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## CHAPTER 100 INDUSTRIAL DEVELOPMENT BONDS

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### **Overview**

Sections 100.010 to 100.200 of the Revised Statutes of Missouri (“Chapter 100”) authorize municipalities, counties, towns and villages to issue Industrial Development Bonds, which are revenue bonds used 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 and manufacturing plants; and may apply to the financing of land, buildings, fixtures, and machinery.

Under this type of financing, the company passes title in the real or personal property involved to the City pursuant to a lease-purchase agreement. The lease-purchase agreement will provide that the City will issue the revenue bonds in the amount necessary to finance the purchase, new construction, or expansion contemplated for the project. Under the lease-purchase agreement, the City will retain ownership of the real and/or personal property and lease it back to the company. The rent charged to/paid by the company will be an amount sufficient to pay the principal and interest on the bonds as they come due. Most commonly, the bonds are purchased by the company. The lease-purchase agreement will also provide for the company to resume or assume ownership of the real and/or personal property once the bonds have been paid off.

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, which effectively results in tax abatement for the company. Under the City’s program, the company will be required to make payments in lieu of taxes (PILOTs) for a portion of the taxes it would have otherwise been required to pay. This is described in more detail in the Abatement Guidelines section below. 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. 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 new job opportunities and expanding the tax base from targeted industrial areas.
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. Demonstrate that the applicant has a sound financial base and has the capacity to complete the project. The City's Financial Advisor shall make recommendations to the City as to an applicant's financial stability.
4. Not result in the City, County, Liberty 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. Comply with the City's Comprehensive Plan and be appropriately zoned.
6. Be environmentally compatible with the specific location and the surrounding area. The proposed use must be clean, nonpolluting and consistent with all development ordinances and codes. The applicant is responsible for conducting all necessary environmental audits and taking any and all remedial action necessary as required by the City or any other governmental entity.
7. Comply with statutory requirements set forth in Sections 100.010 to 100.200 RSMo.

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.

## **Abatement Guidelines**

The City may issue Industrial Development Bonds in conjunction with other economic development tools in order to meet some or all of the objectives previously mentioned in this policy.

A. Standard Abatement

1. Up to 50% property tax abatement for ten (10) years for projects that invest at least \$6,000,000 or more for a new business or at least \$3,000,000 or more for expansion of an existing business.

B. Enhanced Abatement

1. Up to 75% property tax abatement for ten (10) years for businesses that invest at least \$6,000,000 or more for a new business or at least \$3,000,000 or more for expansion of an existing business and:
  - a. At least 50 new<sup>1</sup> full-time employees<sup>2</sup> will be hired as a result of the business.
  - b. The average wage of all full-time employees<sup>2</sup> exceeds the County average wage as published by the Missouri Department of Economic Development (DED)<sup>3</sup>.
2. As an additional enhancement, businesses that achieve any of the following standards may receive an additional bonus abatement for each satisfied standard (no business shall exceed 90% abatement):
  - a. For every 30 new<sup>1</sup> full-time employees<sup>2</sup> hired above the initial 50 to qualify for the enhanced abatement, a business may receive an additional 1% (not to exceed 10%).
  - b. For every 5% of full-time employees<sup>3</sup> that are paid above double the average County wage as published by the Missouri Department of Economic Development (DED)<sup>3</sup> may receive an additional 1% (not to exceed 10%).
  - c. A business that is located within a business park that is planned as a Green Park<sup>4</sup> may receive an additional 5%.
  - d. The particular building is LEED certified or is designed with a high attention to architectural detail and is comprised of high quality building materials may receive an additional 5%.

C. Science & Technology/Office Abatement

1. Up to 100% property tax abatement for ten (10) years for businesses that invest at least \$6,000,000 or more for a new business or at least \$3,000,000 or more for expansion of an existing business and:
  - a. The business must be a science, research technology, or engineering based business that is related to agricultural, biological, life sciences, informational technology, or engineering research.

or

The project must be a Class A<sup>5</sup> office building of at least three or more stories.

- b. The business and/or project must be located within science and technology designated priority areas.
- c. At least 30 new<sup>1</sup> full-time employees<sup>2</sup> to Liberty will be hired as a result of the business or project.
- d. The average wage of all full-time employees<sup>2</sup> exceeds the County average wage as published by Missouri Department of Economic Development (DED)<sup>3</sup>.

The portion of property taxes not abated pursuant to this program shall be paid to the City as PILOT's for distribution to the appropriate taxing jurisdiction(s). The level of enhanced abatement may increase or decrease annually based upon the satisfaction of the standards identified in Section B of this policy.

### **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 Planning Department for review and processing.

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 Liberty 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 the project, including certification on the number of employees (newly added during that period and existing) and associated wages.

The authority and decision to issue Industrial Revenue Bonds and grant tax abatements is vested solely with the Liberty City Council. This policy is intended to establish standards and guidelines to the City Council in considering both the Industrial Revenue Bonds and/or tax abatement applications. The decision to issue Industrial Revenue Bonds and/or tax abatements is discretionary and shall be considered on a case-by-case basis. The City Council is under no obligation to approve any requested bond issuance and/or tax abatement and reserves the right to deviate from the policies and criteria contained herein if, in the opinion of the Liberty City Council, circumstances exist to warrant such deviation, as long as any deviation does not conflict with state law. Property owners,

applicants and others are cautioned not to rely upon receipt of abatement until all steps for granting an exemption have been approved.

<sup>1</sup> Newly created job; new hire

<sup>2</sup> An employee of the company that is scheduled to work an average of at least 35 hours per week for a 12-month period.

<sup>3</sup> Average county wages are based on Census of Employment and Wages, Missouri Economic Research and Information Center (MERIC). Updates to be made annually.

<sup>4</sup> Green Park – A larger area rather than a single building that is designed with environment and renewable energy in mind. This could include wind turbines and solar power going back into a business park, use of bioswales, stormwater in basins/ponds used to irrigate common areas, use of native landscaping, use of recyclable building materials and preservation of habitat corridors.

<sup>5</sup> Class A office buildings generally attract high quality tenants, are in an excellent location and have good access and use high quality building materials (cost usually greater than \$150 per sq ft).