

2012

City of  
Butler,  
Missou  
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**[ECONOMIC  
DEVELOPMENT  
INCENTIVES POLICIES]**

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\*The City of Butler has agreed to participate with the Bates County to establish an Enhanced Enterprise Zone incentive program. Bates County is submitting an application to the Missouri Department of Economic Development for approval of this incentive program. Resolution No. 386 approved by the City Council on May 15, 2012 which supports and outlines the Bates County Enhanced Enterprise Zone program is included with this document.

## The Electric City's Policy Introduction

The City of Butler 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 sometime 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 property owners.

The applicability of the various incentive programs frequently varies for specific projects. Some incentives may pertain to specific types of businesses or certain parts of the City, while others will be linked to specific goals and objectives the City Council desires for Butler.

The decision to grant incentives therefore will be based on one or more of the following criteria: (1) the applicability of each program to specific projects; (2) the role individual projects play in achieving long-range goals and objectives adopted by the Butler City Council; (3) the role any project might play in eliminating blighted conditions in certain parts of the City; and, (4) the financial “return on investment” anticipated for the City to be generated by projects for which incentives are granted.

The Butler City Council is under no obligation to approve any requested incentives that are not required by state statute and/or local ordinance, and it reserves the right to deviate from the policies and criteria contained herein under its sole discretion when deemed in the best interests 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**”) following completion of a development 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 a maximum of 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.

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

- a. Studies, surveys, plans and specifications.
  - b. Professional services such as architectural, engineering, legal, marketing, financial, and planning.
  - c. Site preparation, including demolition of structures, clearing and grading of land.
  - d. Constructing public infrastructure such as streets, sewers, utilities, parking, and lighting.
  - e. Financing costs including bond issuance.
  - f. Relocation costs if persons or businesses within the redevelopment area are displaced.
4. Applications which include TIF assistance for land acquisition and residential development will be discouraged unless creatively integrated into a large scale mixed-use project.
5. TIF applications requesting the issuance of bonds or notes shall be required to demonstrate that the payments-in-lieu of taxes and/or economic activity taxes expected to be generated will be sufficient to provide debt service coverage of at least 1.25 times the projected debt service on any tax increment financing bonds or notes.
6. TIF assistance to the project should generally not exceed 25 % of total project costs. However, project assistance above 25% 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.
  - (4) demonstrates the need for additional assistance in order to achieve a reasonable rate of return 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 should be provided that 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 3 acres will be discouraged.

10. 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

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

The applicant is required to first meet with staff in a pre-qualification conference to determine project

eligibility. If eligible then an application may be obtained from the City and submitted for review and consideration. The applicant may be required to enter into a funding agreement with the City to

**cover the City's expenses associated with the TIF consideration and approval process.**

Following a public hearing before the City's TIF Commission and approval of the TIF Plan by the City

Council, the City and the applicant shall enter into a redevelopment agreement for the purpose of

governing the implementation of the TIF Plan.

## **CHAPTER 100 INDUSTRIAL REVENUE BONDS**

### **Overview**

Missouri law authorizes municipalities, counties, towns and villages to issue Industrial Revenue Bonds to finance industrial development projects for private corporations, partnerships or individual companies. Under Chapter 100, the city issues bonds to finance real and/or personal property for eligible development projects. Eligible projects include warehouses, distribution facilities, research and development facilities, office industries, agricultural processing facilities, service facilities (which provide interstate commerce); and manufacturing plants. Upon the issuance of Chapter 100 bonds, the municipality may provide tax abatement on the bond-financed property over the term of the bonds. Under this arrangement, the City retains ownership of the real and/or personal property and leases it back to the company under a lease/purchase agreement. Through the lease agreement, the company is responsible for making payments that are sufficient to pay the principal and interest on the bonds as they come due. Most commonly, the bonds are purchased by the company.

Because title to the property is held in the name of the city during the lease term, the property acquired with the bond proceeds is tax exempt. The company then assumes ownership at the end of the term of the bonds. In addition to property tax abatement, the company 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. Ensure the City, County, Butler School District, or any other taxing jurisdiction affected by the incentive would not receive 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 \$2.0 million or more for a new business or \$500,000 or more for expansion of an existing business to qualify for real and personal property tax abatement for a period of time not to exceed twenty years, or some equivalent combination of abatement percentage and years. The amount of real and personal property tax abatement is to be negotiated between the City and the company.
6. Payments in lieu of taxes are required to be made by the company for that portion of the real and personal property tax that is not abated and shall be paid annually by December 31 of each year, and are distributed to the City and to each political subdivision in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law.
7. The company may apply to the Missouri Department of Economic Development for a sales tax exemption as allowed under Section 144.054.3 of the Missouri Revised Statutes to receive a sales tax exemption on all personal property purchased through the Industrial Revenue Bond transaction.

The City may also issue the company a sales tax exemption certificate so that materials used in

constructing any real property improvements can be exempt from sales taxes.

**8. Comply with the City's Comprehensive Plan.**

9. Be environmentally compatible with the specific location and the surrounding area.

Preference will

be given to businesses that do their own wastewater discharge pre-treatment or do not require extensive environmental controls.

10. 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. If eligible then an application may be obtained from the City and submitted for review and consideration. The applicant may be required to enter into a funding agreement with the

**City to cover the City's expenses associated with the Chapter 100 Industrial Revenue Bond consideration and approval process.** If the project meets the policy guidelines outlined above, the

**company will be invited to submit a "plan for industrial development" as outlined under Section 100.050**

**RSMo. The "plan for industrial development" will then be considered for formal approval by the Butler**

**City Council. Following approval of the "plan for industrial development", the City and the applicant**

**shall enter into a Chapter 100 lease-purchase agreement which will govern the terms of the abatement.**

The agreement shall require that an annual report be submitted to the City by March 1 of each year. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting of 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 corporations law of Missouri. Under Chapter 353, tax abatement on real property taxes is available for a period up to 25 years. For the first 10 years, the statute provides for a 100% abatement on the increased assessed value of the improvements on the property (excluding land). For the next 15 years, Chapter 353 allows for a 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 Butler 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. Ensure that the City, County, or Butler School District\_or any other taxing jurisdiction affected by the incentive would not receive less total real and personal property tax revenue from the property than was received prior to the granting of the tax abatement.
5. Include a capital investment valued at \$2.0 million or more for a new business or \$500,000 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. If eligible then an application may be obtained from the City and submitted for review and consideration. The applicant may be required to enter into a funding agreement with the

City to cover the City's expenses associated with the Chapter 353 Tax Abatement consideration and approval process. 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 Butler City Council 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 public improvements assessed against property owners in the district are apportioned in a manner commensurate to the amount of benefit received from such improvements.

The creation of a NID may be established by one of two methods. The first is by a favorable vote of qualified voters living within the boundaries of the proposed district. The second is

through a proper petition signed by at least two-thirds of the owners of record of all real property within the proposed district. In both instances, approval by the City Council is required in order to establish the NID.

### **Statutory Requirements**

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

### **Policy Guidelines**

The City of Butler is prepared to approve petitions for Neighborhood Improvement Districts (NID) to facilitate business activity and economic development within Butler. 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 pre-qualification conference to determine project eligibility. Once deemed eligible, the property owners(s) may file a petition or submit a written request for an election to be held pursuant to RSMo. 67.453 - 67.475. **The petition or request for an election should be submitted to the City Clerk.** Petitions that comply with the statutory requirements will be forwarded to the City Council for consideration. Under certain conditions a cooperative agreement may be required to establish the terms of the relationship between the City and the NID board.

## **COMMUNITY IMPROVEMENT DISTRICTS**

### **Overview**

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

A CID may be established either as a separate political subdivision that is distinct from the municipality or as a not-for-profit corporation. If the CID is organized as a political subdivision,

the District can impose a sales tax up to 1% on most retail sales and/or a real property tax. If the CID is organized as a non-profit corporation, it may only impose special assessments to finance the cost of improvements and services. The District, if desired, may issue tax-exempt revenue bonds to finance capital improvement projects for up to 20 years. Responsibility for repayment of the bonds lies solely with the District. As such, the City does not pledge its full faith and credit behind the repayment of the bonds. In terms of governance, a board of businesses, property owners, and voters either elected or appointed by the City Council would oversee District activities. If the District is funded solely through special assessments, a nonprofit agency could serve as the administrator. Although the CID is established with the approval of City Council, one formed the District operates independently in accordance with the provisions set for the 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 Butler is prepared to approve petitions for Community Improvement Districts (CID) to facilitate business activity and economic development within Butler provided the petition meets the statutory requirements referenced above.

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

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

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

## **TRANSPORTATION DEVELOPMENT DISTRICTS**

### **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 of 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, and 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 for the under Sections 238.200 - 238.275 of the Revised Statutes for the State of Missouri (RSMo).

### **Policy Guidelines**

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

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

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

## **MISSOURI DOWNTOWN ECONOMIC STIMULUS ACT**

### **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 of the State of Missouri (RSMo).

### **Policy Guidelines**

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

### **“MODESA-Lite”**

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

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

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

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

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

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

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

## **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 Butler 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. Demonstrate 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. Ensure the City or any other taxing jurisdiction affected by the incentive is not receiving less total sales tax revenue from the property than was received prior to the granting of the sales tax reimbursement.
6. Generally ensure 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. If eligible then an application may be obtained from the City and submitted for review and consideration. The applicant may be required to enter into a funding agreement with **the City to cover the City's expenses associated with the Sales Tax Reimbursement** consideration and approval process. Upon consent from the City Council, the City and an applicant will enter into a performance agreement. The agreement shall require that annual reports 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.

**BUTLER HAD AN ENTERPRISE ZONE WHICH EXPIRED IN  
DECEMBER OF 2008. THE CITY'S POLICY WILL HAVE TO COMPLY  
WITH THE ENHANCED ENTERPRIZE ZONE POLICY WHEN IT IS  
APPROVED FOR BATES COUNTY**

**ENHANCED ENTERPRISE ZONES**

**Overview**

The Missouri Enhanced Enterprise Zone (EEZ) program gives cities authority to partner with the State in providing financial incentives for qualifying projects. Butler offers Missouri's most aggressive EEZ program, with Zones covering approximately 50% of the City's territory. They enable Butler to promote a wide variety of business projects.

The program consists of two types of financial incentives for qualifying projects: local property tax

abatements and state income tax credits. Developments within Tax Increment Financing (TIF) districts

that predate establishment of the EEZ program must comply with provisions of the TIF plan and may

not be qualified for the EEZ local property tax abatements.

**Statutory Requirements**

Development projects proposed for EEZ benefits must meet statutory conditions required by the State of Missouri in Sections 135.950 to 135.973, RSMo. Projects must also meet conditions adopted in City Ordinance Number 6102, Bill Number 6319, dated June 12, 2007.

### **Policy Guidelines**

Businesses must be located in approved EEZones to be eligible for the program. EEZones are specified geographic areas designated the City and certified by the Department of Economic Development (DED). Butler has three designated EEZones. The potential tax credits and property tax abatements are the same in all of the areas.

### **Types of Projects Eligible for Possible Participation**

Qualifying projects must meet defined standards for participation in the EEZ program. Eligibility criteria are:

(1) Minimum investment and employment criteria, in accordance with state and local guidelines, must be met in order for projects to qualify for the program. The minimum investment and employment criteria are:

- **New or expanded business facilities - 2 new employees and \$100,000 new investment**
- **Replacement business facilities - 2 new employees and \$1,000,000 new investment.**

(2) Projects must be for business and industry types specifically authorized by the State of Missouri

and Butler City Ordinance to be eligible for the EEZ program. Businesses must fall within the North American Industry Classification System (NAICS) industry codes approved by Butler. Certain types of businesses and industry clusters are not available for participation in EEZ programs.

They include:

- **Gaming establishments (NAICS sector 7132)**
- **Retail trade (NAICS sectors 44 and 45)**
- **Educational services (NAICS sector 61)**
- **Religious organizations (NAICS sector 8131)**
- **Public administrators (NAICS sector 92)**
- **Food and drinking places (NAICS subsector 722) are prohibited by statute from participating in the program.**

Service industries may be eligible if a majority of their annual revenues will be derived from non-Missouri sources. Headquarters or administrative offices of otherwise excluded businesses may qualify if the offices serve a multi-state territory. Companies applying for benefits under the EEZ program cannot have announced their projects or started construction prior to the approval process.

### **Local Property Tax Abatements**

Butler provides a minimum of local property tax abatements of 50% for ten years for expenditures related to qualified EEZ projects. The tax abatements pertain to the amount of new property taxes resulting from projects. Pre-development property taxes remain unchanged and are payable to local governmental entities.

The City also will consider a higher level of property tax abatements for projects that involve investments of \$5,000,000, or for ones that result in the creation of 30 new jobs. Projects that do not quite reach those levels, but which have combined investment and job creation figures that make them comparable developments, may be considered for abatements beyond the base 50% for ten years.

Butler is eager to partner with developers. The City therefore will consider property tax abatements of 50% for two years to private parties who, in compliance with state statutes, construct qualified speculative shell buildings at least 10,000 square feet in size.

### **State Income Tax Credits**

State of Missouri income tax credits may be provided each year for up to five tax years after qualifying projects commence operations. To receive tax credits for any of the years, facilities must create the minimum number of jobs and maintain the minimum investment levels. Companies continuing to expand can apply for the state tax credits for a second five-year period.

EEZ State income tax credits theoretically can equal up to 2% of the amount of the new investment.

Eligible investment expenditures include the original cost of machinery, equipment, furniture,

fixtures, land and buildings, and/or eight times the annual rental rate paid for the same. Inventory is not eligible.

This tax credit can be applied to Chapter 143 Income Taxes, not including withholding taxes, and they can only be applied to tax liabilities for the years in which they were earned. The tax credits are refundable, or they may be transferred, sold or assigned. The sales price of tax credits sold cannot be less than 75% of the actual amount of the credits awarded for projects.

The State of Missouri evaluates all applications separately, and companies seeking participation in the EEZ program must apply directly to DED for the income tax credits. The State applies a formula to applications to determine the amount of income tax credits it actually will award to qualified projects. Eligible projects will not necessarily receive the full amount of benefits from the State for which they might otherwise qualify, because there is an annual limit on the amount of income tax credits that can be awarded each year. Applicants therefore are strongly urged to discuss the program with Butler officials early in their deliberations to enhance chances of approval by the State.

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

Companies planning to either move to Butler or to expand existing facilities in the City should contact City Hall (660-679-4182) as soon as they begin actively considering their projects. Documentation will be provided to assist companies in applying for the program with the State and the City. It is important that the whole application process--with Butler for property tax abatements and with the State for the income tax credits--be conducted simultaneously to maximize possible benefits from the EEZ program.

### **Fee Schedule**

A minimum fee of \$300 is paid to the City at the time that the Missouri Department of Economic Development grants its approval of a project as qualifying for EEZ benefits or when the Board of Aldermen declare the project as eligible for the program. The fee is a variable amount based upon the total square footage of the development project. The maximum abatement fee applies to projects of 1.45 million square feet and over.

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