

City of Peculiar

Economic Development Incentive Policy

**A policy governing the use of public funding assistance for
development and redevelopment in Peculiar.**

Adopted by Resolution 2014-08
January 20, 2014

City of Peculiar Economic Development Policy

TABLE OF CONTENTS

Introduction and General Guidelines

Section 1. Purpose and Scope.....	1
Section 2. Objectives	1
Section 3. Definitions.....	1
Section 4. Application Process.....	2
Section 5. General Guidelines for Considering Applications.....	4
Section 6. Eminent Domain.....	7

Tax Increment Financing

Section 7. TIF Process.....	8
Section 8. Guidelines for Considering TIF Plans.....	9
Section 9. TIF Contract.....	10

Funding Districts

Section 10. Transportation Development Districts.....	12
Section 11. Community Improvement Districts.....	12
Section 12. Neighborhood Improvement Districts.....	14
Section 13. City Oversight of Funding District Operations.....	16

Tax Abatement

Section 14. Chapter 353 Tax Abatement.....	18
Section 15. Chapter 100 Tax Abatement.....	19

Other Public Funding Incentives

Section 16. Infrastructure Agreement	19
--	----

Introduction and General Guidelines

Section 1. Purpose and Scope.

The purpose of this Economic Development Policy (the “**Policy**”) is to provide guidance to property owners and developers in Peculiar on the use of public economic incentive tools. This Policy is also designed to provide direction and an understanding of the City’s expectations regarding the process, standards and policies that will be applied by the City to the use of economic development tools. A description of the purposes and process governing public funding sources covered by this Policy are set forth in the Missouri Municipal Finance Guide prepared by Gilmore & Bell, attached hereto as **Exhibit A**.

Section 2. Objectives.

The City is committed to the high quality, balanced growth and development of the community, to preserving the City's character & atmosphere and to revitalizing and redeveloping areas of the City. The City recognizes the importance of continued economic development to meet the needs of its residents, and its obligation to balance the demand for economic development with the judicious use of economic incentives, reserving the use of these incentives for projects that demonstrate significant public benefit. Accordingly, the City has established certain goals regarding the use of Funding Districts:

- A. To promote, stimulate and develop the general and economic welfare of the City.
- B. To provide and maintain an attractive community that creates a positive public image and encourages individuals, families and businesses to locate and invest in the community.
- C. To encourage the use of public economic incentives in those locations and situations that provide the maximum public benefit.
- D. To limit the use of public economic incentives for the shortest duration while still providing for the desired level of public financial assistance.

Fulfilling these goals can lead to a substantial public benefit, including the construction of public improvements, the creation of new jobs, the retention of existing quality jobs, the elimination of blight or conditions that could lead to blight, the increase of property values, the increase of tax revenues, and the promotion of economic stability throughout the City.

It is the policy of the City that any decision regarding the use of public economic incentives will be made in accordance with the guidelines, criteria, and procedures set forth in this Policy. Nothing in this Policy shall imply or suggest that the City is under any obligation to approve or support the use of a particular public economic incentive tool for any applicant. The City reserves the right to modify or waive, on a case-by-case basis, any of the procedures set forth in this Policy, provided that all of the applicable state statutory requirements are satisfied.

Section 3. Definitions.

Words and terms not defined elsewhere in this Policy shall have the following meanings:

“**Applicable Law**” means any statute, rule, regulation, ordinance or code applicable within the jurisdictional limits of the City.

“**Applicant**” means an individual or entity, or the authorized representative of such individual or entity, that submits an Application that requests the use of a public funding incentive.

“**Application**” means an initial request for public funding assistance through one or more of the forms of public assistance as discussed in this Policy.

“**Credit Support**” means pledge of the City’s full faith and credit in support of bonds or other forms of debt obligations issued by the City.

“**Funding District**” means a community improvement district, a transportation development district or a neighborhood improvement district.

Section 4. Application Process.

A. **Applications.** The Application shall include, at minimum, the following information:

1. All requirements of the applicable Missouri statutes governing the proposed economic incentive.
2. Description of the Project for which economic development assistance is requested.
3. Description of economic need for the public funding assistance including: (i) the facts and circumstances that create the need for public funding assistance; (ii) the amount and type of assistance desired; and (iii) a pro forma establishing that the project is not financially feasible and would not be constructed as proposed without the use of the requested public assistance (the “but for” test).
4. Evidence that the Applicant:(i) has the financial ability to complete and operate the proposed Project; (ii) is capable of providing adequate assurance (e.g. letter of credit, personal guaranty, performance bond, etc.) to the City for project completion, and (iii) has thoroughly explored alternative financing methods.

B. **Initial Review of Applications.**

1. Initial review of an Application will be conducted by City staff, including input from appropriate City departments. The Application may be forwarded to the City Attorney or Special Legal Counsel for review. The scope of the initial review is intended to determine whether the Application substantially meets the requirements of this Policy and generally is an appropriate request for economic development assistance.
2. If an initial application is deemed to meet the minimum requirements of this Policy and is generally an appropriate request for economic development assistance, then the next step is the entrance of the applicant into a Preliminary Funding Agreement in substantial compliance with the Form attached hereto as **Exhibit B** and provision of the required deposit. Full consideration of an Application will not commence until the Applicant enters into a Preliminary Funding Agreement.
3. In the event an Application does not substantially meet the requirements of this Policy or is not otherwise an appropriate request for economic development assistance as determined by City staff, the Application will be returned to the Applicant together with a written statement of the reasons the Application was deficient. Returned Applications may be

resubmitted upon cure of the reasons for rejection. Resubmitted Applications shall not require an additional application fee.

C. Preliminary Funding Agreement.

1. The City does not have a source of funds for costs incurred for additional legal, financial and other consultants or for direct out-of-pocket expenses and other costs resulting from services rendered by or to the City to review, evaluate process and consider Applications. An Applicant who desires assistance from the City through the use of public incentives shall demonstrate the financial ability to allow for the full and fair evaluation by the City of the proposal. In order for the City to fully consider and evaluate an Application, the City may require that, in lieu of an application fee, the Applicant shall deposit funds with the City pursuant to a Preliminary Funding Agreement between the City and the Applicant, using a form of agreement provided by the City substantially the same in form as shown in **Exhibit B**. The funds deposited with the pursuant to a funding agreement will be used by the City to pay for actual out-of-pocket expenses incurred to perform a full evaluation of the Application and engage consultants as needed for such evaluation.
2. The duties and obligations of the Applicant and the City to process an Application shall be set forth in a Preliminary Funding Agreement.
3. The Preliminary Funding Agreement shall require the Applicant to make an initial deposit of funds in the amount established by the City in such agreement. The Preliminary Funding Agreement shall also provide for additional funding to be deposited as necessary after drawdowns to ensure that the minimum cash balance available for each Project is equal to the initial deposit.

D. Full Review of Applications.

1. Upon receipt of an Application and the appropriate fees, or upon execution of a Preliminary Funding Agreement when required by the City, the City will review the request using the criteria set forth in this Policy and requirements set forth in applicable state statutes.
2. The City may require the Applicant to attend an application review conference. The purpose of an application review conference is to:
 - (a) Acquaint the Applicant with the procedural requirements of this Policy;
 - (b) Provide for an exchange of information regarding the Applicant's request;
 - (c) Advise the Applicant of any public sources of information that may aid the Application and identify issues that create opportunities or pose significant restraints for the Application;
 - (d) Review the Application and provide the Applicant with opportunities to enrich the request in order to mitigate any undesirable consequences of the proposed Project;
 - (e) Review compatibility with current City planning; and
 - (f) Provide general assistance by City staff on the overall plan for the Application and the proposed Project.

3. City staff may prepare a written report to be submitted to the Board of Aldermen for consideration. The report shall contain, at a minimum, comments regarding each of the applicable criteria set forth in Section 5 and the specific statutory requirements applicable to the request.
4. The Application shall proceed as set forth in applicable state statutes.

Section 5. General Guidelines for Considering Applications.

Most favorable consideration will be given to those projects that will: significantly assist the City in the elimination of blight and the conditions that may cause blight; provide financing for desirable public improvements; strengthen the employment and economic base of the City; increase property values; creating economic stability; upgrade older neighborhoods or areas; and facilitate economic self-sufficiency. The City may give consideration to the criteria stated below when considering any Application, to the extent each factor is relevant to the particular Application:

A. Project Costs.

1. Most favorable consideration will be given to those Applications that demonstrate the applicant is requesting the least amount of assistance from a Funding District in order to make the project financially feasible for the Applicant.
2. Most favorable consideration will be given to those Applications that propose the use of public assistance to fund public improvements rather than private improvements.
 - (a) The City may consider the cost of public improvements that serve the proposed development, and whether the Applicant is providing improvements that are already planned to be constructed by the City to serve existing deficiencies or new development, or whether such public improvements primarily serve the Applicant's proposed development.

B. Method of financing.

1. Most favorable consideration will be given to those projects for which the developer finances the initial project costs, rather than the City. The developer must provide evidence of the ability to secure private financing for the initial project costs.
2. The City may consider the level and nature of public financing, including the issuance of obligations by the City or another governmental entity at the direction of the City. Most favorable consideration will be given to those projects that do not require a City general obligation pledge or a pledge of revenues that would otherwise be received by the City to enhance the marketability of the debt obligations.
3. Most favorable consideration will be given to those projects that do not propose to use the City's full faith and credit to secure the issuance of public debt, but instead propose that debt is repaid only from project revenues.
4. The City will have the final decision on the method(s) of financing, and the selection of the underwriter, financial advisor and bond or note counsel.

C. Type of project and land uses.

1. The City may consider the level of public and private development for an Application. Most favorable consideration will be given to those Applications that propose to use public funding for the public components of a development project.
2. The City may consider whether the project proposes infill or new development. Most favorable consideration will be given to those Applications that propose infill development in blighted or other distressed areas.
3. When an application proposes the use of a Funding District in place of a Home Owners' Association, Property Owners' Association or Business Owners' Association, most favorable consideration will be given to those projects that propose minimal City implementation, oversight and administration for the Funding District.
4. The City may consider the types of land uses proposed for development (residential, commercial, industrial, governmental and institutional), and the need for such land uses in the proposed development. Most favorable consideration will be given to those projects that propose land uses that are compatible with the City's Future Land Use Plan, without need for amendment of the Future Land Use Plan.

D. Type of incentive requested.

The City may consider whether the proposed incentive tools are appropriate for the proposed type of development. The City may suggest the use of other incentive tools in lieu of those proposed in an Application. Additional information about specific economic incentive tools is set forth in this Policy.

E. Funding method proposed for the project.

1. Most favorable consideration will be given to those projects that do not reduce revenues that would otherwise be collected by the City or other governmental entities that have jurisdiction over the proposed project area.
2. The imposition of an extra sales tax in a proposed project has an incremental adverse effect on the ability to draw customers to the project, and this effect is difficult to measure. The Applicant maintains the burden to demonstrate that an additional sales tax will not have significant adverse effects on the project and on the sales tax revenues of the City.
3. Most favorable consideration will be given to Applications that propose initial financing by the Applicant.
4. Most favorable consideration will be given to Applications that request "pay as you go" reimbursement of initial development costs, rather than the issuance of public debt.

F. Ratio of requested assistance to total project costs.

1. Most favorable consideration will be given to those projects where all proposed public funding mechanisms are no more than 20% of the total project costs, including all public and private costs, all hard and soft costs, and all developer fees and contingencies.

2. Applicants may propose the use of incentives that deviate from this standard if the Applicant demonstrates that the proposed project provides substantial public benefits, assists the City to pay for deficient public improvements or services, or provides substantial and unique benefits to the City

G. Economic need.

1. Most favorable consideration will be given to Applications in which economic development assistance is sought in areas that exhibit great economic need.
2. Economic need may be demonstrated by:
 - (a) the presence of blight or conditions which may lead to blight;
 - (b) property identified by the City in need of special assistance;
 - (c) property which has not been subject to growth and development;
 - (d) property which has remained undeveloped despite the presence of surrounding development and adequate public facilities and services which serve the property;
 - (e) property where businesses are closed and the property has remained vacant for a significant period of time; and
 - (f) economic factors such as average household income, unemployment rates, and crime rates.

H. Administration of Funding Districts. Most favorable consideration will be given to Funding Districts where long-term administration will be undertaken by persons that are not affiliated with the Applicant or developer of the property.

I. Property acquisition and condemnation. Most favorable consideration will be given to those projects where the Applicant either owns the property or has an option to purchase the property, and where condemnation will not be needed for the project. Most favorable consideration will be given to projects where the landowner(s) dedicate land that is required for rights-of-way at no cost to the City or any Funding District created for the project.

J. Relocation of Existing City Businesses.

1. Most favorable consideration will be given to those projects that encourage the operation of new businesses in the City. Applicants are discouraged from requesting economic development assistance that would cause businesses which are already located within the City to relocate to the proposed development.
2. If the proposed Project involves the relocation of an existing business already in the City into the Project area, the Applicant should provide evidence that the business would otherwise leave the City without the requested public incentive.

K. Use of Tax Increment Financing.

1. In the event that a Funding District is proposed in connection with a tax increment financing plan, most favorable consideration will be given to those Applications that propose the use of a Funding District to:
 - (a) reduce the need for tax increment financing;
 - (b) shorten the duration of tax increment financing; and
 - (c) reduce the need for the City to issue or incur debt to finance project costs.
2. Other than a limited number of residential units which are creatively integrated into commercial or retail projects, TIF residential projects will not receive favorable consideration from the City.

Section 6. Eminent Domain.

The City does not encourage the use of eminent domain in conjunction with the use of public financing incentives. In extraordinary circumstances the City may approve the use of eminent domain in accordance with applicable law and only to the extent deemed necessary to make the approved project viable. In any case where eminent domain is proposed, the Applicant must prove and the Board of Aldermen must find that the Applicant has attempted, in good faith, to acquire the property privately. Although in some cases the expenses associated with the use of eminent domain qualifies as an eligible project cost under state law, the Applicant may be required to pay the costs associated with the condemnation proceedings, including court and litigation costs, attorney's fees and the final condemnation awards. Approval of the use of eminent domain will be at the City's discretion.

Tax Increment Financing

Section 7. TIF Process

- A. The City will use the following process for initial evaluation and consideration of any proposed TIF plan:
1. Pre-application meeting between Applicant and City staff.
 2. Negotiation and execution of a Preliminary Funding Agreement in accordance with the City's Policy governing Requests for Proposals.
 3. Submission of draft TIF Plan.
 4. City conducts initial review of TIF plan to determine compliance with the TIF Act and identify any issues. The City will provide a written response to the draft TIF plan.
 5. Revisions to the draft TIF plan as required by the City's initial written response. Applicant files revised plan.
 6. After initial issues that were identified by City staff have been addressed and after staff determines the TIF plan is complete and contains all of the required elements pursuant to the TIF Act, the City will issue initial notices to the taxing districts. Thereafter, the TIF plan will be processed in accordance with the TIF Act requirements. The City may refuse to issue the initial notices if the TIF plan is incomplete.
 7. The City will issue the notice regarding requests for proposals, in accordance with the City's Policy governing Requests for Proposals. This notice may be issued before, after, or simultaneously with the initial notice to the taxing districts.
 8. Any changes to the TIF plan which are prepared by the Developer shall be delivered to the City with sufficient time to review the proposed change(s) prior to the next scheduled meeting at which the plan will be considered. The City may continue the TIF Commission public hearing or the Board of Aldermen's consideration of the TIF Plan if City staff does not have sufficient time to review the proposed changes and provide a report to the TIF Commission or Board of Aldermen, as appropriate.
- B. TIF Commission consideration of a TIF Plan.
1. The TIF Commission may hold one or more study sessions to discuss the process for considering a TIF plan.
 2. At the public hearing, if the TIF plan has been prepared and proposed by a developer or landowner, the applicant will present the proposed plan, followed by comments and recommendations from City staff. The Commission will take public testimony, and the applicant will be allowed time for a response. All questions from the Commission to an applicant, City staff or the public shall be held during the public hearing.
 3. The TIF Commission recommendation may include any recommended additional changes, conditions or requirements that the Commission believes should be satisfied prior to

approval of the TIF plan or prior to implementation of the TIF plan or a particular project or phase of the TIF plan.

4. If the TIF Commission considers and votes on a resolution to recommend approval of the TIF plan but such resolution fails to receive a vote of approval, such action shall be deemed by the Board of Aldermen to be a recommendation against the TIF plan.

C. Board of Aldermen consideration of TIF Plan.

1. The Board of Aldermen may consider each TIF plan as a regular agenda item, and is not required to hold a public hearing regarding the TIF plan. The Board of Aldermen may, at its discretion, allow public comments regarding the TIF plan.
2. The Board of Aldermen may, at its discretion, hold one or more special meetings to consider the TIF plan.

- D. Independent studies may be obtained by the City through or at the request of City staff, the TIF Commission, or the Board of Aldermen. Such studies may include a blight study, a financial feasibility study, a market analysis, a traffic study, or any other type of professional evaluation of the TIF plan or any element of the TIF plan. The costs of any study shall be paid by the applicant in accordance with the terms of the funding agreement.

Section 8. Guidelines for Considering TIF Plans.

Most favorable consideration will be given to those plans that satisfy the general guidelines applicable to all applications as set forth in Section 5 of this Policy, and that satisfy the following additional guidelines:

- A. The total amount of subsidy from TIF revenues should be no more than 15% of the total project costs. The measurement of total project costs shall include all site preparation costs, building construction costs, hard costs, soft costs, developer fees, all professional fees of any type, and all project budget contingencies. Actual land costs incurred by the applicant will be considered as part of the total project costs. If land was purchased prior to preparation of the draft TIF plan, then the current market value as determined by an independent appraiser, approved by the City, may be considered as part of the total project costs.
- B. Any applicant that requests the issuance of bonds, notes or other indebtedness by the City must demonstrate that all annual revenues to repay the debt are at least 1.25 times the projected annual debt-service payments.
- C. The City will not provide a general fund annual appropriation pledge to enhance the sale of debt for the project except in extraordinary circumstances as demonstrated by the applicant.
- D. The TIF plan should provide for a retainage account to hold at least 15% of the TIF revenues until the project, including all private development, is substantially complete.
- E. TIF projects which create jobs with wages that exceed the community average will be favored.
- F. TIF plans that propose retail development should encourage the inflow of customers from outside the City and should not divert sales from or cannibalize existing retail in the City. If the TIF plan will cause or result in the relocation of one or more businesses already within the City, the Applicant must demonstrate that the business would leave or cease operations in the City without

such relocation, and the base year of the business (for the purpose of calculating economic activity taxes and payments in lieu of taxes) shall be the 12-month period prior to closing at its prior location. The TIF contract shall implement these requirements for relocated businesses.

- G. TIF plans that propose the redevelopment of existing residential neighborhoods and commercial and industrial areas will be favored. Projects to stabilize deteriorating or blighted residential neighborhoods and commercial and industrial areas will be favored.
- H. TIF plans that will be in effect for no more than 12 years will be favored.
- I. The developer should contribute not less than 15% of the total project costs from cash equity of the developer. Land costs or land value shall not be included in the calculation of developer's equity contribution unless the land will be purchased after the TIF plan is submitted to the City, or was purchased within one year prior to submitting the TIF plan to the City. Private loans obtained by developer will not be included in the calculation of developer's equity.
- J. The plan should provide for a mandatory declaration of surplus Payments In Lieu of Taxes (PILOTs) to the applicable taxing districts that impose real property taxes within the redevelopment area in the amount of 50% of all captured PILOTs. The declaration of mandatory surplus PILOTs shall be disbursed from the special allocation fund on a basis that is proportional to the current collections of revenue which each taxing district receives from real property in the redevelopment area, as set forth in Section 99.820.1(12), RSMo.
- K. A proposed TIF plan which does not meet the guidelines of this Policy may be viewed favorably by the City if the applicant clearly demonstrates that the project is of vital interest to the City and will significantly benefit the City through the elimination of blight, financing desirable public improvements, strengthening the employment and economic base of the City, increasing property values, reducing poverty, creating economic stability, upgrading and stabilizing older neighborhoods or developments, and facilitating economic self-sufficiency.

Section 9. TIF Contract.

- A. The ordinance that approves a TIF plan will include a requirement that a redevelopment contract must be executed by the selected developer within a designated time period, upon terms and conditions that are acceptable to the City.
- B. The initial draft of a TIF contract will be prepared by the City. An ordinance to approve a TIF contract will not be placed on a Board of Aldermen agenda until all outstanding contractual issues have been resolved to the satisfaction of City staff.
- C. The contract may contain a list of pre-approved or prohibited land uses or tenants.
- D. The TIF contract will provide that prevailing wages must be paid by the developer where required by law, and the developer will indemnify the City for failure to meet applicable prevailing wage laws.
- E. The TIF contract will provide for an order of priority in which reimbursable project costs and other eligible costs shall be paid from the special allocation fund, on an as-collected basis or to repay bonds that have been issued pursuant to the TIF plan.

- F. The TIF contract will provide for a City administrative fund to be funded by a portion of the TIF revenues, which will pay for costs incurred by the City, including financial, legal, traffic and other consultants and advisors to the City, to administer the TIF plan and enforce the contractual obligations of the developer and the developer's authorized successors, assignees and transferees in the redevelopment area. In addition to any other costs that are authorized to be funded from the administrative fund, the contract will authorize the City to withdraw 2% of the funds deposited in the special allocation fund through the first full calendar year, and 1% annually thereafter, to reimburse the City for costs incurred to manage the special allocation fund and provide for the collection and disbursement of TIF revenues. The TIF contract will also provide for reimbursement to the City from the special allocation fund for costs incurred by the City to conduct a 'Component Unit' audit of any special funding district that is established in furtherance of the TIF plan. Funding of the City administrative costs will be a higher priority than reimbursement of developer reimbursable project costs.
- G. Interest on certified developer reimbursable project costs shall accrue from the date of City approval and certification for payment. Interest shall not start to accrue when the developer incurs such expense, or when a request for reimbursement is submitted to the City.

Funding Districts

Section 10. Transportation Development Districts (TDD).

- A. The City may file, or join as a co-petitioner, a petition for formation of a TDD where public transportation improvements to be funded by the TDD have been designated for construction on the City's Capital Improvements Plan or where the Board of Aldermen decide that such improvements primarily benefit of the general public rather than a particular development.
- B. In order to obtain favorable support for the formation of any TDD in the City, the petitioners should appear at a Board of Aldermen meeting and make a presentation regarding the TDD prior to filing the petition. The Board of Aldermen may express its support for or opposition to a proposed TDD through the adoption of a resolution or motion.
- C. If the petitioners have not obtained the support of the Board of Aldermen prior to filing a TDD petition, then a copy of the petition shall be delivered to the Board of Aldermen after the City is served with the petition by the court and the Board of Aldermen will express its support for or opposition to the TDD by motion or resolution. A failure by petitioners to make a presentation to the Board of Aldermen as set forth in paragraph B of this section, prior to filing the petition in court, will be taken into account when the Board of Aldermen considers the City's response to the petition.
- D. If a TDD is proposed in coordination with approval of a TIF plan, the execution of a development agreement between the petitioners and the City, or in connection with any other package of public economic incentives, the Board of Aldermen's support for formation of the TDD may be expressed in the TIF plan, the development agreement or other document or approval provided by the Board of Aldermen in connection with the project. In this situation, a separate presentation to the Board of Aldermen regarding the TDD petition is not required, and City staff will file an answer with the court in support of the TDD formation.

Section 11. Community Improvement Districts (CID).

A. Nature of Application.

- 1. Residential projects. For those projects that are entirely or primarily residential development and that propose to use a CID in place of a Homeowners' Association, most favorable consideration will be given to Applications that meet the following guidelines:
 - (a) The developer will turn over full control of the CID to the residents when at least 80% of the lots in the CID have been sold to residents that will reside within the CID.
 - (b) The CID operates autonomously from the City, and the City is not required to manage or oversee CID operations.
 - (c) The CID provides contractual indemnification to the City for the acts and omissions of the CID.
 - (d) The CID is formed as a political subdivision of the state, rather than as a non-profit corporation.

- (e) The CID provides for the perpetual maintenance and upkeep of all common property within the CID, and assumes obligations by contract to ensure that the City will not be required to undertake ownership or maintenance of common properties and open areas.
 - (f) The CID is used to pay for public improvements and services that serve the entire residential development.
- B. Commercial Project Size and Type. Most favorable consideration will be given to CIDs for commercial projects that are comprised of at least 40,000 square feet of new development or redevelopment.
- C. Timing of City Clerk's Review. Applicants should submit to the City a draft CID petition before formally filing the CID petition with the City Clerk, to provide the City an opportunity to review and comment on such petition. This allows the City to identify concerns and issues before a CID petition is formally filed with the City Clerk, in order to avoid delay when the CID petition is formally filed with the City Clerk. If a draft CID petition is not submitted to the City for review and comment, the City may take more time to review the petition to determine whether the petition substantially complies with the requirements of the CID Act.
- D. Type of CID. Most favorable consideration will be given to Applications seeking the establishment of a political subdivision CID rather than a nonprofit corporation CID. CIDs that will take the form of a non-profit corporation and which intend to impose special assessments will indemnify the City from all claims, and any resulting costs, damages and legal or other professional fees associated with the legality of the special assessments.
- E. CID Services. Except where the provision of services is the primary purpose of establishing the CID, most favorable consideration will be given to CID proposals where CID services are not funded until after all debt associated with public improvements has been repaid.
- F. District Term. Except in the case of CIDs established as a substitute for a Homeowners Association, Property Owners Association or Business Owners' Association, most favorable consideration will be given to those CIDs that are limited to a term of twenty (20) years or less.
- G. Financing of CIDs.
 - 1. Where a CID is not proposed in connection with a TIF plan, any debt issuance in connection with a CID shall be issued by the CID unless otherwise requested by the City, and shall contain a disclosure that substantially complies with the following:

The bonds are special limited obligations of the District payable from all, part or any combination of the revenues of the CID District. The Bonds do not constitute an indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction. The Bonds are not general obligations of the CID District, nor any municipality, county, the City of Peculiar, Missouri (the "City"), the State of Missouri or any other political subdivision thereof, and are not payable out of any funds or properties other than those specifically pledged as security therefor.

The City has not participated in the preparation of this Official Statement nor has it reviewed any of the information contained herein. The CID District is a separate political subdivision. The CID District has indemnified the City against any costs or damages of

the City that may arise from the sale, offering and repayment of the Bonds or in connection with the completion of the CID improvements.

2. The City shall not provide an annual appropriation backing for CID debt unless 90% of the CID improvements are owned or to be owned by the City or the City determines that such improvements have a benefit to the City as a whole, and any benefit to a specific residential or commercial development is incidental to the benefit to the City as a whole.

H. Special Assessments. The City may approve a CID that will impose special assessments if the following requirements have been met:

1. Special Assessments will be imposed in an amount sufficient to pay the principal of and interest on any indebtedness proposed to be incurred by or on behalf of the CID. Assessments must be sized to provide debt service coverage of not less than 120% for debt service payments. The City may request an independent report to demonstrate the satisfaction of this requirement. What if the CID is using both sales tax and special assessments?
2. The value of the real property will be at least five times the value of the annual special assessment, depending on the status of lot sales and vertical construction. For example, if the special assessment for a parcel or lot is \$2,500 per year, the market value of the real property (without building improvements) must be at least \$12,500 to \$25,000. The market value shall be determined based upon the value established by the Cass County Assessor's office or a real estate appraisal acceptable to the City.

Section 12. Neighborhood Improvement Districts (NID).

A. Project Characteristics. Most favorable consideration will be given to NID projects that satisfy the following conditions and requirements:

1. The NID improvements benefit an entire subdivision or other large area in which many properties benefit and are subject to the special assessments.
2. All Applicants are obligated to dedicate all rights-of-way and easements that are necessary to complete the NID project without cost to the City.
3. The Applicants demonstrate the financial capacity to complete the development (if new development is proposed), and the financial capacity to provide interim construction financing either personally or through a lending commitment.
4. The Applicants demonstrate that they have no interest in an existing development that has delinquent special assessments or property taxes.
5. The Applicants will pay for all costs associated with preparation of the plan and specifications for the improvements to be funded with the NID.
6. The Applicants will indemnify the City, or provide another form of security that is acceptable to the City Attorney, for the non-payment of the special assessments which may be used prior to sale of the property through the lien.

7. The NID is being used to pay for improvements that have already been identified for construction by the City.
- B. Timing of City Ordinance. For NIDs formed by petition, Applicants are highly encouraged to submit an application pursuant to this Policy before filing a petition to establish a NID with the City Clerk.
- C. Interim Construction Financing. Most favorable consideration will be provided for a NID that proposes initial construction financing through one of the following methods:
1. The Applicant provides a written commitment from a lending institution acceptable to the City, or other equivalent financing by the Applicant, which demonstrates the ability to provide financing for all construction costs. In this situation, the City may require execution of a Development Agreement between the City and Applicant which obligates the Applicant to fully financing the construction cost with the identified lending or funding source.
 2. The Applicant proposes financing through a conduit issuer. Debt issued by a conduit issuer shall not be a general obligation of the City and the financing agreement with the conduit issuer shall not include any City Credit Support. The City may covenant in a financing agreement to use the City's Credit Support to finance long-term bonds if and when the conditions on the use of such support as set forth below are satisfied.
- D. Permanent Financing.
1. The City may issue bonds and extend the City's Credit Support when the NID improvements are owned or to be owned by the City or the City determines that such improvements have a benefit to the City as a whole, and any benefit to a specific residential or commercial development is incidental to the benefit to the City as a whole. The City may also use the City's Credit Support when the City has determined that all of the following requirements have been met:
 - (a) The NID improvements have been substantially completed and the final costs of the project have been determined as required by the NID Act.
 - (b) Special Assessments have been imposed pursuant to the NID Act in an amount sufficient to pay the principal of and interest on any indebtedness proposed to be incurred by or on behalf of the City. Assessments must be sized to provide debt service coverage of 120% for debt service payments for the first 10 years and 110% thereafter. The City may require a consultant report to demonstrate satisfaction of these requirements.
 - (c) The value of the real property is at least five times (depending on the status of lot sales and vertical construction) the value of the annual special assessment. For example, if the special assessment for a parcel or lot is \$2,500 per year, the market value of the real property (without building improvements) must be at least \$12,500. The market value shall be determined based upon the value established by the Cass County Assessor's office or a real estate appraisal acceptable to the City.
 - (d) Either (a) at least 50% of the parcels in the District have been sold to third parties unrelated to the developer who intend to construct improvements on the parcels and did

not purchase the parcel with an intent to resell it or (b) vertical construction has commenced on at least 50% of the real estate. In lieu of the forgoing, the Developer may provide credit enhancement acceptable to the City to remain in effect until these milestones are achieved.

2. If the conditions are insufficient for the City to issue bonds and provide Credit Support, then the City may require debt to be issued by a conduit issuer. No Credit Support will be offered or committed to support these bonds. Bonds issued by a conduit issuer will be secured solely by the City's legal obligation to impose special assessments in accordance with the NID statute.

Section 13. City Oversight of Funding District Operations.

- A. Cooperation Agreements for CIDs and TDDs. The Applicant and any TDD or CID shall enter into an intergovernmental cooperative agreement with the City, which agreement shall, at a minimum, address the following rights, duties and obligations of the parties:
 1. district administration;
 2. imposition of the district funding mechanism;
 3. the method of collecting and accounting for the district revenues;
 4. the issuance of debt for the projects (if applicable);
 5. the conditions under which the district will be terminated;
 6. City representation on the district board of directors;
 7. Approval of additional projects;
 8. Applicant's obligation to report the existence of the District and any applicable funding mechanism to tenants or grantees;
 9. Applicant's assistance in assuring timely reporting of sales information to the Missouri Department of Revenue, the District or the City, as applicable; and
 10. Any other matters which may be required by the City.
- B. Annual Budget Review. The cooperative agreement between the City and a TDD or CID shall provide for annual review and approval of the Funding District budget.
- C. City Representation on Funding District Board of Directors. Most favorable consideration will be given to a TDD or CID where the majority control of the board of directors rests with persons designated by the City, including City staff and elected or appointed City officials.
- D. Performance Measures.
 1. The City may condition approval and implementation of any project on performance measures such as job creation. In such cases, the Applicant shall agree to the creation of performance measures, which if not satisfied will decrease the amount of economic development assistance provided by the City.

2. Each Project shall be monitored on an annual basis to determine compliance with the agreed-upon performance measures.
- E. Extension of District Terms. With respect to new commercial development or redevelopment, most favorable consideration shall be given to a project in which the public funding sources are scheduled to expire within a defined time period and are not expected to be renewed at the end of the stated life of the public funding source.
 - F. Abandonment of CIDs and TDDs. Most favorable consideration will be given to Applications that provide alternatives for City management or maintenance of TDD or CID projects in the event that control or management of the Funding District is abandoned.

Tax Abatement

Section 14. Chapter 353 Tax Abatement.

- A. Tax Abatement under the Urban Redevelopment Corporations Law is only extended to real property that has been found to be a “blighted area” by the city. For purpose of 353 tax abatement the term “blighted area” is defined as:

That portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration, have become economic and social liabilities, and such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.

- B. Maximum Tax Abatement. Most favorable consideration will be given to those projects that request tax abatement at the following maximum rates:

1. During the first ten-year abatement period –
 - (a) real property taxes resulting from 100% of the increased value of the land (exclusive of improvements) above the value of the land as established by the county assessor for the calendar year prior to the year that the redevelopment corporation acquires title to the real property for the proposed project, and
 - (b) real property taxes resulting from 100% of the value of all improvements on the real property that has been acquired by the redevelopment corporation for the project; and
2. During the next fifteen-year abatement period, real property taxes resulting from 50% of the total value of the land and improvements, as established by the county assessor, that has been acquired by the redevelopment corporation for the project.

Additional abatement during the second fifteen-year period may be considered by the City if the Applicant demonstrates significant economic need as described in Section 5 of this Policy.

- C. Redevelopment Contract. Urban Redevelopment Corporations have the power to operate one or more redevelopment projects; however such projects must be pursuant to a development plan which has been authorized by the City after holding a public hearing on the development plan 353.060, RSMo. The Redevelopment Corporation shall enter into a redevelopment contract with the City after approval of the Redevelopment Plan that provides for the implementation of the Redevelopment Plan and the payment of Payments In Lieu of Taxes, if applicable. The contract shall be binding upon successors to the Redevelopment Corporation in the real property for which tax abatement is provided. The City may pre-approve a transfer of property from the Redevelopment Corporation to the primary developer, but transfer to any other person or entity shall be subject to approval by the City.
- D. Payments In Lieu of Taxes. The Redevelopment Contract shall provide for the Payment In Lieu of Taxes as specified in the Redevelopment Plan, or in accordance with the Tax Impact Statement provided to the taxing districts prior to approval of the Redevelopment Plan.

Section 15. Chapter 100 Tax Abatement.

- A. General guidelines. The City will consider the following factors when evaluating a proposal to approve a development plan and tax abatement pursuant to Chapter 100:
 - 1. Employment to be generated by the project and the acceptance of performance standards (clawbacks) to enforce employment generation;
 - 2. Financial feasibility of the project, the financial abilities of the applicant and the need for public assistance;
 - 3. The impact of the project on public improvements and services, and the impact on other taxing districts and the improvements and services that they provide;
 - 4. The revenues to be generated by the project for the City and other taxing districts;
 - 5. Conformance with the City’s Comprehensive Plan and Future Land Use Plan;
 - 6. Economic impact of the project.
- B. The City will accept no credit risk when issuing bonds for a Chapter 100 project.
- C. Property owned by the City pursuant to a Chapter 100 project will be exempt from all real and personal property taxes. The City may require that a grant or payment in lieu of taxes be provided to all impacted taxing districts.
- D. Most favorable consideration will be given to Chapter 100 projects that propose the location of new businesses and industries in the City, and which retain business that would otherwise leave the City.

Other Public Funding Incentives

Section 16. Infrastructure Agreement.

- A. An infrastructure agreement, also commonly known as sales tax rebate or reimbursement agreement, provides for the payment of City sales tax revenues generated by a new development to a developer as reimbursement for the construction of public improvements. The City may enter into an infrastructure agreement when the applicant proposes a development that requires the construction of public improvements that are planned to be constructed by the City or that have a significant benefit to the general public, and the developer demonstrates substantial need for the reimbursement to make the project financially feasible.
- B. The City will not pursue reimbursement from other taxing jurisdictions in the consideration and negotiation of an infrastructure agreement, but the developer may pursue all available options with other funding districts.

Exhibit A

SUMMARY OF ECONOMIC DEVELOPMENT TOOLS:

THIS OUTLINE CONTAINS A SUMMARY OF –

TAX INCREMENT FINANCING
SALES TAX REBATE/DEVELOPMENT AGREEMENTS
TRANSPORTATION DEVELOPMENT DISTRICTS
COMMUNITY IMPROVEMENT DISTRICTS
SPECIAL BUSINESS DISTRICTS
NEIGHBORHOOD IMPROVEMENT DISTRICTS
PROPERTY TAX ABATEMENT UNDER CHAPTER 353 RSMO
PROPERTY TAX ABATEMENT UNDER CHAPTER 100 RSMO
LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY LAW
LOCAL OPTION ECONOMIC DEVELOPMENT SALES TAX

(Updated through June 22, 2012)

The following materials were prepared by the public finance law firm of Gilmore & Bell, P.C.

Gilmore & Bell is one of the leading public finance law firms in the United States. The firm specializes in public finance transactions, serving as bond counsel or underwriters' counsel in a wide variety of tax-exempt and taxable financings and providing tax and arbitrage rebate services in connection with tax-exempt financings. The firm also provides advice to cities, counties and states regarding economic development incentives, administers special taxing districts and handles commercial and corporate finance transactions and securities law matters. Gilmore & Bell has 50 attorneys and four offices, located in St. Louis and Kansas City, Missouri, Wichita, Kansas and Lincoln, Nebraska.

For more information, please visit the Gilmore & Bell website at www.gilmorebell.com, or contact one of the following attorneys:

In Kansas City (816-221-1000):

Gary Anderson
Tom Becker
David Bushek
Jim Caldwell
Sid Douglas
Randy Irey
Marc McCarty

Rick McConnell
David Queen
Gina Riekhof
Lisa Russell
Tracy Shafton
Toni Stegeman
Rich Wood

In St. Louis (314-436-1000):

Bob Ballsrud
Erick Creach
Shannon Creighton
Sean Flynn
Mark Grimm
Claire Halpern
Reagan Holliday
Mark Spykerman
Jason Terry

GILMORE & BELL, P.C.

TAX INCREMENT FINANCING IN MISSOURI

I. GENERAL

Municipalities can only spend public funds for public purposes. If the costs to be funded are public improvements – such as roads, traffic signals or utilities – then the municipality has a variety of options as to how to finance those public improvements. If the costs to be funded are not public improvements – such as land acquisition costs or site development costs – then public funds can be used to finance those costs only if the governing body of the municipality finds that the site is a “blighted area” or a “conservation area,” as defined under Missouri law. Tax increment financing is a method to encourage redevelopment of these areas.

The Missouri TIF law authorizes cities and counties to adopt a redevelopment plan that provides for the redevelopment of a designated area, and to use TIF to fund a portion of the project costs.

The theory of tax increment financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase. When a TIF plan is adopted, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to construction of improvements. The owner of the property continues to pay property taxes at this base level. As the property is improved, the assessed value of real property in the redevelopment area increases above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a “tax increment” is produced. The tax increments, referred to as “payments in lieu of taxes,” are paid by the owner of the property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the municipality and deposited in a special allocation fund. In addition, the county and city transfer 50% of all incremental sales and utility tax revenues to the treasurer of the municipality for deposit into the special allocation fund. All or a portion of the moneys in the fund can then be used to pay directly for redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The net effect of tax increment financing is to permit a developer to use a portion of property taxes that otherwise would be paid on the completed project to repay all or a portion of the development costs, thereby reducing the net annual debt service on the completed project (and thus increasing the rate of return on the project). In this manner, future tax increases are not abated, but rather are used to fund costs of the project.

II. PROCEDURES FOR ADOPTING TIF

The TIF Act

The TIF Act permits municipalities to undertake different redevelopment projects within a redevelopment area pursuant to the same redevelopment plan. If a redevelopment plan has multiple redevelopment projects, the municipality may designate different “redevelopment projects” and adopt tax increment financing at different times for each redevelopment project. This structure enables municipalities and developers to phase in projects and to derive additional benefits from the payments in lieu of taxes created by the redevelopment projects.

Before a municipality may implement tax increment financing, (1) the municipality must create a TIF commission as provided in the TIF Act, (2) a redevelopment plan, including a description of the redevelopment area and the redevelopment projects therein, must be prepared, (3) the TIF commission must hold a public hearing and make a recommendation to the municipality pertaining to the redevelopment plan, the redevelopment projects and the designation of the redevelopment area, and (4) the municipality must adopt an ordinance approving the redevelopment plan, the redevelopment projects and the designation of the redevelopment area as discussed below. If a TIF commission makes a recommendation in opposition to a proposed redevelopment plan, redevelopment project, or designation of a redevelopment area, or amendments thereto, the governing body of the municipality may only approve such plan, project, designation or amendment upon a two-thirds majority vote. Once the ordinance is adopted, tax increment financing may be implemented for one or more redevelopment projects within a redevelopment area. Because of various notice and hearing requirements, it usually takes 120 days or longer to establish a TIF commission and adopt a TIF plan.

In an amendment to the TIF Act effective January 1, 2008, the General Assembly required municipalities in St. Louis, St. Charles and Jefferson Counties to obtain the permission of a county-wide TIF commission prior to the approval of a redevelopment project by the municipality’s governing body. However, this amendment raised several constitutional concerns and left it unclear whether the county-wide TIF commission replaces the municipal TIF commission – and therefore holds the required public hearing for the project – or whether the county-wide TIF commission is *in addition to* the municipal TIF commission. To address these concerns, the General Assembly made further amendments to the TIF Act during the 2008 General Assembly session and, effective August 28, 2008, municipalities in St. Louis, St. Charles and Jefferson Counties are required to use an alternative TIF commission that is still created by the municipality but whose membership primarily consists of representatives appointed by the county and other taxing districts.

Role of the TIF Commission

Before adopting tax increment financing, a municipality must create a TIF commission by ordinance of its governing body. The composition of the TIF Commission depends on (1) whether a city or a county is undertaking the redevelopment project, and (2) the location of the city or county undertaking the redevelopment project, as described in the following chart:

Number of members appointed by:	Entity Creating TIF Commission				
	City (outside St. Louis, St. Charles and Jefferson Counties)	City (inside St. Louis, St. Charles or Jefferson Counties)	County (other than St. Louis County)	St. Louis County	St. Louis City
City(ies)	6	3*	0	3*	6
School districts	2	2	2	2	2
County	2	6	6	6	0
Other taxing districts	1	1	1	1	1
Total members	11	12	9	12	9

* These members are appointed by cities that have TIF districts in the county.

The TIF commission conducts the public hearings required under the TIF Act, and makes recommendations to the governing body of the municipality concerning the adoption of redevelopment plans or redevelopment projects and the designation of redevelopment areas. The redevelopment plans, redevelopment projects and the designation of the redevelopment area must receive final approval of the governing body of the municipality.

As discussed above, municipalities in St. Louis, St. Charles and Jefferson Counties no longer submit proposed redevelopment plans and projects to a city TIF commission for review, but instead submit proposed redevelopment plans and projects to a “county-wide” TIF commission. Although the municipality must still pass an ordinance or resolution to create the TIF commission, each new “county-wide” TIF commission will have 12 members consisting of six members appointed by the county executive or presiding commissioner, three members appointed by cities in the county that have tax increment financing districts in a manner agreed upon by the applicable cities, two members selected by the school districts located in the county in a manner agreed upon by the applicable school districts, and one member selected by all other ad valorem taxing districts in a manner in which all such districts agree.

Designation of Redevelopment Area

The “redevelopment area” must contain property that may be classified as a “blighted area,” a “conservation area” or an “economic development area” (described below), or any combination thereof. The entire redevelopment area need not meet the criteria of one of these three categories, but must include only “those parcels of real property and improvements thereon directly and substantially benefited by the proposed redevelopment project improvements.” Thus, a larger redevelopment area that includes property that is increasing in value can enhance the feasibility of a TIF project, provided the larger area, on the whole, is a blighted, conservation or economic development area and is “substantially benefited” by the redevelopment project.

The TIF Act defines a blighted area, a conservation area and an economic development area as follows:

“*Blighted area*” is defined as

an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

“*Conservation area*” is defined as

any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which fifty percent or more of the structures in the area have an age of thirty-five years or more. Such an area is not yet a blighted area but is detrimental to the public health, safety, morals, or welfare and may become a blighted area because of any one or more of the following factors: dilapidation; obsolescence;

deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning.

“Economic development area” is defined as

any area or portion of an area located within the territorial limits of a municipality, which does not meet the requirements of [a blighted area or a conservation area], and in which the governing body of the municipality finds that redevelopment will not be solely used for development of commercial businesses which unfairly compete in the local economy and is in the public interest because it will: (1) discourage commerce, industry or manufacturing from moving their operations to another state; or (2) result in increased employment in the municipality; or (3) result in preservation or enhancement of the tax base of the municipality.

In 2006, the General Assembly amended Missouri’s condemnation laws, which also had an effect on tax increment financing projects. First, farmland that is declared blighted cannot be acquired by eminent domain. Second, blight must be evaluated on a parcel-by-parcel basis, if any property in the redevelopment area will be acquired through (or under the threat of) condemnation.

An amendment to the TIF Act in 2007 prohibits new tax increment financing projects in any “greenfield area” within St. Louis, St. Charles, Jefferson and Franklin Counties. A “greenfield area” is defined as “any vacant, unimproved, or agricultural property that is located wholly outside the incorporated limits of a city, town, or village, or that is substantially surrounded by contiguous properties with agricultural zoning classifications or uses unless said property was annexed into the incorporated limits of a city, town, or village ten years prior to the adoption of the ordinance approving the redevelopment plan for such greenfield area.”

Other legislation in 2007 prohibits new tax increment financing projects in “Hunting Heritage Protection Areas.” Such areas consist of all land within the 100 year flood plain of the Missouri and Mississippi rivers, as designated by FEMA, but excluding (1) areas with a population of at least 50,000 persons and designated as an “urbanized area” by the United States Secretary of Commerce, (2) any land ever used, operated or owned by an entity regulated by the Federal Energy Regulatory Commission, (3) any land used for the operation of a physical port of commerce, (4) any land within Kansas City or St. Louis City, and (5) any land located within one half mile of any interstate highway. There are also several exceptions to the general prohibition against new tax increment financing projects including (1) the ability to expand existing tax increment financing projects located within a Hunting Heritage Protection Area, subject to certain limitations, (2) redevelopment projects for the purposes of flood and drainage protection, and (3) redevelopment projects for the purposes of constructing or operating renewable fuel facilities.

Although the TIF Act provides for redevelopment projects in an “economic development area,” certain questions remain regarding the constitutionality of TIF financing in such an area that may require a court case to resolve. It is unclear whether there are any instances under which a redevelopment project may be undertaken in an economic development area.

Preparation of Redevelopment Plan

Before proceeding with a redevelopment project, the municipality must approve a redevelopment plan that designates the redevelopment area, describes the redevelopment project and sets forth a comprehensive program for redevelopment. The TIF Act requires the following information to be included in the redevelopment plan:

1. Estimated redevelopment project costs;
2. The anticipated sources of funds to pay the costs;
3. Evidence of commitments to finance the project costs;
4. The anticipated type and term of the sources of funds to pay costs;
5. The most recent equalized assessed valuation of the property within the redevelopment area that is to be subjected to payments in lieu of taxes and economic activity taxes;
6. An estimate of the equalized assessed valuation after redevelopment; and
7. The general use of the land in the redevelopment area.

Additional information not required by statute may be included in the plan, such as the total acreage in the redevelopment area and the total payments in lieu of taxes and economic activity taxes estimated to be generated over the period the plan is in effect.

Public Hearing Regarding Redevelopment Plan

Before adopting tax increment financing, the TIF commission must hold a public hearing on the redevelopment plan and redevelopment project and the proposed redevelopment area. Notice of the hearing must be published and must be mailed to affected taxing districts and property owners. The TIF commission is required to vote on any proposed redevelopment plan, redevelopment project, or designation of a redevelopment area within 30 days after the public hearing and to make recommendations. If the county-wide TIF commission required for municipalities in St. Louis, St. Charles, and Jefferson Counties fails to make a recommendation within 30 days of the public hearing, the plan, project, or designation at issue will be deemed to have been rejected by the TIF commission. Additionally, public hearings held by the county-wide TIF commission may not be continued for more than 30 days unless a longer period is requested by the chief elected official of the municipality creating the commission and approved by a majority of the members of the county-wide TIF commission.

Adoption of Ordinances by Municipality

The redevelopment plan will become effective upon adoption of an ordinance by the municipality that approves the redevelopment plan and the redevelopment project and designates the redevelopment area. As discussed above, if the TIF Commission makes a recommendation in opposition to the redevelopment plan, the redevelopment project or the designation of the redevelopment area, the governing body of the municipality may only approve such plan, project or designation upon a two-thirds majority vote. The TIF Act does not specify in detail what information must be included in the ordinance approving the redevelopment plan. The TIF Act does state, however, that no redevelopment plan may be adopted without findings that:

a. The redevelopment area on the whole is a blighted area, a conservation area or an economic development area, including a detailed description of the factors that qualify the redevelopment area.

b. The redevelopment area has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing (this is sometimes referred to as the “but-for” test, as discussed above, and must be supported by an affidavit of the developer submitted with the redevelopment plan).

c. The redevelopment plan conforms to the comprehensive plan for the development of the municipality as a whole.

d. The estimated dates, which shall not be more than 23 years from the adoption of the ordinance approving a redevelopment project within a redevelopment area, of completion of any redevelopment project and retirement of obligations incurred to finance redevelopment project costs have been stated.

e. A plan has been developed for relocation assistance for businesses and residences. The relocation plan must comply with the provisions of Sections 523.200 to 523.215 of the Revised Statutes of Missouri, as amended.

f. A cost-benefit analysis has been prepared showing the economic impact of the plan on each taxing district that is at least partially within the boundaries of the redevelopment area.

g. The redevelopment plan does not include the initial development or redevelopment of any gambling establishment.

III. CAPTURE/USE OF TIF REVENUES

Determination of TIF Revenues

After the ordinance is passed, the county assessor must determine the total equalized assessed value of all taxable real property within the redevelopment project area. Thereafter, the total equalized assessed valuation of taxable real property in the redevelopment project area in excess of the initial equalized assessed valuation is computed by the county assessor for each year that tax increment financing is in effect. The payments in lieu of taxes are made by property owners in the redevelopment area on the increase in current equalized assessed valuation of each taxable parcel of real property over and above the initial equalized assessed valuation of each such parcel, and such payments are deposited into the special allocation fund.

In addition, 50% of the increase in total revenues of incremental sales and utility taxes (referred to as “economic activity taxes”) are captured and deposited into the special allocation fund. Under the TIF Act, economic activity taxes do not include taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees, special assessments and personal property taxes. Any economic development sales tax imposed pursuant to Section 67.1305 of the Revised Statutes

of Missouri is not captured by tax increment financing unless recommended by the economic activity tax board and approved by the governing body imposing the tax. Any city or county which levies a children's service sales tax pursuant to Section 67.1775 of the Revised Statutes of Missouri and approves a redevelopment plan or project after August 28, 2007 must reimburse the amount of the children's services sales tax captured and deposited into the special allocation fund to the community children's service fund established in conjunction with the imposition of the children's services sales tax.

Issuance of Bonds or Other Obligations

Either the municipality or the TIF commission may issue bonds or other obligations under the TIF Act which are payable from moneys in the special allocation fund or other funds specifically pledged. The TIF Act provides that voter approval of TIF bonds is not required. The bonds or other obligations must mature within 23 years, may bear any interest rate and may be sold at public or private sale as determined by the municipality or TIF commission. The bonds or other obligations are not a general obligation of the municipality and, accordingly, do not count toward the municipality's constitutional debt limitation.

Reporting/Hearing Requirements

The governing body of the municipality must submit to the Missouri Department of Economic Development an annual report concerning the status of each redevelopment plan and project. Effective August 28, 2009, if a municipality fails to provide an annual report to the Missouri Department of Economic Development, the municipality will be prohibited from implementing new TIF projects for at least five years.

The municipality must also publish in a newspaper of general circulation in the county a statement showing the payments in lieu of taxes received and expended in that year, the status of the redevelopment plan and projects, the amount of outstanding bonded indebtedness and any additional information the municipality deems necessary.

Every five years, the governing body of the municipality must hold a public hearing to determine if the redevelopment project is making satisfactory progress under the proposed time schedule contained in the redevelopment plan. Notice of the public hearing must be given in a newspaper of general circulation in the redevelopment area once each week for four weeks immediately prior to the hearing.

* * * * *

SALES TAX REBATE/DEVELOPMENT AGREEMENTS

I. INTRODUCTION

Another alternative to TIF financing is for a municipality to enter into an agreement (commonly referred to as a “sales tax rebate agreement” or “development agreement”) with a property owner, whereby the owner of a retail establishment agrees to fund the costs of certain public improvements. The municipality agrees to reimburse the owner for the cost of those improvements, with interest at an agreed-upon taxable interest rate, from the incremental sales taxes generated by the project. The owner generally agrees to be paid solely from those incremental sales taxes, and not from any other funds of the municipality.

II. STATUTORY AUTHORITY

Section 70.220 of the Revised Statutes of Missouri (the “Cooperation Law”) authorizes any municipality or other political subdivision to contract with any other political subdivision, private person or firm for the “planning, development, construction, acquisition or operation of any public improvement or facility.” The political subdivision may authorize the contract by ordinance or resolution.

III. TYPICAL STRUCTURE OF TRANSACTION

Many retail developments require the installation of public improvements (such as roads, traffic signals and utilities) to accommodate the development. Under the typical agreement, the developer agrees to advance the costs of the public improvements. The political subdivision agrees to reimburse the developer for such costs, with interest, over a specified period of time. The agreement usually provides that only a portion of the incremental (*i.e.*, new) sales tax revenues generated from the development will be used to reimburse the cost of the public improvements. This results in immediate new revenue to the municipality, while also providing a source of repayment for the public improvements.

The Missouri Constitution generally requires voter approval if a political subdivision pledges tax revenue to the repayment of indebtedness that lasts for more than one year. Therefore, sales tax rebate agreements specifically provide that the political subdivision’s obligation is from year-to-year only, and is subject to annual appropriation by the governing body.

Because the developer usually assumes responsibility for initial construction of the public improvements, it’s important that the agreement provide for payment of prevailing wages, payment and performance bonds, and indemnification of the governing body.

Undertaking a sales tax rebate agreement is a fairly simple process, since the governing body is obligating only its funds – not the funds of any other political subdivision. No public hearing or consultation with other political subdivisions is required.

* * * * *

TRANSPORTATION DEVELOPMENT DISTRICTS

I. INTRODUCTION

Purpose

A transportation development district may be created pursuant to Sections 238.200 to 238.275 of the Revised Statutes of Missouri, as amended (the “TDD Act”) to fund, promote, plan, design, construct, improve, maintain and operate one or more projects or to assist in such activity. A district is a separate political subdivision of the state. “*Project*” includes any bridge, street, road, highway, access road, interchange, intersection, signing, signalization, parking lot, bus stop, station, garage, terminal, hangar, shelter, rest area, dock, wharf, lake or river port, airport, railroad, light rail, or other mass transit and any similar or related improvement or infrastructure.

Projects, Submission of Plans

Before construction or funding of any project, the district must submit the proposed project to the Missouri Highways and Transportation Commission (the “commission”) for its prior approval. If the commission finds that the project will improve or is a necessary or desirable extension of the state highways and transportation system, the commission may preliminarily approve the project subject to the district providing plans and specifications for the project and making any revisions in the plans and specifications required by the commission and the district and commission entering into a mutually satisfactory agreement regarding development and future maintenance of the project. After such preliminary approval, the district may impose and collect such taxes and assessments as may be included in the commission’s preliminary approval. After the commission approves the final construction plans and specifications, the district must obtain prior commission approval of any modification of such plans or specifications.

If the proposed project is not intended to be merged into the state highways and transportation system, the district shall also submit the proposed project and proposed plans and specifications to the local transportation authority that will become the owner of the project for its prior approval. “*Local transportation authority*” is a county, city, town, village, county highway commission, special road district, interstate compact agency, or any local public authority or political subdivision having jurisdiction over any bridge, street, highway, dock, wharf, ferry, lake or river port, airport, railroad, light rail or other transit improvement or service.

In those instances where a local transportation authority is required to approve a project and the commission determines that it has no direct interest in that project, the commission may decline to consider the project. Approval of the project then vests exclusively with the local transportation authority subject to the district making any revisions in the plans and specifications required by the local transportation authority and the district and the local transportation authority entering into a mutually satisfactory agreement regarding development and future maintenance of the project. After the local transportation authority approves the final construction plans and specifications, the district must obtain prior approval of the local transportation authority before modifying such plans or specifications.

II. FUNDING METHODS

Sales Tax

Any district may impose a sales tax in increments of one-eighth of one percent up to a maximum of one percent on all retail sales made in the transportation development district that are subject to taxation under Missouri law, with certain exceptions (including the sale of motor vehicles, trailers, boats and outboard motors). The sales tax must be approved by approval of a majority of the “qualified voters” within the district. The “qualified voters” are (1) the registered voters within the district, and (2) the property owners within the district (who shall receive one vote per acre). Any registered voter who also owns property must elect whether to vote as a registered voter or a property owner. Notwithstanding the foregoing, the owners of all of the property in the district may implement the sales tax by unanimous petition in lieu of holding an election. The sales tax rate must be uniform throughout the district.

The Missouri Department of Revenue began collecting sales taxes generated from taxable sales occurring on and after January 1, 2010 on behalf of all newly created and existing transportation development districts.

Special Assessments

The district may also, with majority voter approval, make one or more special assessments for project improvements that specially benefit the properties within the district. A district may establish different classes or subclasses of real property within the district for the purpose of levying different rates of assessments.

Property Tax

The district may also, with approval by at least four-sevenths of the voters, impose a property tax in an amount not to exceed the annual rate of ten cents on the hundred dollars assessed valuation. The property tax must be uniform throughout the district.

Tolls

If approved by a majority of the qualified voters voting on the question in the district, the district may charge and collect tolls or fees for the use of a project.

Bonds

The District may issue bonds, notes and other obligations for not more than 40 years, and may secure any of such obligations by mortgage, pledge, assignment or deed of trust of any or all of the property and income of the district. The district cannot mortgage, pledge or give a deed of trust on any real property or interests that it obtained by eminent domain.

III. FORMATION

Creation of District

A district may be created by (1) petition of at least fifty registered voters within the proposed district, or (2) if there are no registered voters within the district, the owners of all of the real property located within the proposed district. In addition, two or more local transportation authorities may adopt resolutions calling for the joint establishment of a district and then file a petition requesting the creation of a district. With certain limited exceptions, the property in the district must be contiguous.

The petition is filed in the circuit court of the county in which a majority of the district is located. Among other information, the petition must set forth:

- (1) The name and address of each respondent, which must include the commission and each affected local transportation authority within the proposed district;
- (2) A specific description of the proposed district boundaries including a map illustrating the boundaries;
- (3) A general description of each project proposed to be undertaken by the district, including a description of the approximate location of each project;
- (4) The estimated project costs and anticipated revenues to be collected from the project;
- (5) The number of members of the board of directors of the proposed district, which shall be not less than five or more than fifteen;
- (6) A proposal for funding the district; and
- (7) Details of the budgeted expenditures, including estimated expenditures for physical improvements, land acquisition, professional services and interest charges.

Hearing

The court hears the case without a jury. If the court determines the petition is not legally defective and the proposed district and method of funding are neither illegal nor unconstitutional, the court shall enter its judgment to that effect.

If the petition was filed by registered voters or by a governing body, the court shall then certify the questions regarding district creation, project development and proposed funding for voter approval. If the petition was filed by the owners of record of all of the real property located within the proposed district, the court shall declare the district organized and certify the funding methods stated in the petition for qualified voter approval. If a petition is filed pursuant to the resolutions of two or more local transportation authorities calling for the joint establishment of a district, the court shall then certify the single question regarding district creation, project development and proposed funding for voter approval.

Effective August 28, 2009, if the petition for the establishment of the district is filed by the owners of all real property in the proposed district, the court is required to hold at least one public hearing regarding the establishment of the district.

Election

If the court certifies the petition for voter approval, a majority vote is required to approve the formation of the district.

If (1) the petition was filed pursuant to the resolutions of two or more local transportation authorities calling for the joint establishment of a district and was certified for voter approval, (2) the district desires to impose a sales tax as the only proposed funding mechanism and (3) the proposition to create the district and authorize the sales tax has received majority voter approval, the circuit court shall declare the district organized and the sales tax to be in effect.

If the district desires to impose a funding mechanism other than a sales tax, the proposed funding mechanism requires separate voter approval at a subsequent election.

“*Qualified voters*” for TDD elections generally include (1) the registered voters within the district and (2) if no registered voters are present in the district and the district petition was submitted by the property owners or by resolution of two or more local transportation authorities, the property owners within the district (who shall receive one vote per acre). If a registered owner moves into a district that has already been created and which no registered voters previously resided in, the registered voter must elect whether to vote as a registered voter or a property owner.

Board of Directors

Since the district is a separate political subdivision, it has its own board of directors that serves as the governing body of the district.

Unless the district is formed at the request of two or more local transportation authorities, directors are elected by the qualified voters within the district (i.e., registered voters or property owners, as the case may be).

If two or more local transportation authorities requested formation of the district, the board of directors consists of (1) the presiding officer and one person designated by the governing body of each local transportation authority (if the district is comprised of two or three local transportation authorities), or (2) the presiding officer of each local transportation authority (if the district is comprised of four or more local transportation authorities).

IV. MISCELLANEOUS

Condemnation

The District may condemn land for a project in the name of the state of Missouri, upon prior approval by the commission, or the local transportation authority as appropriate, as to the necessity for the taking of the description of the parcel and the interest taken in that parcel.

Project Revisions

At any time during the existence of a district, the board may submit to the voters of the district a proposition to increase or decrease the number of projects that it is authorized to complete.

If the board proposes to discontinue a project, it must first obtain approval from the commission if the proposed project is intended to be merged into the state highways and transportation system or approval from the local transportation authority if the proposed project is intended to be merged into a local transportation system under the local authority's jurisdiction.

The board may modify the project previously approved by the district voters, if the modification is approved by the commission and, where appropriate, a local transportation authority.

Audit Required

The state auditor is required to audit each district at least every three years, and may audit more frequently if the state auditor deems appropriate. The costs of this audit shall be paid by the district. Most districts that have issued bonds are required by the bond underwriter to obtain an annual audit.

Annual Report to State Auditor

Transportation development districts with cash receipts of more than \$10,000 per year are required to submit an annual report of its financial transactions to the state auditor. This report is due to the state auditor (1) within four months of the end of the district's fiscal year if the report will contain unaudited financial statements or (2) within six months of the end of the district's fiscal year if the report will consist of financial statements audited by a certified public accountant. Any district that fails to timely file this report may be fined up to \$500 per day until such report is filed.

Projects, Transfer to Commission or Authority

Within six months after development and initial maintenance costs of its completed project have been paid, the district shall pursuant to contract transfer ownership and control of the project to the commission or a local transportation authority which shall be responsible for all future maintenance costs pursuant to contract. Such transfer may occur sooner with the consent of the recipient.

* * * * *

COMMUNITY IMPROVEMENT DISTRICTS

I. INTRODUCTION

What is a Community Improvement District?

A community improvement district is either a political subdivision with the power to impose a sales tax, a special assessment or a real property tax, or a nonprofit corporation with the power to impose special assessments. The CID is created by a city or county following submission of a petition by the property owners within the proposed district.

A community improvement district is a separate legal entity distinct and apart from the municipality or county that creates the district. In many respects, a CID is similar to a TDD, except that the CID can finance a much broader array of improvements and can also undertake various public services.

Authority

Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri (the “Community Improvement District Act”) authorize the creation of community improvement districts.

Kinds of Infrastructure Improvements

A variety of public improvements can be financed with a community improvement district. Projects may include, but are not limited to,

1. Pedestrian or shopping malls and plazas.
2. Parks, lawns, trees and any other landscape.
3. Convention centers, arenas, aquariums, aviaries and meeting facilities.
4. Sidewalks, streets, alleys, bridges, ramps tunnels, overpasses and underpasses, traffic signs and signals, utilities, drainage, water, storm and sewer systems and other site improvements.
5. Parking lots, garages or other facilities.
6. Music, news and child-care facilities.
7. Any other useful, necessary or desired improvement.

In addition, within a “blighted area,” the district may pay costs of demolishing, renovating and rehabilitating structures.

Public Services

A community improvement district may provide a variety of public services, including but not limited to:

1. With the municipality's consent, prohibiting or restricting vehicular and pedestrian traffic and vendors on streets.
2. Operating or contracting for the provision of music, news, child-care or parking facilities, and buses, mini-buses or other modes of transportation.
3. Leasing space for sidewalk café tables and chairs.
4. Providing or contracting for the provision of security personnel, equipment or facilities for the protection of property and persons.
5. Providing or contracting for cleaning, maintenance and other services to public and private property.
6. Promoting tourism, recreational or cultural activities or special events.
7. Promoting business activity, development and retention.
8. Providing refuse collection and disposal services.
9. Contracting for or conducting economic, planning, marketing or other studies.

II. FORMATION PROCESS

Petition Requesting Formation

A community improvement district is formed by petition of the property owners. The petition must be signed by:

1. Property owners collectively owning at least 50 percent of the assessed value of the real property within the proposed district; and
2. More than 50 percent per capita of all owners of real property within the proposed district.

The petition must include a wide variety of information, including:

1. A five-year plan describing the purposes of the proposed district, the services it will provide, the improvements it will make and an estimate of costs of those services and improvements.
2. Organizational and governance information, including:

- a. Whether the district will be a political subdivision or a nonprofit corporation.
 - b. If a political subdivision, the manner in which the board of directors will be elected and the number of directors on the initial board.
3. The maximum rates of real property taxes and special assessments that may be imposed.
 4. The limitations, if any, on the borrowing capacity and revenue generation of the district.

Remaining Steps to Form the District

After the petition is submitted, the governing body of the municipality will proceed with the following actions:

1. Hold a public hearing regarding the formation of the district. Notice of the hearing must be published once a week for two consecutive weeks before the public hearing, and must be mailed at least 15 days prior to the public hearing. The notice must include, among other items, the following information: (a) date, time and place of hearing; (b) boundaries of the district, (c) statement that a copy of the petition is available for review at the clerk's office and (d) statement that all interested persons will be given an opportunity to be heard at the hearing.
2. Establish the district by order or ordinance.

III. GOVERNANCE

Political Subdivision

The petition specifies whether directors will be elected by the "qualified voters" or appointed by the municipality. A "qualified voter" must either own real property within the district or be a registered voter within the district. Appointments are made by the chief elected officer with the consent of the governing body.

The board shall consist of at least 5 but not more than 30 directors. Each director must (a) own real property or a business within the district (or be the legally authorized representative of the owner) or (b) be a registered voter residing within the district. If there are less than 5 owners of real property located within the district, the board may be comprised of up to 5 legally authorized representatives of any of the owners of real property located within the district.

Nonprofit Corporation

The directors are elected in the same manner as directors of other nonprofit corporations, under chapter 355 of the Revised Statutes of Missouri.

IV. FUNDING OF IMPROVEMENTS

Special Assessments

Any community improvement district, whether a political subdivision or nonprofit corporation, may impose special assessments, if approved by petition signed by:

1. Owners collectively owning real property representing more than 50 percent of the assessed value of real property within the district; and
2. More than 50 percent per capita of the owners of all real property within the district.

Real Property Taxes

A community improvement district that is a political subdivision can impose a real property tax if approved by a majority of the “qualified voters.” A “qualified voter” is:

1. Registered voter residing within the district; or
2. If there are no registered voters residing within the district, the owners of real property within the district.

Unlike transportation development districts, there is no limit on the amount of real property taxes that may be imposed by a CID.

Sales Tax

A community improvement district that is a political subdivision can impose a sales tax if approved by a majority of the “qualified voters,” as defined above. The tax may be imposed in increments of one-eighth of one percent, up to a maximum of one percent.

Other Sources

1. Fees, rents and charges for district property or services.
2. Grants, gifts and donations.

Bonds

The District may issue bonds, notes and other obligations for not more than 20 years, and may secure any of such obligations by mortgage, pledge, assignment or deed of trust of any or all of the property of the district.

* * * * *

SPECIAL BUSINESS DISTRICTS

I. INTRODUCTION

What is a Special Business District?

A special business district (SBD) is a political subdivision with the power to impose a real property tax, a business license tax and special assessments, depending upon the size of the City in which the SBD is created. The funding sources can be spent on certain public improvements and services listed in the statute. The SBD is created by a city following submission of a petition by property owners that pay real property taxes within the proposed district.

An SBD is a separate legal entity distinct and apart from the city that creates the district. In cities with 350,000 or more people, the SBD board consists of seven members appointed by the City and serves as the governing body of the SBD, but in all other cities the governing body of the city also serves as the governing body of the SBD and the SBD board is only a recommending body. Therefore, in all cities except those with 350,000 or more people, the city governing body needs to operate the SBD as a separate political subdivision of the city and not as another board or commission of the city.

Authority

Sections 71.790 to 71.808 of the Revised Statutes of Missouri govern special business districts.

Kinds of Infrastructure Improvements

Specific types of public improvements can be financed with a special business district:

1. Widen or narrow existing streets and alleys.
2. Construct or install pedestrian or shopping malls, plazas, sidewalks or moving sidewalks, parks, meeting and display facilities, convention centers, arenas, bus stop shelters, lighting, benches or other seating furniture, sculptures, telephone booths, traffic signs, fire hydrants, kiosks, trash receptacles, marquees, awnings, canopies, walls and barriers, paintings, murals, alleys, shelters, display cases, fountains, rest rooms, information booths, aquariums, aviaries, tunnels and ramps, pedestrian and vehicular overpasses and underpasses, and each and every other useful or necessary or desired improvement.
3. Landscape and plant trees, bushes and shrubbery, flowers and each and every and other kind of decorative planting.
4. Install and operate or lease public music and news facilities.
5. Construct and operate child-care facilities.
6. Construct lakes, dams, and waterways of whatever size.

7. Construct, reconstruct, extend, maintain, or repair parking lots or parking garages, both above and below ground, or other facilities for the parking of vehicles, including the power to install such facilities in public areas, whether such areas are owned in fee or by easement.

Public Services

A special business district may provide a variety of public services, including:

1. purchase and operate buses, minibuses, mobile benches, and other modes of transportation;
2. Lease space within the district for sidewalk cafe tables and chairs;
3. Provide special police or cleaning facilities and personnel for the protection and enjoyment of the property owners and the general public using the facilities of such business district;
4. Maintain all city-owned streets, alleys, malls, bridges, ramps, tunnels, lawns, trees and decorative plantings of each and every nature, and every structure or object of any nature whatsoever constructed or operated by the city;
5. Grant permits for newsstands, sidewalk cafes, and each and every other useful or necessary or desired private usage of public or private property;
6. Prohibit or restrict vehicular traffic on such streets within the business district as the governing body may deem necessary and to provide the means for access by emergency vehicles to or in such areas;
7. Promote business activity in the district by, but not limited to, advertising, decoration of any public place in the area, promotion of public events which are to take place on or in public places, furnishing of music in any public place, and the general promotion of trade activities in the district.
8. With the city's consent, prohibiting or restricting vehicular and pedestrian traffic and vendors on streets.

Additional Powers for Large Cities

In any city with a population of 350,000 or more, an SBD has the following additional powers:

1. Cooperate with other public agencies and with any industry or business located within the district in the implementation of any project within the district.
2. Enter into any agreement with any other public agency, any person, firm, or corporation to effect any of the provisions contained in the SBD statutes.
3. Contract and be contracted with, and to sue and be sued.

4. Accept gifts, grants, loans, or contributions from the city in which the district is located, the United States of America, the state of Missouri, political subdivisions, foundations, other public or private agencies, individuals, partnerships, or corporations.
5. Employ such managerial, engineering, legal, technical, clerical, accounting, and other assistance as it may deem advisable. The district may also contract with independent contractors for any such assistance.

II. FORMATION PROCESS

Petition Requesting Formation and Resolution of Intent

The process to form a special business district starts with a petition. The petition must be signed by one or more owners of real property on which is paid the ad valorem real property taxes within the proposed district. The status does not specify what the petition must contain. Once a petition is filed, the governing body may adopt a “resolution of intent” to form the SBD, which must contain the following:

1. Description of the boundaries of the proposed area;
2. The time and place of a hearing to be held by the governing body considering establishment of the district;
3. The proposed uses to which the additional revenue shall be put and the initial tax rate to be levied.

Survey and Investigation

Prior to adopting an ordinance which approves an SBD, the city must conduct a survey and investigation for the purposes of determining:

1. the nature of and suitable location for business district improvements,
2. the approximate cost of acquiring and improving the land therefor,
3. the area to be included in the business district or districts,
4. the need for and cost of special services, and cooperative promotion activities, and
5. 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 business district and that part of the cost, if any, to be paid by public funds.

The cost of the survey and investigation must be included as a part of the cost of establishing the business district. A written report of this survey and investigation must be filed in the office of the city clerk and must be available for public inspection.

Public Hearing

The governing body of the city must hold a public hearing prior to approval of the SBD by ordinance. The hearing must be preceded by two publication notices between 10 and 15 days before the hearing and mailed notice to all property owners and licensed businesses within the proposed district.

Ordinance to Approve District

If the city adopts an ordinance to approve the SBD, the ordinance must contain:

1. The number, date and time of the resolution of intention pursuant to which it was adopted;
2. The time and place the hearing was held concerning the formation of the area;
3. The description of the boundaries of the district;
4. A statement that the property in the area established by the ordinance shall be subject to the provisions of additional tax as provided in the petition;
5. The initial rate of levy to be imposed upon the property lying within the boundaries of the district;
6. A statement that a special business district has been established;
7. The uses to which the additional revenue shall be put;
8. In any city with a population of less than three hundred fifty thousand, the creation of an advisory board or commission and enumeration of its duties and responsibilities;
9. In any city with a population of three hundred fifty thousand or more, provisions for a 7-member board of commissioners to administer the special business district.

III. GOVERNANCE

The district is a separate political subdivision of the state. In cities with less than 350,000 population, the governing body of the city serves as the governing body of the SBD. Care should be taken to hold separate meetings of the SBD board rather than incorporating SBD legislative actions into legislative actions of the governing body of the city. In cities with less than 350,000 population, the SBD board serves as an advisory capacity to the SBD governing body.

In cities with a population of 350,000 or more, the SBD board appointed by the city serves as the governing body of the SBD. The members must be appointed by the mayor with the advice and consent of the governing body of the city. Five members must be owners of real property within the district or their representatives and two members must be renters of real property within the district or their representatives.

IV. FUNDING OF IMPROVEMENTS

Real Property Taxes

An SBD may impose a real property tax that does not exceed 85¢ per \$100 of assessed valuation. In St. Louis only, the real estate tax imposed by an SBD may be imposed and collected even though the property is subject to tax abatement pursuant to a redevelopment plan adopted under Chapter 353 of the Revised Statutes of Missouri.

Business License Tax

An SBD may impose a tax on businesses and individuals doing business within the SBD. The rate of the SBD business license tax cannot exceed 50% of the other business license taxes imposed within the district.

Special Assessments

Any SBD in a city with a population of 350,000 or more and located in more than one county may also impose special assessments at the following maximum rates:

1. Not more than 5¢ per square foot on each square foot of land.
2. Not more than ½¢ per square foot on each square foot of improvements on land.
3. Not more than \$12 per abutting foot of the lots, tracts and parcels of land within the district abutting on public streets, roads and highways.

Elections

The taxes and assessments described above are subject to voter approval. Residents of the SBD and owners of property within the SBD are “qualified voters” for property tax and special assessment elections. Holders of business licenses within the SBD are “qualified voters” for business license tax elections. When an election is held, the qualified voters must apply to the City Clerk for a ballot. The City Clerk will then mail a ballot to each qualified voter that applies for a ballot. Ballots must then be returned to the City Clerk’s office with an affidavit attesting that the voter is a qualified voter. The City Clerk will then arrange for election judges from the county election authority to count the ballots and certify the election.

Bonds

An SBD is authorized by statute to issue general obligation bonds or notes for a maximum of 20 years and in a maximum amount of 10% of the total assessed value of all land within the district. The SBD is also authorized to issue revenue bonds and refunding revenue bonds to pay the cost of acquiring, constructing, improving, or extending any revenue-producing facilities, and such bonds are payable solely from the operation of such revenue-producing facility. However, there are some concerns regarding the constitutionality of the statutorily prescribed election procedures for SBDs, particularly elections for the approval of general obligation bonds. Accordingly, if bonds are being considered as a funding mechanism, a Community Improvement District is a better economic development tool because

it can achieve many of the same goals as an SBD, but does not have constitutional concerns that might impact the marketability of any bonds.

* * * * *

NEIGHBORHOOD IMPROVEMENT DISTRICTS

I. INTRODUCTION

What is a Neighborhood Improvement District?

A neighborhood improvement district is an area benefited by a public improvement and assessed to pay for that improvement. It is created by an election held or petition circulated within the proposed district. It is **not** a separate legal entity.

Authority

Article III, Section 38(c) of the Missouri Constitution and Sections 67.453 to 67.475 of the Revised Statutes of Missouri (the “Neighborhood Improvement District Act”) authorize the creation of neighborhood improvement districts.

Kinds of Projects

Only **public** facilities, improvements or reimprovements can be financed with a neighborhood improvement district. The improvement must confer a benefit on property within the district, but the improvement is not required to be located in the district. Projects may include, but are not limited to:

1. Acquisition of property.
2. Improvement of streets, gutters, curbs, sidewalks, crosswalks, driveway entrances and structures, drainage works incidental thereto and service connections from sewer, water, gas and other utility mains, conduits or pipes.
3. Improvement of storm and sanitary sewer systems.
4. Improvement of street lights and street lighting systems.
5. Improvement of waterworks systems.
6. Improvement of parks, playgrounds and recreational systems.
7. Landscaping streets or other public facilities.
8. Improvement of flood control works.
9. Improvement of pedestrian and vehicle bridges, overpasses and tunnels.
10. Improvement of retaining walls and area walls on public ways.
11. Improvement of property for off-street parking.
12. Acquisition and improvement of other public facilities or improvements.

13. Improvements for public safety.

II. FORMATION PROCESS

A neighborhood improvement district may be created either by election or by petition of property owners.

By Election

A neighborhood improvement district must be approved by the percentage of voter approval of electors within the proposed district voting thereon required for general obligation bonds (four-sevenths or two-thirds). The resolution or ordinance calling the election and notice of election must include the following information:

1. Project name.
2. General nature of proposed improvement.
3. Estimated cost. *The estimated cost should include all costs, including financing costs. It does not include interest on the general obligation bonds.*
4. Boundaries of proposed district. *The boundaries of the area to be assessed may be described by metes and bounds, streets or other sufficiently specific description.*
5. Proposed method of assessment, including any provision for the annual assessment of maintenance costs for the improvement in each year in each year during the term of the bonds issued for the improvement and after the bonds issued for the original improvement are paid in full. *The cost of the improvements must be apportioned against the **property** in the district in accordance with the benefits accruing to the property by reason of the improvement and may be assessed equally per front foot, per square foot or any other reasonable assessment plan.*
6. Statement that final cost won't exceed the estimated cost by more than twenty-five percent (notice of election only).

By Petition

The petition signed by the owners of record of at least two-thirds by area of all real property located within the proposed district is submitted to the governing body. The State Auditor requires a certification of the acreage or square footage in the district and the acreage or square footage owned by the signers of the petition. The petition must include the following information:

1. Project name.
2. General nature of proposed improvement.

3. Estimated cost.
4. Boundaries of proposed district.
5. Proposed method of assessment, including a provision for the annual assessment of maintenance costs for the improvement in each year during the term of the bonds issued for the improvement and after the bonds issued for the original improvement are paid in full.
6. Number of years over which the assessments for the improvement can be paid.
7. Notice that names of signers may not be withdrawn later than seven days after petition filed.

The petition must be signed by all owners of record of a parcel of property for that parcel to be counted. Each owner of record of real property located in the proposed district is allowed one signature. Any person, corporation, or limited liability partnership owning more than one parcel of land located in such proposed district shall be allowed only one signature on the petition. In the case of property owned by a corporation or partnership, evidence of the authority of the person signing on behalf of such entity should be presented with the petition. An affidavit of the person or persons circulating the petition should also be submitted with the petition.

Remaining Steps to Form the District

After the election is held or petition is submitted, the governing body will proceed with the following actions:

1. Order preparation of plans and specifications.
2. Prepare a preliminary assessment roll.
3. Hold a public hearing regarding the proposed project. Notice of the hearing must be published not more than 20 days and not less than 10 days before the hearing, and must include the following information: (a) project name; (b) date, time and place of hearing. (c) general nature of improvements; (d) revised estimated cost (or, if available, final cost); (e) boundaries of district; and (f) statement that written and oral objections will be considered at the hearing. Notice must also be mailed to owners of record or property within district.
4. Governing Body orders improvements to be made.
5. Issuance of temporary notes, if needed.
6. Construction of the project.
7. Computation of final costs and assessments.
8. Assessment of final costs.

9. Mailing of notice of assessments and opportunity to pay up front to property owners.

III. FINANCING OF IMPROVEMENTS

Bonds issued in connection with neighborhood improvement districts are a form of general obligation bonds. The bonds are payable as to both principal and interest from the assessments and, if not so paid, from current income and revenue and revenues and surplus funds of the city or county that formed the district. The city or county is not authorized to impose any new or increased ad valorem property tax to pay principal of or interest on the bonds without voter approval. If the city or county uses funds on hand to pay debt service, the issuer can reimburse itself from assessments at a later date.

The bonds are general obligation bonds, and count against the issuer's legal debt limit at the time that the governing body has found the formation of the district advisable. Until bonds are actually issued, 125% of the project cost is counted against the debt limit. NID bonds can only be issued in an amount of up to 10% of the assessed valuation of the issuer. The maturity of the bonds is limited to 20 years.

* * * * *

PROPERTY TAX ABATEMENT UNDER CHAPTER 353, RSMO.

I. INTRODUCTION

Under Chapter 353 of the Revised Statutes of Missouri, real property tax abatement is available within “blighted areas.” An Urban Redevelopment Corporation is created under the general corporations laws of Missouri and, once created, it has the power to operate one or more redevelopment projects pursuant to a city-approved or county-approved (if St. Louis County or Jackson County) redevelopment plan.

Under this program, an eligible city or county may approve a redevelopment plan that provides for tax abatement for up to 25 years, thus encouraging the redevelopment of the blighted area. To be eligible for the abatement, the Urban Redevelopment Corporation must take title to the property to be redeveloped. During the first 10 years of tax abatement, (1) 100% of the incremental increase in real property taxes on the land are abated, (2) 100% of the real property taxes on all improvements are abated, and (3) the property owner continues to pay real property taxes on the land in the amount of such taxes in the year before the redevelopment corporation takes title.

During the next 15 years, between 50% and 100% of the incremental real property taxes on all land and all improvements are abated. Payments in lieu of taxes (“PILOTS”) may be imposed on the Urban Redevelopment Corporation by contract with the city or county, as applicable, to achieve an effective tax abatement that is less than the abatement established by statute. PILOTS are paid on an annual basis to replace all or part of the real estate taxes that are abated. PILOTS will be allocated to each taxing district according to their proportionate share of ad valorem property taxes. The Urban Redevelopment Corporation may take title to lots, tracts or parcels of property within the redevelopment area in phases, in order to maximize the tax abatement during a phased redevelopment project.

II. PROCEDURES FOR APPROVING TAX ABATEMENT

The following is a summary of the basic steps for the approval of a development plan:

Preparation of Tax Impact Statement

The statute requires the governing body to hold a public hearing regarding any proposed development plan. Before the public hearing, the governing body must furnish to the political subdivisions whose boundaries include any portion of the property to be affected by tax abatement (1) notice of the scheduled public hearing and (2) a written statement of the impact on ad valorem taxes such tax abatement will have on the political subdivisions.

The tax impact statement must include, at a minimum, an estimate of the amount of ad valorem tax revenues of each political subdivision that will be affected by the proposed tax abatement.

Preparation of Development Plan

The proposed developer usually will assume responsibility for preparation of the development plan. This document identifies the proposed redevelopment area, the redevelopment projects to be undertaken, the program to be carried out to remove the blighting influences within the area, and the estimated project costs. The plan will include or incorporate by reference the characteristics that qualify the area as “blighted” under Missouri law.

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

Public Hearing

Before approving a development plan, the governing body of the city or county must hold a public hearing. The governing body must adopt an ordinance establishing the procedures for giving notice of the public hearing. Notice of the hearing must be given to each affected taxing district affected by the development plan.

Preparation of Redevelopment Agreement

The Redevelopment Agreement describes the Urban Redevelopment Corporation’s obligations to carry out the development plan. Among the provisions that typically are included in the Redevelopment Agreement are (1) procedures for acquiring property, including prerequisites to the use of condemnation; (2) the period for which tax abatement will be provided; (3) the time period within which the redevelopment corporation can carry out the project; and (4) procedures for the corporation to transfer title to property in the area.

In 2006, the General Assembly amended Missouri’s condemnation laws, which affected condemnation under Chapter 353. First, an Urban Redevelopment Corporation cannot acquire property through condemnation, unless the corporation entered into a redevelopment agreement before December 31, 2006. Second, farmland that is declared blighted cannot be acquired by eminent domain. Third, blight must be evaluated on a parcel-by-parcel basis, if any property in the redevelopment area will be acquired through (or under the threat of) condemnation.

Adoption of Ordinance by Governing Body

Following the public hearing, the governing body can approve a development plan and Redevelopment Agreement by adoption of an ordinance. Among other matters, the ordinance must make findings that the area described in the development plan is “blighted” under Missouri law, that a relocation plan has been developed for displaced persons, and that the Redevelopment Agreement establishes the time within which property in the area must be acquired.

* * * * *

PROPERTY TAX ABATEMENT UNDER CHAPTER 100, RSMO.

I. INTRODUCTION

General

Cities, counties, towns and villages in Missouri are authorized, pursuant to Article VI, Section 27(b) of the Missouri Constitution and Sections 100.010 to 100.200 of the Revised Statutes of Missouri (the “Act”) to issue industrial development bonds (“IDBs”) to finance projects for private corporations, partnerships and individuals. There are two primary reasons to issue IDBs under the Act. First, if the bonds are tax-exempt, it may be possible to issue the bonds at lower interest 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. Such tax abatement may result in a significant financial benefit to a company. *This memo focuses primarily on the issuance of taxable industrial development bonds issued for the purposes of the abatement of ad valorem taxes.*

Types of Projects

The Act permits any city, county, town or village (referred to herein as a “Municipality”) to issue bonds to finance the costs of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, services facilities which provide interstate commerce and industrial plants. Article VI, Section 27(b) of the Missouri Constitution also authorizes such bonds to be issued for other types of commercial facilities. In connection with such projects, the bond proceeds may be used to finance land, buildings, fixtures and machinery.

Revenue Bonds

Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from the project. The Municipality applies the proceeds from the sale of the bonds to purchase, construct, improve or equip a warehouse, distribution, commercial or industrial facility. In exchange, the company promises to make payments that are sufficient to pay the principal and interest on the bonds as they become due. Thus, the Municipality merely acts as a conduit for the financing.

II. TAXATION OF BOND-FINANCED PROPERTY

Property Tax Exemption

Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Missouri Revised Statutes, all property of any political subdivision is exempt from taxation. In a typical IDB transaction, the Municipality holds fee title to the project and leases the project to the company. Although the Missouri Supreme Court has held that the leasehold interest is taxable, it is taxable only to the extent that the economic value of the lease is less than the actual market value of the lease. See *Iron County v. State Tax Commission*, 437 S.W.2d 665 (Mo. 1968)(*en banc*) and *St. Louis County v. State Tax Commission*, 406 S.W.2d 644 (Mo. 1966)(*en banc*). If the rental payments under the lease agreement equal the actual debt service payments on the bonds, the leasehold interest should have no “bonus value”

and the bond-financed property should be exempt from ad valorem taxation and personal property taxation so long as the bonds are outstanding.

The Municipality and the company may determine that partial tax abatement -- but not full tax abatement -- is desirable. For instance, if bonds are issued to finance both real and personal property, but the Municipality determines that tax abatement on the personal property is not appropriate, the company may agree to make "payments in lieu of taxes" to the city or county. The amount of payments in lieu of taxes is negotiable to any amount. The payments in lieu of taxes are payable by December 31 of each year, and are distributed to the Municipality and to each political subdivision in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law.

Sales Tax Exemption

Under Section 144.054.3 of the Missouri Revised Statutes, a company may apply to the Missouri Department of Economic Development to receive a sales tax exemption on all personal property purchased through an IDB transaction. The municipality may also furnish the company with a sales tax exemption certificate, so that materials used in constructing any real property improvements can be exempt from sales taxes.

III. STRUCTURE OF THE TRANSACTION

Issuance and Sale of Bonds

The Municipality issues its bonds pursuant to a trust indenture entered into between the Municipality and a bank or trust company acting as trustee. IDBs, like issues of conventional corporate securities, are sold by two basic methods -- public offerings or private placements. If the company has access to the regional or national securities markets, it may retain an investment banker as underwriter and sell the bonds publicly. The size and financial condition of the company are the primary factors that determine the company's ability to utilize a public offering. As an alternative to a public offering, the company may wish to place the bonds with a sophisticated purchaser. A private placement is very similar to a long-term bank loan. If bonds are being issued at a taxable interest rate for the sole purpose of receiving tax abatement, it is common for the company or the company's commercial lender to purchase the bonds. The bond proceeds are deposited with the trustee bank in a separate trust account to be used to purchase and construct the project.

Conveyance of Property to Municipality and Lease-Back to Company

Concurrently with the closing of the bonds, the company will convey to the Municipality title to the site on which the industrial development project will be located. (The Municipality must be the legal owner of the property while the bonds are outstanding in order for the property to be eligible for tax abatement.) At the same time, the Municipality will lease the project site, together with all improvements thereon (including the project), back to the Company pursuant to a lease agreement. The lease agreement will require the company acting on behalf of the Municipality, to use the proceeds of the bonds to purchase and construct the project. The company will be unconditionally obligated to make payments to the trustee in amounts that will be sufficient to pay principal and interest on the bonds as they become due.

Under the lease agreement, the company typically: (a) unconditionally agrees to make payments sufficient to pay the principal of and interest on the bonds as they become due; (b) agrees, at its own expense, to maintain the project, pay all taxes and assessments with respect to the project and maintain adequate insurance; (c) has the right, at its own expense, to make certain additions, modifications or improvements to the project; (d) may assign its interests under the agreement or sublease the project while remaining responsible for payments under the agreement; (e) covenants to maintain its corporate existence during the term of the bond issue; and (f) agrees to indemnify the Municipality for any liability the Municipality might incur as a result of its participation in the transaction.

Payments in Lieu of Taxes

If the Municipality and the company determine that partial tax abatement is desirable, the Municipality and the company will enter into an agreement providing for the company to make “payments in lieu of taxes” to the Municipality and other taxing entities. The amount of payments in lieu of taxes is negotiable.

IV. PROCEDURE FOR ISSUING BONDS

The following is a summary of the basic steps required for the issuance of taxable bonds under the Act:

Approval of the Project

Upon a determination by the Municipality to proceed with the financing, the Municipality normally adopts a resolution (referred to as a “resolution of intent” or “inducement resolution”) stating the Municipality’s willingness and intent to issue IDBs for the project. Thereafter, the Municipality must provide notice to each taxing district of the Municipality’s intent to approve a “plan for industrial development” for the project. The plan must identify the primary terms of the proposed transaction, and must include a cost-benefit analysis that shows the impact of the proposed tax abatement on each taxing district.

Preparation of Legal Documents

Gilmore & Bell prepares the basic legal documents necessary for the bond issue, as described in “Structure of the Transaction” above. These documents will be reviewed by and supplemented with information and comments received from the parties to the financing, including the Municipality, the company, the trustee bank, any investment banker and their respective counsel.

Approval of Documents and Issuance of Bonds

After an investment banker or other purchaser (which may be the company) has agreed to purchase the bonds, the final details of the bond issue are determined and the basic documents will be finalized. The Municipality and the company will each adopt resolutions approving the legal documents and authorizing the issuance of the bonds at the specified interest rates and terms.

Preparation of Closing Documents

In addition to the basic legal documents discussed above, numerous other “closing documents” are necessary for the closing of a bond issue. Such documents include certificates relating to the existence of authority to execute and deliver documents and the absence of material litigation, corporate resolutions, opinions of counsel and evidence of payment for and receipt of the bonds. Gilmore & Bell will assist in the preparation and collection of the necessary closing documents.

Closing

The last step in the transaction is the closing itself, at which the Municipality delivers the bonds to the purchaser in exchange for payment of the purchase price of the bonds. The bond proceeds are paid over to the trustee bank, to be disbursed in accordance with the provisions of the trust indenture to pay the costs of the project. At the closing, Gilmore & Bell will deliver to the bond purchasers its opinion to the effect that the bonds have been validly issued under applicable state law and, if applicable, that the interest on the bonds is exempt from state and federal income taxation.

V. ADVANTAGES OF IDB FINANCING

From the Municipality’s standpoint, IDB financing is a useful tool to induce responsible new industries to locate in the area, as well as encouraging companies already in the area to remain, by assisting them in improving their present facilities or in building new ones. The end result is often a combination of increased job opportunities, existing job retention and large-scale capital investment.

From the company’s standpoint, the principal advantage of IDB financing depends on the purpose for which the bonds are being issued. If the bonds are tax-exempt, the cost of funds provided by IDBs generally is significantly below that of other alternatives because the interest paid to holders of such bonds is exempt from federal and state income taxation. If the bonds are taxable, the company can receive significant financial incentives in the form of tax abatement on the bond-financed property.

* * * * *

LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

I. PURPOSE

A Land Clearance for Redevelopment Authority (an “Authority”) may be created to assist counties and municipalities to redevelop blighted or insanitary areas for residential, recreational, commercial, industrial or for public uses. The LCRA Law (§§ 99.300 to 99.715, RSMo.) is premised upon the concept that the menace of blight is beyond remedy and control solely by regulatory process in the exercise of the police power and cannot be dealt with effectively by the ordinary operations of private enterprise without the aids provided in the LCRA Law. The LCRA Act is intended to be a broad grant of authority by which a municipality, to the greatest extent it determines to be feasible in carrying out the provisions of the LCRA Act, is afforded maximum opportunity, consistent with the sound needs of the municipality as a whole, to the rehabilitation or redevelopment or renewal of areas by private enterprise.

II. CREATION

Before an Authority may operate in a city or county, the governing body of the city or county must (1) find that one or more “blighted” or “insanitary” areas (each defined in the statute) exist in such community and that the redevelopment of such area or areas is necessary in the interest of the public health, safety, morals or welfare of the residents of such community and (2) approve the conduct of business by the Authority by ordinance or resolution. Although any municipality or county can authorize the operation of an LCRA, any municipality that contains less than 75,000 inhabitants is required to obtain majority voter approval to allow the Authority to operate. Regional authorities may also be created where two or more cities or counties cooperate to do so.

III. GOVERNANCE

An Authority is governed by a board of five commissioners appointed by the mayor for a municipal authority or county commission for a county authority. Commissioners must be taxpayers who have resided in the city or county forming the Authority for at least 5 years. In a regional Authority, each city or county appoints one commissioner. If there are an even number of communities represented in a regional Authority, those commissioners appoint one additional commissioner.

IV. POWERS

The LCRA Law provides for the financing of any land clearance or urban renewal project. The powers of an LCRA are exercised by its 5-member Board of Commissioners who must each be a taxpayer that has lived in the community for at least five years. The city must appoint Commission members to create staggered four-year terms.

An LCRA possesses a powers that related to blight clearance and redevelopment, including:

- Prepare or cause to be prepared and recommend redevelopment plans and urban renewal plans to the governing body of the community within its area of operation and undertake and carry out land clearance projects and urban renewal projects within its area of operation;

- Arrange or contract for the furnishing or repair, by any person or agency, public or private, of services, privileges, works, streets, roads, public utilities or other facilities for or in connection with a land clearance project or urban renewal project;
- Purchase, lease, obtain options upon, acquire by gift, grant, bequest, devise, eminent domain or otherwise, any real or personal property or any interest therein;
- To make plans to carry out a program of voluntary repair and rehabilitation of buildings and improvements, plans for the enforcement of state and local laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements;
- To make plans to carry out a program of compulsory repair, rehabilitation, demolition, or removal of buildings and improvements;
- Issue bonds for any of its corporate purposes including the payment of principal and interest upon any advances for surveys and plans for land clearance projects;
- Make or have made all surveys, studies and plans, but not including the preparation of a general plan for the community, necessary to the carrying out of the purposes of this law.

An LCRA may delegate to a municipality or other public body any of the powers or functions of the authority with respect to the planning or undertaking of a land clearance project or urban renewal project in the area in which the municipality or public body is authorized to act, and the municipality or public body is authorized to carry out or perform such powers or functions for the LCRA.

A “land clearance project” includes any work or undertaking to acquire blighted or insanitary areas or portions thereof; clearing any such areas by demolition or removal of structures and improvements thereon and to install, construct or reconstruct streets, utilities, and site improvements essential to the preparation of sites for uses in accordance with a redevelopment plan; retain, sell or lease the land; and develop, construct, repair or improve residences, houses, buildings, structures and other facilities.

An “urban renewal project” includes any surveys, plans, undertakings and activities for the elimination and for the prevention of the spread or development of insanitary, blighted, deteriorated or deteriorating areas and may involve any work or undertaking for such purpose constituting a land clearance project or any rehabilitation or conservation work, or any combination of such undertaking or work in accordance with an urban renewal project.

“Rehabilitation or conservation work” is also defined in the statute and may include such things as carrying out plans for rehabilitation of buildings and other improvements, acquiring real property and demolition and clearing of such property to accomplish certain enumerated purposes; developing buildings and other structures; installing improvements necessary for carrying out the urban renewal project; and the disposition of the urban renewal project and related land.

V. FUNDING MECHANISMS

Generally

An Authority may issue bonds and may secure any of such obligations by mortgage, pledge, assignment or deed of trust of any or all of the property and income of the Authority, respectively. Bond issues of the Authority in excess of \$10,000,000 must be sold at public sale. The Authority may pledge all or any part of its gross or net rents, fees or revenues from land clearance projects to secure the repayment of bonds.

Any property held by the Authority in fee simple is subject to property tax abatement. A developer could enter into a financing arrangement similar to Chapter 100 where the developer receives the benefit of the abatement during the period any bonds remain outstanding. An Authority may acquire real property and lease the property to a redeveloper, who would then use the property and not pay *ad valorem* property taxes.

Property Tax Abatement in Constitutional Charter Cities

Sections 99.700 through 99.715, RSMo, provides a 10-year tax abatement process that is available in constitutional charter cities. The abatement covers 100% of the increased value of the property after abatement, as compared to the certified value before the abatement commenced. The property owner continues to annually pay taxes during this ten-year period based on the value of the property before redevelopment started.

A property owner submits plans to the LCRA which show that the applicant is engaged in new construction or rehabilitation pursuant to an approved redevelopment plan or urban renewal plan. § 99.700. The LCRA reviews the plans for construction/rehabilitation and issues a "certificate of qualification for tax abatement" to the applicant. § 99.700. The applicant notifies the county assessor of the qualification for tax abatement. § 99.705. The LCRA must issue a copy of the plans to the assessor. § 99.705. Then, the County assessor shall "issue a statement as to the current assessed valuation of the then existing real property covered by the plans."

The phrase "current assessed valuation" means the valuation of the property before new construction or rehabilitation begins, regardless of whether the new construction or rehabilitation is partially or totally complete at the time that the assessor receives the notice of qualification for abatement from the property owner. *20th & Main Redev. Partnership v. Kelley*, 774 S.W.2d 139 (Mo. 1989). This is the proper interpretation of the phrase "current assessed valuation" because the statute is to be construed liberally to effectuate the purpose of tax abatement. *Id.* The property is not to be assessed based on partially complete or completed rehabilitation at the time the assessor receives notice. *Id.*

The *Kelley* opinion notes that it would be a good practice to file a certificate for tax abatement prior to the start of new construction or rehabilitation, but failure to do so should not ruin the intended effect of the statute. The county must look back to the last valuation before new construction or rehabilitation started. In the *Kelley* case, the developer applied for tax abatement after an assessment date on which the rehabilitation was 90% complete, but still received abatement based on the pre-rehabilitation assessed value of the property.

The county assessor's statement of the value serves as the maximum assessed valuation of all real property included in the plans for a period of ten years from the date on which the statement is issued by the county. § 99.710.

Calculation of the 10-Year Abatement Period (Charter Cities)

Based on the *Kelley* case, the county should look to the January 1 assessment before the rehabilitation or new construction commenced. The facts of the *Kelley* case illustrate how this should work:

Jan. 1, 1985 – Assessed value of the subject property was \$46,080 (taxes due were \$2,186).

Aug. 1985 – Respondent purchased property, rehabilitation started.

Jan. 1, 1986 – Assessed value of the property was \$251,940 (taxes due were \$12,551), rehabilitation was 90% complete.

July 1986 – Owner received certificate of abatement from LCRA, owner delivered certificate to county assessor.

The county argued that taxes should be paid in 1986 based on the higher assessed value as of Jan. 1, 1986, because the county received the certificate in July 1986. The owner argued that the assessed value should be the lower Jan. 1, 1985 value because that was the value before the rehabilitation started.

The court agreed with the property owner, and the \$46,080 assessed value from 1985 was used for the purpose of calculating abatement. “‘The current assessed valuation of the then existing real property’ [in Section 99.705] does not refer to the valuation of the property when the certificate is presented to the assessor, as appellants would have us believe. An interpretation along these lines would render the remaining wording of the statute void of meaning, and would counter the intent of the legislature. * * * We hold that 99.705 provides that the valuation of the property *before* rehabilitation begins is the applicable number which is to be used for determining tax relief.” *Kelley*, 774 S.W.2d at 141 (emphasis in original).

The *Kelley* case is not specific on how the 10-year period is calculated, but a rule can be drawn from the case. Section 99.715 provides that abatement is effective “each year for a period of ten years from the date on which the statement [of abatement] was issued.” The court held in *Kelley* that the taxes due for the year 1986 were \$2,186 (based on the 1985 value), so presumably the first year of the 10-year period was 1986, starting on January 1, 1986. The general rule from this case would be that the first year of the 10-year period is the calendar year during which the certificate of qualification is issued, not a partial year, and the abatement continues for nine more calendar years after the year that the certificate is issued.

Property tax exemption for periods longer than 10 years may also be available through the issuance of industrial revenue bonds to finance certain property, similar to the tax exemption allowed under Chapter 100, RSMo. LCRAs in St. Louis City and Kansas City have issued industrial revenues bonds to finance the acquisition of certain real and personal property. This property is then titled in the

name of the LCRA (and is therefore tax-exempt) and leased to a private company. The lease payments made by the private company are then used to pay debt service on the bonds.

VI. OTHER CONSIDERATIONS

No real property can be acquired by the Authority until a plan is adopted by the governing body. An Authority may use the power of eminent domain to acquire any interest in any real property that is necessary to the redevelopment plan. All property including funds of an Authority shall be exempt from levy and sale by virtue of an execution, and no execution or other judicial process can be against the Authority's property. An authority is immune from any judgment which would be a charge or lien upon its property.

An Authority is a separate political entity required to comply with all Missouri laws applicable to political subdivisions (e.g., public meetings, Sunshine Law requirements, annual budgets, etc.). At least once a year the Authority must file a report of its activities with the city or county clerk where the Authority is located. Also, every five years the governing body of the city or county is to have a hearing to determine whether the Authority is making satisfactory progress under the time schedules in plans that have been approved.

A city which approves a land clearance project is granted certain additional powers by the LCRA Act which aid in the purposes of the plan, including causing parks, playgrounds, recreational, community, educational, water, sewer or drainage facilities, or any other works which it is otherwise empowered to undertake, to be furnished in compliance with a redevelopment plan. A city is also expressly authorized to plan or replan, zone or rezone any part of the city or make exceptions from building regulations and ordinances to carry out the plan.

Many provisions of the LCRA Act are similar to the Planned Industrial Expansion Authority ("PIEA") Act. However, the PIEA Act is available only to cities with a population of at least 400,000 or to cities that have adopted a charter under Article VI, Section 19 of the Missouri Constitution. Additionally, the PIEA Act is focused on industrial development.

* * * * *

LOCAL OPTION ECONOMIC DEVELOPMENT SALES TAX

I. INTRODUCTION

A Local Option Economic Development Sales Tax may be levied, subject to voter approval, at a rate of up to one-half of one percent (0.5%) by any city, town, village or county (collectively, a “municipality”) pursuant to Section 67.1305, RSMo. If approved by the voters, the sales tax will become effective on the first day of the second calendar quarter following the election. If not approved by the voters, a proposal for a Local Option Economic Development Sales Tax may not be resubmitted to the voters for twelve (12) months.

Certain municipalities, including Springfield, Joplin, St. Joseph, Buchanan County, Jasper County, all cities within Jasper County, Butler County and all cities within Butler County, may levy a Local Option Economic Development Sales tax, subject to voter approval, at a rate of up to one-half of one percent (0.5%) pursuant to Section 67.1303, RSMo., in lieu of the sales tax levied pursuant to Section 67.1305, RSMo. The provisions in Section 67.1303, RSMo., differ slightly from the provisions of Section 67.1305, RSMo., presented in this memorandum. If your municipality is able to levy a Local Option Economic Development Sales Tax pursuant to either Section 67.1303, RSMo., or Section 67.1305, RSMo., please consult with a Gilmore & Bell attorney to determine which sales tax will best serve your municipality’s needs.

II. PROCEDURES FOR IMPLEMENTATION

After the Local Option Economic Development Sales Tax is approved by the voters, the municipality levying the tax must create an Economic Development Tax Board. The membership of this Board is dependent upon whether the sales tax was levied by a city, town, village or county, as shown in the following table:

	Levied by City/Town/Village	Levied by County
School Districts	1	1
City/Town/Village	3	0
County	1	4
All Cities/Towns/Villages within County	0	2
TOTAL MEMBERS:	5	7

The purposes of this Board are to (1) develop and consider economic development plans, economic development projects and designations of economic development areas, (2) hold public hearings, and (3) make recommendations to the governing body of the municipality concerning economic development plans, economic development projects and designations of economic development areas. However, the governing body of the municipality levying the Local Option Economic Development Sales Tax will make all final funding determinations.

Before making any recommendations to the governing body of the municipality, the Economic Development Tax Board must hold a public hearing concerning the proposed economic development plan, economic development project or designation of an economic development area. Section 67.1305,

RSMo., does not provide any direction concerning the content of economic development plans or projects, the factors for considering the designation of an economic development area, or even procedures for giving notice of the public hearing. Accordingly, we suggest that the governing body of the municipality levying the sales tax pass a resolution, ordinance or order addressing these items concurrently with the establishment of the Economic Development Tax Board.

III. USE OF SALES TAX REVENUES

The use of Local Option Economic Development Sales Tax revenue is subject to several restrictions:

- Sales tax revenue may not be used for any retail development project, except for the redevelopment of downtown areas or historic districts.
- At least twenty percent (20%) of the revenue must be used for projects directly related to long-term economic development preparation, including but not limited to the following:
 - Acquisition of land;
 - Installation of infrastructure for industrial or business parks;
 - Improvement of water and wastewater treatment capacity;
 - Extension of streets; and
 - Providing matching dollars for state or federal grants.
- Remaining revenue may be used for, but is not limited to, the following:
 - Marketing;
 - Providing grants and low-interest loans to companies for job training, equipment acquisition, site development and infrastructure;
 - Training programs to prepare workers for advanced technologies and high skill jobs;
 - Legal and accounting expenses directly associated with the economic development planning and preparation process; and
 - Developing value-added and export opportunities for Missouri agricultural products.
- Not more than twenty-five percent (25%) of revenue may be used annually for administrative purposes, including staff and facility costs.
- Sales tax revenue may be used outside of the boundaries of the municipality imposing the tax if:
 - The municipality imposing the tax or the state receives significant economic benefit from the economic development plan, economic development project or the designation of the economic development area; and

- An agreement is entered between all municipalities participating in the economic development plan, economic development project or the designation of the economic development area detailing the authority and responsibilities of each municipality.
- When imposed in a tax increment financing (TIF) district, Local Option Economic Development Sales Tax revenue is not captured by TIF.
- When imposed in any special taxing district, including but not limited to TIF, Neighborhood Improvement Districts or Community Improvement Districts, Local Option Economic Development Sales Tax revenue may not be used for the purposes of the special taxing district unless recommended by the Economic Development Tax Board and approved by the governing body of the municipality levying the tax.

IV. REPORTING REQUIREMENTS

The Economic Development Tax Board and the governing body of the municipality levying the Local Option Economic Development Sales Tax must make a public report at least annually on the use of the sales tax revenue and the progress of any economic development plan, economic development project or the designation of the economic development area.

Additionally, no later than March 1 of each year, the Economic Development Tax Board must submit to the Joint Committee on Economic Development (a joint committee of the Missouri General Assembly) a report that includes the following information for each economic development project funded:

- A statement of the project's primary economic goals;
- A statement of the total Local Option Economic Development Sales Taxes received during the immediately preceding calendar year; and
- A statement of the total expenditures during the preceding calendar year in each of the following categories:
 - Infrastructure improvements;
 - Land and/or buildings;
 - Machinery and equipment;
 - Job training investments;
 - Direct business incentives;
 - Marketing;
 - Administration and legal expenses; and
 - Other expenditures.

V. REPEAL OF SALES TAX

The governing body of the municipality levying the Local Option Economic Development Sales Tax may choose to submit the question of repeal of the sales tax to the voters on any election date. Additionally, whenever the governing body of the municipality receives a petition signed by ten percent (10%) of registered voters of the municipality voting in the last gubernatorial election calling for an election to repeal the sales tax, the governing body must submit the question of the repeal to the voters at the next available election date.

If a majority of the voters approve the repeal, the repeal of the sales tax will become effective on December 31 of the calendar year in which the voters approved the repeal.

* * * * *

Exhibit B

PRELIMINARY FUNDING AGREEMENT

This **PRELIMINARY FUNDING AGREEMENT** (“**Agreement**”) is entered into this ____ day of, 20____, among the **CITY OF PECULIAR, MISSOURI** (the “**City**”), and _____, a Missouri _____ (the “**Developer**”) (collectively the “**Parties**”).

RECITALS

WHEREAS, the City is a fourth class city incorporated and exercising governmental functions and powers pursuant to the Constitution and the Revised Statutes of the State of Missouri, with its legislative power residing in the Board of Aldermen; and

WHEREAS, the Developer is the owner or has the right to purchase approximately ____ acres of real property generally located _____, and proposes to develop this property for _____ (the “**Development**”); and

WHEREAS, the Developer is a Missouri _____ and is authorized to conduct business in the State of Missouri; and

WHEREAS, the Developer is working with the City to develop a plan to provide for the funding of [**describe improvements**] to serve the Development, in accordance with Missouri law and applicable City Code requirements; and

WHEREAS, the Developer proposes to use [**describe funding mechanism**] to pay for improvements that will serve the Development (the Developer’s request(s) are collectively referenced herein as the “**Application**”); and

WHEREAS, in order for the City to fully consider and evaluate the Application and the proposed Development, the City will need to engage consultants to review, evaluate, process and consider the sources of public funding for the proposed Development; and

WHEREAS, the City does not have a source of funds to pay for costs incurred for additional legal, financial and other consultants or for direct out-of-pocket expenses and other costs resulting from services to review, evaluate, process and consider the Application; and

WHEREAS, it is the City’s policy that landowners and developers who desire assistance from the City in a public-private partnership or through the use of economic incentive tools shall demonstrate the financial ability to allow for the full and fair evaluation by the City of all development proposals and requests for economic incentives from the City

WHEREAS, in order for the City to fully consider and evaluate the Application, the Developer seeks to deposit funds with the City to be used by the City to pay for actual and reasonable out-of-pocket expenses necessary to perform a full evaluation of the Application.

NOW THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. **Services to be Performed by the City.** The City shall:

A. Prepare or consult with the Developer on the preparation and consideration of an application in accordance with applicable State law for the requested public funding methods, give all notices, make all publications and hold hearings as required by State law and other applicable laws;

B. Provide necessary staff, legal, financial, and planning assistance to evaluate, process and consider the public funding sources for the Development;

C. Provide the necessary staff and legal, financial and planning assistance to prepare and negotiate an agreement between the Developer and the City for implementation of the proposed public funding sources;

D. If a development Agreement is entered into, provide the necessary staff, legal, financial and planning assistance to implement and administer such agreement; and

E. Engage appropriate outside consultants and attorneys to carry out the tasks described above.

2. **Initial Deposit.** The City acknowledges receipt of Fifteen Thousand Dollars (\$15,000.00) (the “**Deposit**”) from the Developer upon the execution of this Agreement. The City shall disburse the Deposit as set forth in **Section 4** and shall bill the Developer pursuant to **Section 3** to re-establish the Deposit so that there is always a minimum cash balance of Fifteen Thousand Dollars (\$15,000.00) available, from which additional disbursements may be made as required.

3. **Additional Funding.**

A. The City shall submit an itemized statement for actual expenses incurred to perform its obligations hereunder or for any additional obligations or expenditures incurred by the City in accordance with this Agreement. Such statements shall be submitted on a regular periodic basis, but no more often than monthly. Developer shall pay the City the amounts set forth on such statements (the “**Additional Funds**”) within thirty (30) days of receipt thereof. If such funds are not so received, the unpaid balance shall be subject to a penalty of two percent (2%) per month until paid, but in no event shall such penalty exceed twenty-four percent (24%) per annum, and City shall be relieved of any and all obligations hereunder until paid or may terminate this Agreement pursuant to **Section 5**. Developer shall supply the Additional Funds in a timely manner so that City activities may continue without interruption.

B. Developer shall reimburse the City for its administrative expenses and actual out-of-pocket expenses necessary to perform the City’s obligations hereunder, using Gilmore & Bell, P.C., for special legal counsel, and other consultants as approved according to this paragraph. The City shall advise Developer in writing if it intends to utilize the services of any other consultant to perform its obligations under the terms of this Agreement. Such written notice shall include the name of the consultant, the service to be performed and an estimate of the cost expected. If Developer, in writing, within five (5) business days from receipt of the City’s notice, objects to either the consultant named or the service to be performed, the City and Developer shall negotiate in good faith to resolve Developer’s objections. If the Parties cannot agree on the consultant to be used or the service to be performed, the City shall have no obligation to perform that service under the terms of this Agreement and Developer shall have no obligation to pay for such service under the terms of this Agreement.

C. The parties agree that the funds advanced to the City under this Agreement shall be reimbursed to Developer, to the extent allowed by law, through any public funding sources that may result for the Development.

D. Before a vote by the Board of Aldermen for approval or disapproval of the Application or any other measure associated the Application, the Developer shall deposit with the City, upon notice from the City, sufficient Additional Funds to pay all outstanding expenses incurred hereunder and replenish the amount on deposit with the City as provided in **Section 2**.

4. **Disbursement of Funds.** The City shall disburse the Deposit and Additional Funds for reimbursement of costs to the City on or before the thirtieth (30th) day of each month, and for consulting fees and the payment of all out-of-pocket expenses incurred by the City in connection with the performance of its obligations under this Agreement as payment for such expenses become due. Upon reasonable notice, the City shall make its records available for inspection by Developer for such disbursements.

5. **Project Administration.** In addition to the services set forth in **Section 1**, the City may be required to provide services from time to time for the continuing administration of the funding mechanisms that are approved as part of the Application, and any contracts entered into in furtherance of the Application. Upon appropriate itemization, the City shall be reimbursed by the Developer for actual meeting expenses and other expenses that are reasonable or incidental to the general operations of the City and its consultants with respect to administration of such funding mechanisms, and any contracts entered into in furtherance of the Application. The provisions of this section shall apply until such time as the City and the Developer execute an agreement which provides for the termination of this Funding Agreement and the terms and conditions under which the City's ongoing services shall be funded. It is anticipated that, if approved, any such Agreement will include provisions necessary for reimbursement of such funds to the Developer.

6. **Termination of this Funding Agreement.**

A. **Termination by the City.** In the event the Developer fails to perform any of its obligations herein, the City may terminate this Funding Agreement, and any other agreement between the parties, at its sole discretion if the Developer fails to cure the default within ten (10) days after written notice to the Developer of the default. Termination by the City shall also terminate any duties and obligations of the City with respect to this Funding Agreement, including, but not limited to, the City's processing of the Application. Upon such termination, the Deposit and any Additional Funds shall be disbursed as set forth in paragraph C of this Section.

B. **Termination by the Developer.** The parties hereto acknowledge that the Developer may determine to abandon the Application. Upon written notice of abandonment by the Developer, this Funding Agreement shall terminate and the City may terminate any other agreement between the parties. Upon such termination, the Deposit and any Additional Funds shall be disbursed as set forth in paragraph C of this Section.

C. **Wrap-Up After Early Termination.** Upon termination pursuant to paragraphs A or B of this Section, the City shall retain the Deposit and Additional Funds, if any, necessary to reimburse the City for all actual and reasonable expenses incurred under this Funding Agreement to the date of termination and any monies due and owing to the City pursuant to any other agreement with the Developer. Upon such termination, in the event the Deposit and Additional Funds are insufficient to reimburse the City for the outstanding expenses of the City payable hereunder, the Developer shall reimburse the City as set forth in **Section 3**. After termination of this Funding Agreement pursuant to paragraphs A or B of this Section, any amounts remaining from the Deposit and the Additional Funds after all amounts have either been paid as directed by the City, or reimbursed to the City, shall be returned to the Developer.

D. Termination by Consolidation into TIF Agreement. Unless otherwise terminated as provided in paragraphs A or B of this **Section 6**, this Funding Agreement shall stay in full force and effect until it is specifically terminated as set forth in an agreement between the City and Developer, and thereafter the terms and conditions of the agreement shall provide for the continued funding arrangements by Developer with respect to the Application.

7. **Notice.** Any notice, approval, request or consent required by or asked to be given under this Agreement shall be deemed to be given if in writing and mailed by United States mail, postage prepaid, or delivered by hand, and addressed as follows:

To the City:

City of Peculiar, Missouri
Attn: City Administrator
250 S. Main Street
Peculiar, Missouri 64078

With a copy to:

David Bushek
Gilmore & Bell, P.C., Suite 1100
2405 Grand Blvd.
Kansas City, Missouri 64108

To Developer:

[ADD]

With a copy to:

[ADD attorney]

Each party may specify that notice be addressed to any other person or address by giving to the other party ten (10) days prior written notice thereof.

8. **City Requirements and Prior Approval.** Developer agrees to comply with all applicable laws and City ordinances, including, but not limited to, the City's zoning ordinances, subdivision regulations and all planning or infrastructure requirements related to the development of any property. Developer agrees that execution of this Agreement in no way constitutes a waiver of any requirements of applicable City ordinances or policies with which Developer must comply and does not in any way constitute prior approval of any future proposal for development. Developer acknowledges that the City may not lawfully contract away its police powers and that approval of any zoning, subdivision and similar development applications cannot be contractually guaranteed. This Agreement does not alter or diminish the City's ability to exercise its legislative discretion to consider any application in accordance with all applicable laws with respect to the development of any property.

9. **Legal Representation.** The Developer understands and acknowledges that this arrangement is an accommodation to the Developer in which the City's special legal counsel is not providing legal representation to the Developer and that no attorney-client relationship between the Developer and the City's special legal counsel shall exist by any reason including, but not limited to, the Developer's payment of the City's expenses under this Funding Agreement. Developer further understands that legal counsel paid pursuant to this Funding Agreement is legal counsel for the City and acknowledges the duties of confidentiality and loyalty to the City.

10. **Subsequent Developers.** In the event the City selects another developer of record pursuant to a request for proposals to carry out the Application, the City shall require the subsequent developer to assume all obligations of the Developer under this Funding Agreement as of the date that the subsequent developer is designated as the developer of record and to reimburse the Developer for its expenditures under this Funding Agreement.

11. **Assignment.** This Funding Agreement may not be assigned by any party without the prior written consent of the other party. No assignment, unless specifically provided for in such consent, shall relieve the assigning party of any liability pursuant to this Funding Agreement. This Funding Agreement shall be binding upon the parties and their successors and permitted assigns.

[Remainder of this Page Intentionally Left Blank]

The parties hereto have caused this Agreement to be executed by their duly authorized representatives the day and year first above written.

CITY OF PECULIAR, MISSOURI

By: _____
Mayor

(SEAL)

ATTEST:

City Clerk

[DEVELOPER]

By: _____

Name: _____

Title: _____