

# **Overview of Economic Development Incentives - City of Lee's Summit -**

**Presented by David Bushek  
Gilmore & Bell, P.C.**

**City Council Meeting, April 19, 2018**

# Framework for Economic Development Incentives

- **How does the incentive work?**
- What gets built?
- What are the benefits to the City?
- What are the benefits to the Developer?
- How long does the incentive last?
- What are the contractual terms?

# Framework – How does the incentive work?

1. Tax Abatement
2. Tax Redirection
3. New Tax or Special Assessment

# 1. Tax Abatement

- Industrial Revenue Bonds, Chapter 100
- Redevelopment Corporation Tax Abatement, Chapter 353
- Land Clearance for Redevelopment Authority, Chapter 99

## 2. Tax Redirection

- Tax Increment Financing, Chapter 99
- Chapter 353 Tax Abatement + CID Special Assessments (Unity Village)

# 3. New Tax or Special Assessment

- Community Improvement District
- Transportation Development District
- Neighborhood Improvement District

# Other Tools

- Sales Tax Reimbursement Agreement
- Development Agreement
- Cooperative Agreement
- Pre-Development Agreement

# Key Terms

- ED – Economic Development
- PILOTs – Payment In Lieu of Taxes
- EATs – Economic Activity Taxes
- Level of Incentive
- Rate of Return
- But For Test
- Funding Agreement



# Economic Development Incentive Policy



- Approved February 2015
- Amended October 2015
- Amended January 2018
- Administrative Updates

# Economic Development Incentive Policy

- Economic Development Vision
- Targeted Areas for Development
- Description of ED Tools
- Application and Review Process
- Pre-Application Worksheet
- Funding Agreement Form

# ED Policy – Conceptual Presentation

Availability of Incentives								
Areas of Focus						Guidelines		
Incentives	Downtown	Entrepreneurship	Redevelopment	Attraction/ Retention	Targeted Businesses	Minimum Investment	*Incentive	
	TIF	X		X	X	X	\$5m New / \$3m Existing	**25%
	CID	X		X	X	X	Public Improvement Required	up to 1 cent
	NID	X		X	X	X	Public Improvement Required	Special Assessment
	TDD	X		X	X	X	Public Improvement Required	up to 1 cent
	Chapter 100	X		X	X	X	\$5m New / \$3m Existing	50% - 10 yrs
	Chapter 353	X		X	X	X	\$5m New / \$3m Existing	50% - 10 yrs
	LCRA	X		X	X	X	\$500k	50% - 10 yrs
	Sales Tax Reimbursement			X	X	X	\$250k (Public Improvements)	up to 1/2 cent
	Site Specific Incentives	X	X	X	X	X	TBD	TBD

\* If request is below the listed amount City staff may proceed with review and presentation to Council. If request exceeds listed amount a conceptual presentation shall first be made to the City Council before proceeding with request.

\*\* The value of the incentive is calculated by multiplying the cap amount and the total private development cost. Private development costs and activities are items that will not have public ownership.

# When is a Conceptual Presentation required?

- TIF - more than 25% reimbursement
- Tax Abatement - more than 50% for 10 years
- Sales Tax Reimbursement - over 0.5%
- Complex projects, special cases

# Conceptual Presentation Process

- Applicant provides overview of project, summary of incentive request
- “After the formal conceptual presentation is made the City Council shall decide at their next earliest regular meeting to consider additional hearings or presentations for the review of the proposed development project.”
- Applicant makes decision on whether to proceed based on feedback from Council

# ED Summary Sheets

## **Community Improvement District (CID)**

- **How created/approved?** – Property owners petition, City Council approves by ordinance
- **Form of Entity** – Separate Political Subdivision of the State, or Non-Profit Corporation
- **Who controls?** – CID Board of Directors
- **Purpose** – (1) Funding public improvements.  
(2) If a Blighted Area, contract with private parties to demolish, renovate, reconstruct and rehabilitate private structures.
- **Funding Sources** – Can impose new Sales Tax or Special Assessments
- **Geographic Limit** – Funding Sources applies only in the CID area
- **Contractual Powers** – Contract with private parties to provide reimbursement. Contract with City for operations, revenue collection and disbursement.
- **Duration?** – Established by Petition
- **Bonds** – Bonds may be issued by the CID, or may use pay-as-you-go reimbursement

## **Neighborhood Improvement District (NID)**

- **How created/approved?** – Property owners petition, City Council approves by ordinance
- **Form of Entity** – Not a separate entity, financing administered by the City
- **Who controls?** – City
- **Purpose** – Fund public improvements. Does not need to be a blighted area.
- **Funding Sources** – Special Assessments
- **Geographic Limit** – Funding Sources applies only in the NID area
- **Contractual Powers** – City may contract for construction.
- **Duration?** – Established by Petition
- **Bonds** – Temporary notes during construction and bonds for permanent financing may be issued by the City

# ED Summary Sheets

## **Transportation Development District (TDD)**

- **How created/approved?** – City, property owners or residents file action in Circuit Court. Approved by Circuit Court order and then public election.
- **Form of Entity** – Separate Political Subdivision of the State
- **Who controls?** – TDD Board of Directors
- **Purpose** – Fund public transportation projects, including streets, roads, bridges, parking areas, mass transit systems
- **Funding Sources** – Can impose new Sales Tax or Special Assessments
- **Geographic Limit** – Funding Sources applies only in the TDD area
- **Contractual Powers** – Contract with private parties to provide reimbursement. Contract with City for operations, revenue collection and disbursement.
- **Duration?** – Established by Court Order
- **Bonds** – Bonds may be issued by the TDD, or may use pay-as-you-go reimbursement

## **Tax Increment Financing (TIF)**

- **How created/approved?** – TIF Commission provides recommendation, City Council approves by ordinance
- **Form of Entity** – Not a separate entity. TIF Plan is administered by the City, private developer controls each project.
- **Who controls?** – City
- **Purpose** – Funding reimbursable project costs for blight clearance
- **Funding Sources** – Real property tax increment and sales tax increment generated in project areas
- **Geographic Limit** – Revenues collected from within TIF project areas
- **Contractual Powers** – City contracts with Developer to implement the TIF Plan
- **Duration?** – Up to 23 years within each separate TIF project areas
- **Bonds** – Bonds may be issued by the City or another issuer such as the Industrial Development Authority

# ED Summary Sheets

## Chapter 100 Tax Abatement

- **How created/approved?** – City Council public hearing and approval by ordinance
- **Form of Entity** – Not a separate entity, project financing administered by the City
- **Who controls?** – City administers the abatement transaction, business operates the facility
- **Purpose** – Facilitate commercial and industrial development (no blight finding)
- **Funding Sources** – Real property tax abatement, personal property tax abatement, sales tax exemption on construction materials
- **Geographic Limit** – Applies to a particular project
- **Contractual Powers** – City owns property and leases to operator, performance agreement controls terms of abatement
- **Duration?** – Up to 25 years (Constitutional limit)
- **Bonds** – Bonds are issued by the City

## Land Clearance for Redevelopment Authority (LCRA)

- **How created/approved?** – LCRA provides a recommendation, City Council approves by ordinance
- **Form of Entity** – Not a separate entity, tax abatement administered by the City
- **Who controls?** – City administers the abatement, business operates the facility
- **Purpose** – Facilitate commercial and industrial expansion and development
- **Funding Sources** – Real property tax abatement
- **Geographic Limit** – Limited to designated blighted areas of the City, abatement applies to approved projects
- **Contractual Powers** – Approved by ordinance, no contract required
- **Duration?** – Up to 25 years (Constitutional limit)
- **Bonds** – Bonds are not issued by the City for tax abatement approvals