of the Business Assistance Center will review the proposed application as well as the Mayors Office to determine the eligibility of the proposed business.
3. A letter of City approval is forwarded with the Schedule A application to the State by the applicant.
4. Tax credit applications must be submitted each tax year to the Department of Economic Development for recalculations of jobs and investment credits.

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CHAPTER 100 PROGRAM

Sections 100.010 to 100.200, RsMo allows the City of Kansas City, Missouri, to purchase, construct, extend and improve certain types of projects with bond proceeds and to lease or sell the project to a company. These “industrial development” bonds may be issued either as a “revenue” bond or a “general obligation” bond for the following purposes:

- ◆ To provide funds to pay the costs of such projects and lease or sell such projects to others;
- ◆ To loan the proceeds of such bonds to others to provide funds to pay the costs of such projects, and to pledge the rents, revenues and receipts from such projects as security for the payment of the principal of, premium, if any, and interest on such bonds; or
- ◆ To refund revenue bonds previously issued by the City of Kansas City, Missouri

There are two primary reasons to issue industrial revenue bonds (“IRBs”) under the Act. First, if the bonds are tax-exempt, it may be possible to issue the bonds at lower rates than those obtained through conventional financing. Second, even if the bonds are not tax-exempt, ad valorem taxes on bond-financed property may be abated so long as the bonds are outstanding. This Act allows the City to issue tax-exempt Chapter 100 Bonds for the purchase, construction, expansion and improvement of warehouses, distribution facilities, and industrial plants. This includes real estate, buildings, fixtures, and machinery. The bonds are secured solely by revenue received from the project and the bonds are not a debt of the municipality. If the City holds the title to the assets being financed, the assets are exempt from sales and property taxes. Bonds are generally issued for period not to exceed 20 years. The bonds may also be issued by the PIEA, LCRA, the Port Authority, or the Missouri Development Finance Board.

ELIGIBILITY CRITERIA

1. The business must engage in warehousing, distribution facilities, research and development, office industries, agribusiness, service facilities which provide interstate commerce, industrial plants, computer operation, or be an insurance business, credit card billing or processing center or a call center facility.
2. Property tax abatement using Chapter 100 bonds shall be limited in duration of impact on the affected school district. Preference will be given to existing businesses in Kansas City, Missouri. Payment in lieu of taxes (PILOTS) will be made to the school districts.
3. The use of Chapter 100 bonding should be geographically targeted based on FOCUS Development Priority Zones.

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4. The minimum amount of Chapter 100 bond issuance for an existing business shall be \$2.5 million, versus \$5 million for a new business to the City.
5. A cost-benefit analysis shall be generated to aid the City Council in evaluating the Chapter 100 issuance.
6. A community impact analysis shall be generated to aid the City Council in evaluating the Chapter 100 issuance.
7. Incentive levels for Chapter 100 bonds will be monitored for job creation and investment pledged in the bond documents.
8. The use of Chapter 100 bonds will not reduce the existing revenue paid for existing property.

BENEFITS

Potential real, personal and/or sales tax abatement.

APPROVAL PROCESS

This incentive requires review by the City Plan Commission prior to final approval by the City Council. The City Manager performs a biannual review of the benefits of the program.

Legislation

Article VI, Section 27 of the Missouri Constitution, as amended
Sections 100.010 to 100.200, inclusive,
of the Missouri Revised Statutes

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DEMOLITION LIEN WAIVER PROGRAM

The Demolition Lien Waiver Program is an outgrowth of the FOCUS Kansas City Comprehensive and Strategic Plan. This plan recommends that targeted incentive programs be created to encourage specific growth and re-development activities. One of the problems, which particularly impact the urban core, is the large number of abandoned and dangerous buildings. Dramatic efforts have been made to remove these blighted structures with great success. Out of this success, however, a different kind of challenge evolved. Hundreds of vacant lots were created; many in concentrated clusters. These vacant lots were not just unproductive; they were often not maintained by their owners and became collection sites for trash and weeds. The largest challenge to the redevelopment of these sites was the demolition liens placed on the properties. These liens were caused by the need for the City to step in and pay for the cost of demolition. These costs are often far in excess of the value of the land and make it very difficult to re-develop the site.

Neighborhood and Community Services Department and City Planning and Development Department have developed an incentive program which will make it possible to re-develop these sites without the demolition liens restricting the use of the property. The main thrust of this program is to put these lots back into productive use and insure that the proposed use is compatible with the surrounding neighborhood. In order for the City of Kansas City to remove a demolition lien from a specific site an application and approval process must be followed.

The Demolition Lien Waiver Program has formed the application process around three types of proposed use of the lots under consideration. Application Requirements for Side Lot Extension provides information and requirements to develop a new use, such as a garden or room addition using the lot next to your property. Application Requirements for General Residential development pertain to constructing in-fill single family or duplex housing on a vacant lot. Application Requirements for Commercial/Mixed Use would be followed when a housing development, commercial business or a combination of uses is being proposed.

A Step by Step guide is available to answer most questions about the application process. The actual applications are divided into five types as follows: Side Lot (individual use), Side Lot (business use), Residential (individual use), Residential (business use) and Commercial/Mixed Use.

For additional information contact:

Neighborhood & Community Services Department
Demolition Lien Waiver Program
2534 Prospect Avenue
Kansas City, Mo. 64127
(816) 741-4041

TRANSPORTATION DEVELOPMENT DISTRICT

Transportation Development Districts (TDDs) are independent political subdivisions organized to levy taxes or assessments to pay for the construction of roads, parking facilities or other transportation related improvements, and to finance those improvements by issuing TDD bonds. When the bonds are paid off, the TDD is terminated and the improvement which it was used to construct is turned over to the Missouri Department of Transportation (MoDOT) or a local transportation authority (a city or county).

ELIGIBILITY CRITERIA

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 or property. So long as the TDD is proposed to construct transportation related improvements, any property is eligible to be included in a TDD.

BENEFITS

Legislation

The Missouri Transportation Development Act, Chapter 238, RsMo

Revenue Source:

- Sales Taxes - TDDs may impose a sales tax of up to one percent, following a majority vote of registered voters within the TDD if there are residents, or by a majority vote of property owners within the TDD if no residents reside in it.
- Ad Valorem Taxes – With a vote of residents or, if there are no residents, property owners, a TDD may impose an ad valorem tax on real and personal property within the TDD of up to ten cents per \$100 assessed valuation.
- Special Assessments – By vote of the board of directors of the TDD, special assessments may be imposed against real property within the TDD in an amount required to pay debt service on bonds issued to construct transportation improvements.

Bonds:

A TDD is authorized to issue bonds in its own behalf, utilizing taxes and assessments that it imposes, to pay debt service. Debt associated with a TDD is, therefore, not city or state debt, and need not be reflected on financial statements of MoDOT or a city which sponsors and agrees to accept a completed project for maintenance.

City Oversight of Projects:

Although TDDs are independent political subdivisions and debt incurred by such districts is totally independent of the city or state, MoDOT or the city affected by proposed transportation improvements oversee design and construction of the project and the financing which pays for it.

ECONOMIC DEVELOPMENT INCENTIVES

Utilization of TDD in Conjunction with Other Development Tools:

The benefits of an independent issuer for debt and the ability to impose additional taxes (rather than diverting taxes otherwise payable to taxing districts) make the TDD a useful tool for projects involving other development assistance tools. Tax increment financing funds, for instance, can be pledged to a TDD utilizing a cooperative agreement between the sponsoring city and the TDD in order to enhance funds available to pay debt service on TDD bonds.

APPROVAL PROCESS

1. A petition is filed in circuit court by property owners (in fact, on occasion, by a single property owner). Notice of the filing of the petition is given to MoDOT and local transportation authorities, such as the city. Following a hearing, if one is requested, the circuit court approves the creation of the district, the project which the district proposes to construct, and the funding mechanism with which the district proposes to pay for the project.
2. To the extent taxes are involved in the funding mechanism for the district's project, an election is held. If registered voters live within the TDD, registered voters vote. If there are no registered voters within the TDD, property owners within the TDD vote to approve the taxes.
3. Following imposition of taxes or assessments to fund the project, final design begins, usually by MoDOT or a local transportation authority.
4. Upon completion of design, bonds are sold by the TDD and construction undertaken pursuant to a construction contract entered by the TDD, or by the city or MoDOT pursuant to a cooperative agreement with the TDD.
5. The City Council of Kansas City participates in the TDD approval process by passing a resolution endorsing (or opposing) a project at the time of the circuit court review. The city may also provide additional support to the project through city guarantees of debt or design or contracting assistance. Additional control over a project can be exercised through a cooperative agreement between the city and a TDD.

For more information contact:

Gabriel Okafor
Economic Development & Business Assistance
16th Floor, City Hall
414 E. 12th Street
Kansas City, MO 64106
(816) 513-2889 Phone
(816) 513-2878 Fax
gabriel_okafor@kcmo.org

COMMUNITY IMPROVEMENT DISTRICT

By creating a Community Improvement District (CID) property and/or tenant business owners within a legally constituted district can assess or tax themselves to cover the cost of improvements and services which benefit the entire district. The use of the revenue within the CID, is determined by the district's board representatives. CIDs enable the district to establish a reliable mechanism of revenue generation to accomplish goals and objectives of the district.

The district is created only when the majority of property and/or tenant business owners request by petition to the City Council regarding creation of the district. The petition will clearly indicate the area of the district (boundaries), maximum tax or assessment rates and methods used to arrive at the rates, general description of improvements and services, and duration of the district.

BENEFITS

- ◆ Control is retained by the established community. The program is managed by the District Board with an annual report to the City.
- ◆ The special assessments provided funds for the use of special services, public capital improvements, and private capital improvements.
- ◆ Flexibility is maintained in the district through the use of either assessments or taxes, or both. Assessments may use any formula that allocates costs to properties in relation to the benefits received which expressly allows for different levels of assessment in different areas of District to provide a "package" of services/improvements identified in petition, located in blighted area, serving a public purpose approved by City.
- ◆ The district may be governed by a not-for-profit corporation.

APPROVAL PROCESS

Establishment of the CID:

1. File a petition with the office of the clerk. The proper petition should be signed by the property owners collectively owning more than 50% by assessed value of the real property; and by more than 50% per capita of all owners of real property within the boundaries of the proposed district.
2. The city clerk will verify whether the petition meets the requirements of the Act within a reasonable period of time, not to exceed 90 days after receipt of the petition.
3. Notice by mail must be given not less than 15 days prior to the hearing. The notice must be sent via registered or certified mail with return receipt to each owner of record of real property

Legislation

Section 67.1460 RSMo

ECONOMIC DEVELOPMENT INCENTIVES

within the boundaries of the proposed district. A notice by publication must also be given in a newspaper of general circulation once a week for two consecutive weeks before the public hearing.

4. Within a reasonable amount of time, not to exceed 45 days, after the receipt of the verified petition from the city clerk, the city council must hold a public hearing on the establishment of the proposed district.
5. The city council may vote to adopt the ordinance establishing the district following the public hearing process.

Appointment or election of the Board of Directors:

1. If the district is a political subdivision, a board of directors must be appointed or elected to manage the district. The petition for the CID must specify appointment or election.
 - a. Election procedure – The board is elected by the qualified voters of the district. The city clerk specifies the date for election no earlier than the 10th Tuesday and no later than the 15th Tuesday after the effective date of the ordinance adopted to establish the district. Candidates for the CID board must file with the city clerk no later than the second Tuesday after the ordinance was passed. The city clerk must publish a notice of the election twice in a newspaper of general circulation (60 and 30 days prior to election).
 - b. Not-for-Profit Corporations – If the district is a not-for-profit corporation, the election of its board shall be in accordance with Chapter 355 of the Revised Statutes of Missouri. This will have occurred by the time the petition is approved.

Special Assessments:

1. The CID board receives a petition authorizing the special assessment duly signed by real property owners.
2. The board then adopts a resolution imposing the special assessment.

Real Property Taxes:

1. The CID board adopts a resolution to levy a tax upon real property located within the district and delivers notice of the resolution to the election authority. The resolution is not final until the qualified voters approve, by mail-in ballot, the tax.
 - a. Upon receipt of written notice of a district's resolution, the election authority specifies the date for the election. This date shall be no earlier than the 10th Tuesday and no later than the 15th Tuesday after the date of the board's passage of

the resolution and shall not be on the same day as an election conducted pursuant to provisions of Chapter 115, RSMo.

- b. The election authority shall publish notice of the election twice in a newspaper of general circulation (60 days and 30 days prior to the election and no less than 10 days prior to the date of the election).

For more information contact:

Gabriel Okafor

Economic Development & Business Assistance

16th Floor, City Hall

414 E. 12th Street

Kansas City, MO 64106

(816) 513-2889 Phone

(816) 513-2878 Fax

gabriel_okafor@kcmo.org

NEIGHBORHOOD IMPROVEMENT DISTRICT

Neighborhood Improvement Districts are created by property owners in an area of the city with defined limits and boundaries by vote or petition subject to special assessment against real property to cover cost of improvements to the district. Eligible improvements that could be made with proceeds from the special assessment in a NID include virtually any public improvement. There are two types of Neighborhood Improvement Districts: the Economic Development Neighborhood Improvement District and the Residential Neighborhood Improvement District. The City, through a Council resolution established policy guidelines for establishing Neighborhood Improvement Districts. The policy guidelines also provide a list of criteria for establishing the District.

ECONOMIC DEVELOPMENT NEIGHBORHOOD IMPROVEMENT DISTRICTS

State Eligibility Requirements:

- ◆ The proposed improvement and the proposed benefit district boundaries must be compatible, those taxed must receive direct benefits from the improvement.
- ◆ The parties advocating the NID proposal must own the property to be taxed by the district.
- ◆ The proposed improvements shall meet the state's definition of what is considered a public project and be eligible for public funding support.
- ◆ Extension of utility services shall be only those in which the city has ownership rights.

City Eligibility Guidelines:

- ◆ Current land values and potential land values after the improvement shall be sufficient to support the proposed assessment.
- ◆ The City shall have ownership rights and/or regulatory power over the final improvement.
- ◆ Subsequent revisions to the original state law provide for assessments to cover unusual and increased maintenance costs associated with the improvement.
- ◆ The proposed NID shall incorporate into the plan provisions for extraordinary maintenance as necessary.
- ◆ NID funding must be available to meet the limits set on the amount of money dedicated to this activity.
- ◆ The proposed improvement must benefit the proposed district.
- ◆ The proposed improvement must not have an adverse effect on the properties outside or adjacent to the proposed district.

ECONOMIC DEVELOPMENT INCENTIVES

RESIDENTIAL NEIGHBORHOOD IMPROVEMENT DISTRICTS

State Eligibility Requirements:

- ◆ The proposed improvement and the proposed benefit district boundaries must be compatible; those taxed must receive direct benefits from the improvement.
- ◆ The parties advocating the NID proposal must own the property to be taxed by the district.
- ◆ The proposed improvements shall meet the state's definition of what is considered a public project and, therefore eligible for public funding support.
- ◆ Extension of utility services shall be only those in which the city has ownership rights.

City Eligibility Guidelines

- ◆ Current land values and potential land values after the improvement shall be sufficient to support the proposed assessment.
- ◆ The City shall have full ownership rights and regulatory power over the final improvement.
- ◆ Subsequent revisions to the original state law provide for assessments to cover unusual and increased maintenance costs associated with the improvement. The proposed NID shall incorporate into the plan those provisions for extraordinary maintenance.
- ◆ NID funding must be available to meet the limits set on the amount of money dedicated to this activity.
- ◆ The proposed improvement must benefit the proposed district. The petitioner's concept of the improvement shall be the proper engineered solution providing the most economical approach.
- ◆ The proposed improvement must not have an adverse effect on the properties outside or adjacent to the proposed district i.e., local drainage improvements will not cause flooding down stream.
- ◆ The city must have a program/policy to address the requested improvement i.e., upgrading the existing neighborhood storm sewer improvement.

Legislation

City Council Resolution No. 980115
RSMo Sect. 67.453 – 67.475

BENEFITS

- ◆ Funds raised from the establishment of a Neighborhood Improvement District could be used for public capital improvements. Economic Development NIDs provide developers an opportunity to raise funds for public improvements such as streets and infrastructure improvements.
- ◆ The City could issue general obligation bonds to pay for public improvements within the District. Such bonds are usually

ECONOMIC DEVELOPMENT INCENTIVES

secured on special assessment from the District. The ability to utilize the general credit of the City without the requirement of a Citywide vote makes NID financing a powerful tool, but one which entails certain opportunity costs to the City.

APPROVAL PROCESS

ECONOMIC DEVELOPMENT NIDS

To initiate the Economic Development NID process, interested parties should contact City Planning and Development Department. If the proposed improvements fulfill the NID requirements, then the appropriate City Department will be assigned to lead in the identification of improvements appropriate for submittal.

The review process for successfully establishing a NID requires coordination between property owner(s) and City staff. At a minimum the review process will incorporate:

- Meeting with the property owner(s) and neighborhood representatives.
- Discussion of using election or petition process in establishing NID.
- Formulating preliminary cost estimates.
- Preparing preliminary plans
- Identifying appropriate temporary or up front financing source.

RESIDENTIAL NIDS

To initiate the Residential NID process, interested parties should contact the Public Works Department. If the proposed improvements fulfill the NID requirements, then the appropriate City Departments will be assigned to lead in the identification of improvements appropriate for submittal, formulating the cost estimates, preparing preliminary plans, petition and public hearing.

For more information on Economic Development NIDs contact:

Gabriel Okafor
Economic Development & Business Assistance
16th Floor, City Hall
414 E. 12th Street
Kansas City, MO 64106
(816) 513-2889 Phone
(816) 513-2878
gabriel_okafor@kcmo.org

For more information on Residential NIDS contact:

Sherri McIntyre
Department of Public Works
19th Floor, City Hall
414 E. 12th Street
Kansas City, MO 64106
(816) 513-2588 Phone
(816) 513-2572
sherri_mcintyre@kcmo.org

SPECIAL BUSINESS DISTRICT

Special Business Districts can be created to permit property owners to pay additional taxes or special assessments for the purpose of improving their neighborhoods and businesses or using the special tax revenues to maintain and operate decorative streetlights.

ELIGIBILITY CRITERIA

The district is created only when the majority of property and/or tenant business owners petition the City Council. The petition will clearly indicate the area of the district (boundaries), maximum tax or assessment rates and methods used to arrive at the rates, general description of improvements and services, and duration of the district.

Legislation

Sections 71.790 to 71.801 RSMo, as Amended

BENEFITS

- ◆ Control is retained by the established community. The program is managed by a Board of Commissioners appointed by the Mayor.
- ◆ The special assessments provide funds for special services, public capital improvements, and private capital improvements.
- ◆ Flexibility is maintained in the district through the use of either assessments or taxes, or both. Assessments may use any formula that allocates costs to properties in relation to the benefits received which expressly allows for different levels of assessment in different areas of District to provide a "package" of services/improvements identified in petition, located in blighted area, serving a public purpose approved by City.

APPROVAL PROCESS

1. One or more property owners within the proposed district must petition the City Council to establish the district. This petition must be filed with the City Clerk.
2. A Survey and Investigation must be authorized by the Council for the staff to prepare. This report includes six subjects:
 - a. The nature of a suitable location for business district improvements.
 - b. The approximate cost of acquiring and improving the land.
 - c. The area to be included in the district.
 - d. The percentage of the cost of acquisition, special services, and improvements in the business district which are to be assessed against the property within the district and that part of the cost, if any, to be paid by public funds.
 - e. The need for and cost of special services.
 - f. Cooperative promotional activities.
3. This report is then submitted to the City Council as a Resolution to adopt the district.

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4. The report is then heard by the Finance Committee and a public hearing is held. Notice is mailed by the city to all affected persons.
5. If passed, an ordinance is to establish the district and the tax levy is prepared. This is sent to the Finance Committee and another public hearing is held.
6. If passed, a Board of seven members is appointed by Resolution. Five members must own property within the district and two members must be business owners within the district.
7. The Board is required to hold its own public hearing in regard to a proposed tax levy.
8. The Board adopts a Resolution asking the Governing Body to hold an election for the district.
9. The Council authorizes the election and the City Clerk conducts the election procedures.

There are two Special Business Districts established in Kansas City: Westport Special Business District and Union Hill Special Business District. Both of these SBDs are using the special tax revenues to operate and maintain decorative streetlights.

For more information contact:

Gabriel Okafor
Economic Development & Business Assistance
16th Floor, City Hall
414 E. 12th Street
Kansas City, MO 64106
(816) 513-2880 Phone
(816) 513-2878 Fax
gabriel_okafor@kcmo.org

HISTORIC TAX CREDIT PROGRAM

PURPOSE

Provide an incentive for the redevelopment of commercial and residential historic structures in Missouri.

AUTHORIZATION

Sections 253.545 to 253.559, RSMo.

HOW THE PROGRAM WORKS

The program provides state tax credits for 25% of eligible costs and expenses of the rehabilitation of approved historic structures incurred after January 1, 1998.

ELIGIBLE AREAS

Statewide, but only for eligible properties.

ELIGIBLE APPLICANTS

Any person, firm, partnership, trust, estate, or corporation is eligible to participate in this program, with the exception of not-for-profit entities and/or government entities.

ELIGIBLE USE OF TAX CREDITS

The tax credits may be used to offset Missouri income tax liability imposed pursuant to Chapter 143 and Chapter 148 RSMo, except sections 143.191 to 143.265, RSMo.

Credits may be used in the year provided. Excess credits may be carried back three years and/or carried forward 10 years. The tax credits issued for costs incurred after August 28, 1998 are sellable and transferable.

APPLICATION PROCEDURE

The applicant will submit an application to DED, which will then submit the information to the State Historic Preservation Office to determine the eligibility of the property and proposed rehabilitation, based on the standards of the US Department of the Interior. There are no application deadlines, and the program is non-competitive.

SPECIAL PROGRAM REQUIREMENTS

An eligible property must be (a) listed individually on the National Register of Historic Places, or (b) certified by the MO Department of Natural Resources as contributing to the historical significance of a certified historic district listed on the National Register, or (c) of a local historic district that has been certified by the US Department of the Interior.

ECONOMIC DEVELOPMENT INCENTIVES

The costs and expenses associated with the rehabilitation must exceed 50% of the total basis of the property (acquisition cost).

The application, guidelines and other program information are available at www.ded.state.mo.us/communities/communitydevelopment/htc/

Contacts:

Department of Economic Development

Community Redevelopment

301 W. High St., P.O. Box 118

Jefferson City, MO 65102

Phone: 573-522-8004

Fax: 573-522-9462

Website:

www.missouridevelopment.org/communities/communitydevelopment/htc/

E-mail: rchruma@ded.state.mo.us

Brad Wolf

Historic Preservation

City Planning & Development Department

26th Floor, City Hall

414 E. 12th Street

Kansas City, MO 64106

(816) 513-2901 Phone

(816) 513-2899 Fax

brad_wolf@kcmo.org

BROWNFIELD REDEVELOPMENT PROGRAM

PURPOSE

To provide financial incentives for the redevelopment of commercial and industrial sites owned by a governmental agency or that are privately owned. The sites must have been abandoned for at least three years and have contamination caused by hazardous substances.

AUTHORIZATION

Section 447.700 to 447.718, RSMo.

HOW THE PROGRAM WORKS

The program provides state income tax credits for eligible remediation costs. The Department of Economic Development (DED) may provide a grant for public infrastructure or a loan or guarantee for other project costs. Also, tax credits may be provided to businesses that create jobs at the facility. State tax credits may also be issued for non-remediation demolition costs.

ELIGIBLE AREAS

Statewide, but the program is structured for projects in blighted redevelopment areas.

ELIGIBLE APPLICANTS

The property must be owned by a public entity. If owned by a private entity, the city or county must endorse the project.

The project must result in the creation of at least (10) ten new jobs or the retention of 25 jobs by a private commercial operation. "New jobs" are defined as full-time (35+ hours/week) for persons who were not employed by the business or a related taxpayer for the prior year. Housing projects do not qualify, but mixed use (housing and commercial) may qualify.

The project must be accepted into the "Voluntary Cleanup Program" of the MO Department of Natural Resources, and cannot be a EPA (Environment Protection Agency) "Superfund" site.

ELIGIBLE USE OF FUNDS

- **Remediation Tax Credits**
DED may issue "remediation" tax credits for up to 100% of the remediation cost. The amount of remediation tax credits is also limited to the net state economic impact of the project. The applicant may sell the remediation tax credits to another Missouri taxpayer.
- **Loan or Guarantee Funds**
The applicant may use the guaranteed loan or direct loan funds to finance capital improvements at the project location. Loan proceeds may not be used for working capital, refinancing, inventory, purchase

ECONOMIC DEVELOPMENT INCENTIVES

of stock from existing owners or other operating costs of the business or another entity.

- **Brownfield Tax Benefits**
The operator or lessees may obtain (for up to ten years), tax credits between \$500 and \$1,300 per year for each new job created; tax credits based on 2% (annually) of new capital investment; and a 50% income exemption. The city must provide real property tax abatement (for up to 15 years).
- **Due Diligence Matching Grant**
A public entity may request grant funding (up to \$100,000 per project or 50% of the cost) to fund a feasibility study on an eligible facility. The other 50% may be from the public entity or private sources.
- **Grant for Public Infrastructure**
The public entity may also request grant funding for public capital improvements for up to \$1 million (less any funds provided by loans or guarantees for the same project). The public entity and owner must demonstrate the inability to finance the entire amount of improvements to be considered for grant funding.
- **Demolition Tax Credits**
DED may issue "demolition" tax credits for non-remediation demolition costs. The amount of demolition tax credits is also limited to the net state economic impact of the project. The demolition must be part of a city (or county) and state approved redevelopment plan. These credits are not transferable.

APPLICATION PROCEDURE

An applicant must submit an application to DED for determination of eligibility. An application should also be submitted for remediation tax credits, Brownfield tax benefits, demolition tax credits, loan guarantees, a direct loan, and/or grant funding.

An application must also be submitted to the Department of Natural Resources (DNR) for participation in the "Voluntary Cleanup Program". Acceptance into this program is a requirement of the Brownfield Redevelopment Program.

There are no application deadlines, and the program is non-competitive. Eligible projects are approved based on having a positive net state economic impact and the applicant's need for incentives.

The application, guidelines and other program information is available at www.missouridevelopment.org/business/economicassistancecenter/guidesandapps.shtml

APPROVAL METHOD

The remediation tax credits may be provided to the building owner upon documentation of actual expenses, except that at least 25% may be retained

ECONOMIC DEVELOPMENT INCENTIVES

until the "clean letter" has been provided in conjunction with the Voluntary Cleanup Program.

FUNDING LIMITS

The total state costs of the project (tax credits, loans, grants) must be less than the projected new state economic impact of the project. DED will determine the economic impact for each project.

The program provides state tax credits for up to 100% of remediation costs and up to 100% of non-remediation demolition costs. Guaranteed loans or direct loans to an owner or operator of the property are limited to \$1 million. Grants to public entities are also available up to \$100,000 or 50% for feasibility studies or other due diligence costs. Grants can also be issued up to \$1 million for the improvement of public infrastructure for the project. The total of grants, loans or guarantees cannot exceed \$1 million per project.

Contacts:

MO Department of Economic Development
Community Redevelopment
301 West High Street; P.O. Box 118 Room 770
Jefferson City, MO 65102
Phone: 573-522-8004 Fax: 573-522-9462
E:mail: mlinder@ded.state.mo.us

City Brownfield Office:
Andrew Bracker
Brownfield Coordinator
10th Floor, City Hall
414 East 12th Street
Kansas City, MO 64106
(816) 513-3002 Phone
(816) 513-2878 Fax
andrew_bracker@kcmo.org

MISSOURI DEVELOPMENT FINANCE BOARD TAX CREDIT FOR CONTRIBUTION

BACKGROUND

The Missouri Development Finance Board (the "Board") is authorized by Section 100.286(6) of the Missouri Statutes (the "Tax Credit Statute") to grant a tax credit equal to 50% of any moneys contributed by any taxpayer. The Contribution must be made to one of three "funds" established by the Board's statutes: the "industrial development and reserve fund," the "infrastructure development fund," or the "export finance fund." Contributions to the "industrial development guarantee fund" are not eligible to receive a credit.

THE BOARD'S TAX CREDIT

Upon acceptance of Contributions (the "Contribution") and submission of the necessary forms, the taxpayer making the Contribution (the "Donor") will be issued a certificate evidencing a state tax credit (the "Tax Credits") in an amount equal to 50% of the amount of the Contribution (the "Contribution Proceeds").

Tax Credits are to be taken in the taxpayer's current tax year, although such credit may be carried forward for up to five years. Credits may be sold for not less than 75% or more than 100% of their par value, provided that all credits must be claimed within ten years of the date the Contribution is made.

The Tax Credit Statute entitles the Donor (individuals, estates, trusts, and corporations) to receive a credit upon any tax otherwise due under Chapter 143 (excluding 143.192 to 143.261), Chapter 147, and Chapter 148 of the Missouri Statutes. The exclusions are certain withholding taxes identified in the Tax Credit Statute.

FORM OF APPLICATION

For a copy of the Board's Tax Credit for Contribution Program Application, please contact the Board office. The application should be used by persons wanting to submit a request to the Board for the consideration of the acceptance of Contributions. The Board reserves the right to reject any Contribution. Each Application must be submitted by a public entity (the "Public Entity"). The Board will only consider Applications which have been submitted by a Public Entity and, in the case of any Public Entity created on behalf or for the benefit of another governmental entity, the written approval of the Application by such entity.

THE APPLICATION PROCESS

Preliminary Review of Draft of Completed Application. Once the Application is fully completed, the Applicant should submit three copies of the Application in draft form to the following address:

ECONOMIC DEVELOPMENT INCENTIVES

Missouri Development Finance Board
301 West High St., Room 680
P.O. Box 567
Jefferson City, MO 65102

Within approximately two (2) weeks from the receipt of the Application the Board will prepare a comment letter on the draft Application which will describe any additional information the Board determines is necessary to complete the Application. The Applicant should then address such comments before submitting an executed Application to the Board.

Submission of Completed Application. Once the Application is fully completed (which includes any changes or additional information requested by the Board pursuant to the preceding paragraph), the Applicant should submit to the Board twenty (20) copies of the final executed Application to the address set forth above. If the Executive Director determines that the Application is complete, the Executive Director will schedule the Application for consideration at the Board's next regularly scheduled meeting.

Consideration of the Application. The Board will notify the Applicant as soon as possible of the time and date of the Board meeting. At such meeting the Applicant will be expected to make a complete and detailed presentation concerning the matters covered by the Application. When such presentation is complete the Board shall act upon such Application. The Board reserves the right to postpone any action on the Application and to request additional information the Board determines is necessary to properly consider the Application.

Approval. If the Board approves the Application the Board will adopt a Resolution to the effect that the Application has been Approved by the Board. The Applicant and the Board will then proceed to prepare the Tax Credit Agreement for execution and delivery. This agreement defines the relationship between the Applicant and Board and governs the use of Contributions made available to the Applicant for the Project.

EVALUATION CRITERIA

For the Board to accept a Contribution under the Tax Credit Statute the Contribution must be used for a purpose for which the Board was created. The Board's principal statutory mandates are set forth in Sections 100.250 to 100.297 of the Missouri Statutes and in summary authorize the Board to provide assistance for:

- (a) economic development Projects;
- (b) qualified infrastructure facilities; and
- (c) export trade activities within the state.

Contributions Conditioned Upon the Use of Contribution Proceeds for Eligible Projects.

In the event a Contribution set forth in an Application is **conditioned upon** the Board applying the Contribution Proceeds in a specific manner, the Board will review the Application based upon the following criteria to determine whether to accept the Contribution:

ECONOMIC DEVELOPMENT INCENTIVES

- (a) will the Board's use of the Contribution be consistent with the Board's statutory mandates;
- (b) will the impact of the Board's use of the Contribution result in a clearly definable benefit to the State (the Board may require the Applicant to submit a financial forecast evidencing the net economic benefit to the State);
- (c) will the definable benefit to the State be commensurate with or greater than the amount of the tax credit;
- (d) will the Board's use of the Contribution duplicate other public programs or efforts;
- (e) will the Board's use of the Contribution have a material impact upon another person's decision to remain, expand, or locate within the State;
- (f) will the Board's use of the Contribution have a material impact upon the retention or creation of jobs within the State;
- (g) will the Board's use of the Contribution contribute to the expansion of the property tax base of the State;
- (h) will the Board's use of the Contribution unduly increase the value of property owned or controlled by the Donors;
- (i) will the Board's use of the Contribution assist in the development of a "blighted area" (as defined by Missouri Statutes);
- (j) will the granting of the tax credit impose a financial hardship upon the general revenues of the State;
- (k) will the granting of the tax credit impose a financial hardship upon the tax revenues otherwise received by the locality and its political subdivisions; and
- (l) are local public entities contributing a commensurate share toward the costs of the Project.

The decision to accept any Contribution with stated conditions will be made by the members of the Board after consideration of the foregoing factors. The Board reserves the right to approve in whole or in part or reject any request and to request any additional it deems necessary.

ELIGIBLE PROJECTS

The Board's statutes grant the Board the authority to apply the Contribution in any manner in which funds deposited into the funds established by the Board's statutes may be used. The Board's statutes generally permit moneys in each of the funds to be used to secure bonds issued by it or other issuers, guarantee loans made by eligible lenders, make loans from moneys in such fund, and with respect to moneys in the infrastructure development fund, make **grants to state agencies and local political subdivisions**. The Board may also acquire property with such funds, provided such property qualifies as a "Project" within the meaning of the Board's statutes. A Project is defined as follows:

"Infrastructure facilities" means the highways, streets, bridges, water supply and distribution systems, mass transportation facilities and equipment, telecommunication facilities, jails and prisons, sewers and sewage treatment facilities, wastewater treatment facilities, airports, railroads, reservoirs, dams and waterways in this state, acquisition of blighted real estate and the

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improvements thereon, demolition of existing structures and preparation of sites in anticipation of development, public facilities and any other improvements provided by any form of government or development agency. **"Project"** means the purchase, construction, extension, and improvement of real estate, plants, buildings, structures, or facilities, whether or not now in existence, used or to be used primarily as a factory, assembly plant, manufacturing plant, fabricating plant, distribution center, warehouse building, office building, port terminal or facility, transportation and transfer facility, industrial plant, processing plant, commercial or agricultural facility, nursing or retirement facility or combination thereof, recreational facility, cultural facility, public facilities, job training or other vocational training facility, infrastructure facility, video-audio telecommunication conferencing facility, office building, facility for the prevention, reduction, disposal or control of pollution, sewage, or solid waste, facility for conducting export trade activities, or research and development building in connection with any of the facilities defined as a Project in this subdivision. The term "Project" shall also include any improvements, including, but not limited to, road or rail construction, alteration or relocation, and construction of facilities to provide utility service for any of the facilities defined as a project under this subdivision, along with any fixtures, equipment, and machinery, and any demolition and relocation expenses used in connection with any such projects and any capital used to promote and facilitate such facilities and notes payable from anticipated revenue issued by any development agency. If the Donor is a for-profit private corporation or person the Board will not use the Contribution in a manner which will **directly or indirectly benefit** the Donor beyond the benefit conferred by the credits unless the Donor demonstrates to the sole satisfaction of the Board that such use is based upon fair market value considerations and is an arms-length transaction from the Donor.

REIMBURSEMENT

In the event a Public Entity uses any of the Contribution Proceeds to directly benefit a Donor or a private for-profit corporation or business, the Board shall require the Public Entity to impose upon such private business an obligation to reimburse the state for the cost of such credits over a time period determined by the Board. Exceptions to this reimbursement requirement may be made if the Board determines that the Project is of extraordinary benefit to the State of Missouri and that the Project would not be completed but for the Board's Application of the Contribution Proceeds without the requirement of reimbursement.

FEES AND COSTS

Concurrently upon the receipt of each Contribution the Board shall deduct an administrative fee in an amount equal to:
2% of the amount of all authorized Contributions of \$1,000,000 or less;
1% of the amount of all authorized Contributions in excess of \$1,000,000;

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and the Board's actual out-of-pocket legal expenses (the fees and expenses of the Board's counsel) incurred by the Board in the execution and administration of a Tax Credit Agreement.

To request a copy of the Board's Tax Credit for Contribution Program Application, please contact the Board at:

MISSOURI DEVELOPMENT FINANCE BOARD

Harry S Truman State Office Building

P.O. Box 567

Jefferson City, Missouri 65102

Contact Person: Robert V. Miserez

Phone: (573) 751-8479

Fax: (573) 526-4418

E-Mail: mdfb@mail.state.mo.us

Website: www.mdfb.org

For additional information contact:

Gabriel Okafor

Economic Development & Business Assistance

City Planning & Development Department

16th Floor, City Hall

414 E. 12th Street

Kansas City, MO 64106

(816) 513-2889 Phone

(816) 513-2878 Fax

gabriel_okafor@kcmo.org

EDC LOAN CORPORATION

The EDC Loan Corporation offers subordinated debt, fixed-rate loans to finance fixed assets, property purchases and improvements. There are three programs and while the three programs vary in their use, application and eligibility criteria, each is designed to provide low-cost financing to help small and mid-sized businesses grow and expand.

LOAN CORPORATION PROGRAMS

1. **EDC/SBA 503/504 Debenture Loans** provide financing for fixed assets, property and property improvements. The EDC/SBA can help finance projects at Treasury Bond rates.
2. **EDC Revolving Loan Fund** provides fixed asset financing, property and property improvement loans. Loans are made for up to 40% of project costs or \$100,000 at rates 2 to 4 points below prime.
3. **The Neighborhood Commercial Revolving Loan Fund** provides financing for site, property and leasehold improvements. Financing is provided at 5% interest in amounts from \$3,000 to \$50,000.

EDC/SBA 503/504 DEBENTURE LOANS

In 1980, the EDC was designated by the U.S. Small Business Administration as a Certified Development Company under the Amended Small Business Investment Act of 1958 to assist in the growth and expansion of small and medium-sized businesses. The 503/504 Loan Program is a cooperative effort between public and private sectors designed to create and sustain jobs within Kansas City, Missouri.

The loans may be used for the following:

- Land and building acquisition
- Construction
- Renovation
- Machinery
- Equipment
- Project related fees

ELIGIBLE USE OF TAX CREDITS

The tax credits may be used to offset Missouri income tax liability imposed pursuant to Chapter 143 and Chapter 148 RSMo, except sections 143.191 to 143.265, RSMo.

Credits may be used in the year provided. Excess credits may be carried back three years and/or carried forward 10 years. The tax credits issued for costs incurred after August 28, 1998 are sellable and transferable.

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APPLICATION PROCEDURE

The applicant will submit an application to DED, which will then submit the information to the State Historic Preservation Office to determine the eligibility of the property and proposed rehabilitation, based on the standards of the US Department of the Interior. There are no application deadlines, and the program is non-competitive.

SPECIAL PROGRAM REQUIREMENTS

An eligible property must be (a) listed individually on the National Register of Historic Places, or (b) certified by the MO Department of Natural Resources as contributing to the historical significance of a certified historic district listed on the National Register, or (c) of a local historic district that has been certified by the US Department of the Interior.

The costs and expenses associated with the rehabilitation must exceed 50% of the total basis of the property (acquisition cost).

The application, guidelines and other program information are available at www.ded.state.mo.us/communities/communitydevelopment/htc/

Contacts:

Department of Economic Development

Community Redevelopment

301 W. High St., P.O. Box 118

Jefferson City, MO 65102

Phone: 573-522-8004

Fax: 573-522-9462

Website:

www.missouridevelopment.org/communities/communitydevelopment/htc/

E-mail: rchruma@ded.state.mo.us

Economic Development Corporation

10 Petticoat Lane

Kansas City, MO 64106

(816) 221-0636 Phone

(816) 221-0189 Fax

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