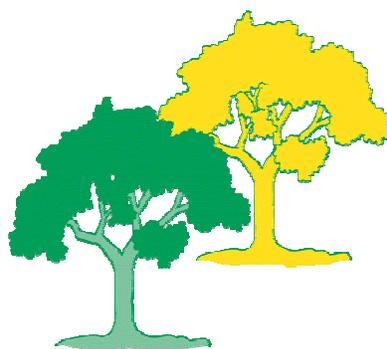


City of Oak Grove, Missouri
Economic Development Incentives Policy



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POLICY INTRODUCTION

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

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

The decision to grant incentives will be based on a “case by case” review of each incentive application and offered only upon a clear demonstration of substantial and significant public benefit. Accordingly, the Oak Grove Board of Alderman is not obligated to approve any requested incentive and reserves the right to deviate from the policies and criteria contained herein under its sole discretion when deemed to be in the best interest of the City.



TAX INCREMENT FINANCING

Overview

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

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

Statutory Requirements

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

Policy Guidelines

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

1. Demonstrates a substantial and significant public benefit by constructing public improvements that strengthen the economic and employment base of the City; and serves as a catalyst for further high quality development or redevelopment.
2. TIF assistance may be provided for improvements that create significant public benefit(s).
3. Expenses eligible for reimbursement under TIF include but are not limited to the following:
 - a. Studies, surveys, plans and specifications.

- b. Professional services such as architectural, engineering, legal, marketing, financial, and planning.
 - c. Site preparation, including demolition of structures, clearing and grading of land.
 - d. Constructing public infrastructure such as streets, sewers, utilities, parking, and lighting.
 - e. Financing costs including bond issuance.
 - f. Relocation costs if persons or businesses within the redevelopment area are displaced.
4. Applications which include TIF assistance for land acquisition and residential development will be discouraged unless creatively integrated into a large scale mixed-use project.
 5. TIF applications requesting the issuance of bonds or notes shall be required to demonstrate that the payments-in-lieu of taxes and/or economic activity taxes expected to be generated will be sufficient to provide debt service coverage of at least 1.25 times the projected debt service on any tax increment financing bonds or notes.
 6. TIF assistance to the project should generally not exceed 15 percent of total project costs. However, project assistance above 15 percent may be considered in circumstances where the developer: 1) has a proven track record in completing successful projects comparable in scope and scale; 2) documents the developer's financial capacity to complete the proposed project; and 3) demonstrates that tenant commitments are already in place for a significant portion of the proposed project.
 7. Applications that include the utilization of a Community Improvement District (CID), Neighborhood Improvement District (NID), Transportation Development District (TDD) or other private or public financing mechanisms that result in reducing the term of the TIF project will be viewed more favorably.
 8. Evidence the applicant has thoroughly explored alternative financing methods and has a track record which demonstrates the financial and technical ability to complete the project.
 9. Generally, TIF applications which encompass a project area of less than 10 acres will be discouraged.

City Application/Approval Process

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. An application may then be submitted to the Community Development Department for review and processing. A copy of the formal application may be obtained through the Community Development Department. The applicant may be required to enter into a funding agreement with the City to cover the City's expenses associated with the TIF consideration and approval process.

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



CHAPTER 100 INDUSTRIAL REVENUE BONDS

Overview

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

Upon the issuance of Chapter 100 bonds, the municipality may provide tax abatement on the bond-financed property over the term of the bonds. Under this arrangement, the city retains ownership of the real and/or personal property and leases it back to the company under a lease-purchase agreement. Through the lease agreement, the company is responsible for making payments that are sufficient to pay the principal and interest on the bonds as they come due. Most commonly, the bonds are purchased by the company.

Because title to the property is held in the name of the city during the lease term, the property acquired with the bond proceeds is tax exempt. The company then assumes ownership at the end of the term of the bonds. In addition to property tax abatement, the company also benefits from a sales tax exemption for construction materials and/or equipment for the project.

Statutory Requirements

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

Policy Guidelines

In addition to complying with the statutory requirements referenced above, the City has established several criteria that will be used to review and evaluate applications for Chapter 100 financing and tax abatement. To qualify for Chapter 100 tax abatement, each of the following should be satisfied:

1. Show a clear demonstration of public purpose and economic benefit through the advancement of the City’s economic development goals, which include expanding the tax base, creating quality jobs, and spurring development in targeted City locations.

2. Demonstrate the project would not occur “but for” the incentives offered. The incentive should make a difference in determining the decision of the business to locate, expand or remain in the City; and would not otherwise occur without the availability of the abatement.
3. Include evidence provided by the business that demonstrates the company’s financial stability and capacity to complete the project.
4. Not result in the City, County, Oak Grove School District or any other taxing jurisdiction affected by the incentive receiving less total real and personal property tax revenue from the property than was received prior to the granting of tax abatement.
5. Include a capital investment valued at \$5 million or more for a new business or \$2 million or more for expansion of an existing business.
6. Comply with the City’s Comprehensive Plan.
7. Be environmentally compatible with the specific location and the surrounding area. Preference will be given to businesses that do their own pre-treatment or do not require extensive environmental controls.
8. Comply with the statutory requirements set forth in Sections 100.010 to 100.200 RSMo.

Chapter 100 applications that do not meet all of these criteria may be approved if the application clearly demonstrates that the project, as a whole, is of vital economic interest to the City.

City Application/Approval Process

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. An application may then be submitted to the Community Development Department for review and processing. A copy of the formal application form may be obtained through the Community Development Department.

If the project meets the policy guidelines outlined above, the company will be invited to submit a “plan for industrial development” as outlined under Section 100.050 RSMo. The “*Plan for Industrial Development*” may then be considered for formal approval by the Oak Grove Board of Alderman.

Following approval of the “*Plan for Industrial Development*”, the City and the applicant shall enter into a Chapter 100 lease-purchase agreement which will govern the terms of the abatement. The agreement shall require that an annual report be submitted to the City by March 1 of each year. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting of project. The agreement may include a claw-back provision requiring specified performance on issues such as new jobs created as a condition for granting and maintaining the abatement.



CHAPTER 353 TAX ABATEMENT

Overview

Chapter 353 tax abatement is an incentive allowed by Missouri law to encourage the redevelopment of blighted areas through the abatement of real property taxes and, where appropriate, the use of eminent domain. To be eligible for tax abatement, either the City or a private entity must form an Urban Redevelopment Corporation (URC) pursuant to the Urban Redevelopment Corporations Law. In order to establish an URC, articles of association must be prepared in accordance with the general corporation's law of Missouri.

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

Statutory Requirements

By law, the City must determine that certain requirements have been met before approving a development plan filed by the Urban Redevelopment Corporation (URC). These requirements are set forth under 353.020 to 353.150 of the Revised Statutes for the State of Missouri (RSMo).

Policy Guidelines

In accordance with Missouri law, the City of Oak Grove will consider the granting of Chapter 353 where the property has been found to be a "blighted area". In addition to this statutory requirement, each of the following criteria should be satisfied:

1. Show a clear demonstration of public purpose and economic benefit through the advancement of the City's economic development goals which include expanding the tax base, creating quality jobs, and spurring development in targeted City locations.
2. Demonstrate the project would not occur "but for" the incentives offered. The incentive should make a difference in determining the decision of the business to locate, expand or remain in the City and would not otherwise occur without the availability of the abatement.

3. Include evidence provided by the business that demonstrates the company's financial stability and capacity to complete the project.
4. Not result in the City, County, Oak Grove School District or any other taxing jurisdiction affected by the incentive receiving less total real and personal property tax revenue from the property than was received prior to the granting of tax abatement.
5. Include a capital investment valued at \$5 million or more for a new business or \$2 million or more for expansion of an existing business.
6. Comply with the statutory requirements set forth in Sections 353.020 - 353.150 RSMo.

Chapter 353 applications which do not meet some of these criteria may be approved if the application clearly demonstrates that the project, as a whole, is of vital economic interest to the City.

City Application/Approval Process

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. An application may then be submitted to the Community Development Department for review and processing. A copy of the formal application form may be obtained through the Community Development Department.

If the project meets the policy guidelines outlined above, the URC will be invited to submit a redevelopment plan covering the area proposed for redevelopment. The redevelopment plan, which shall include a blight study, will then be considered for formal approval by the Oak Grove Board of Alderman after a required public hearing.

Following approval of the redevelopment plan, the City and the URC shall enter into a performance agreement which will govern the terms of the abatement. The agreement shall require that an annual report be submitted to the City by March 1 of each year. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting of project. The agreement may include a claw-back provision requiring specified performance on issues such as new jobs created as a condition for granting and maintaining the abatement.



NEIGHBORHOOD IMPROVEMENT DISTRICTS

Overview

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

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

Statutory Requirements

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

Policy Guidelines

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

City Application/Approval Process

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

certain conditions a cooperative agreement may be required to establish the terms of the relationship between the City and the NID board.



COMMUNITY IMPROVEMENT DISTRICTS

Overview

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

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

Statutory Requirements

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

Policy Guidelines

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

City Application/Approval Process

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

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



TRANSPORTATION DEVELOPMENT DISTRICTS

Overview

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

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

Statutory Requirements

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

Policy Guidelines

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

City Application/Approval Process

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

circuit court, the City and the TDD board shall enter into a cooperative agreement for the purpose of establishing the terms of the relationship between the City and the board.



MISSOURI DOWNTOWN ECONOMIC STIMULUS ACT

Overview

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

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

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

Statutory Requirements

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

Policy Guidelines

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



SALES TAX REIMBURSEMENT AGREEMENTS

Overview

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

Statutory Requirements

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

Policy Guidelines

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

1. Demonstration that the project would prevent a significant loss in existing sales tax revenue or make a significant contribution to the overall health and well-being of the local economy.
2. Show a clear demonstration of public purpose and economic benefit through the advancement of the City's economic development goals, which include the retention and expansion of the tax base and job retention and creation.
3. Demonstrate that the project would not occur "but for" the incentives offered. The incentive should make a difference in determining the decision of the business to expand or remain in the City and would not otherwise occur without the availability of the sales tax reimbursement.
4. Include evidence provided by the company that demonstrates the firm's financial stability and capacity to complete the project.

5. Not result in the City or any other taxing jurisdiction affected by the incentive receiving less total sales tax revenue from the property than was received prior to the granting of the sales tax reimbursement.
6. The term of the reimbursement should not extend beyond 10 years from approval.

City Application/Approval Process

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. An application may then be submitted to the Community Development Department for review and processing. A copy of the formal application form may be obtained through the Community Development Department.

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