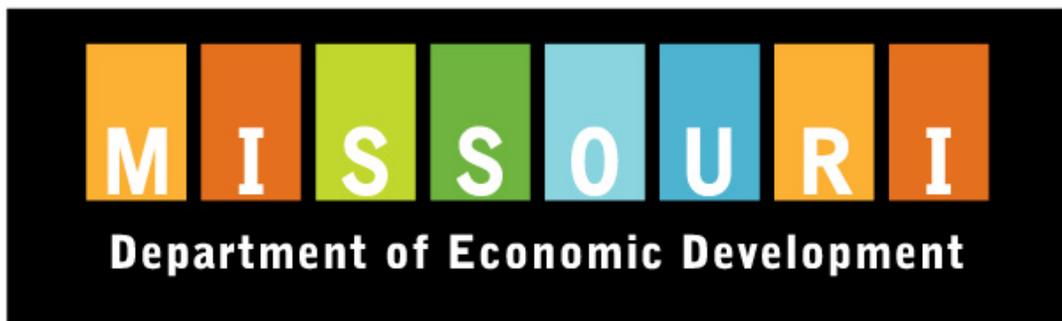


Missouri Downtown Revitalization Preservation Program ‘Downtown Preservation’



November 2005

Downtown Preservation Financing Program

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Introduction

Missouri Revised Statute 99.1080 to 99.1092 authorizes the Downtown Revitalization Preservation Program known as Downtown Preservation. This law became effective on August 28, 2005. This program is a tax increment financing program similar to state tax increment financing (TIF) and the Missouri Downtown Economic Stimulus Act (MoDESA).

This booklet provides an overview to Downtown Preservation and includes a comparison between TIF, MoDESA and Downtown Preservation. The Department of Economic Development (DED) oversees the approval and administration of this program. This booklet sets forth the requirements for eligibility and the procedural steps in the application process. Attached to this document are the forms that need to be submitted when applying for this program.

Appropriations Process

Because of the State's appropriation process, applicants should understand that state funds for a Redevelopment Project will not be available until state increment has been generated by the Redevelopment Project and the necessary amounts have been included in an appropriation by the General Assembly and approved by the Governor.

Questions and Technical Assistance

Representatives of DED can provide information and technical assistance, as requested by any municipality, on the requirements of the Program and the general requirements of Downtown Preservation Financing.

Further information or assistance can be obtained by contacting:

Missouri Department of Economic Development
Development Finance
301 West High Street, Room 770
PO Box 118
Jefferson City, MO 65102
Phone: 573-526-0315
E-mail: cd@ded.mo.gov
www.missouridevelopment.org

Section 1

Eligibility

Eligible Municipalities

Municipalities with a population of 200,000 inhabitants or less are eligible for this program.

Eligible Projects

A redevelopment project is any redevelopment project within a redevelopment area which constitutes a major initiative in furtherance of the objectives of the redevelopment plan, and any redevelopment project shall include a legal description of the area selected for the redevelopment project.

A major initiative is a development project within a central business district which promotes:

- Tourism and Cultural activities
- Arts
- Entertainment
- Education
- Research
- Arenas and multipurpose facilities
- Libraries
- Ports
- Mass transit
- Museums
- Economic development
- Conventions

The capital investment in the project area must meet the following guidelines:

Population of Municipality	Estimated Project Costs
100,000 to 199,999	\$5,000,000
50,000 to 99,999	\$1,000,000
10,000 to 49,999	\$500,000
1 to 9,999	\$250,000

Eligible Areas

To qualify for the program, a redevelopment project must be located in a **Redevelopment Area**. Within an eligible municipality, a redevelopment area must meet all of the following criteria:

- It must be a blighted or conservation area;
- It shall not exceed ten percent (10%) of the entire area of the municipality;
- It is located in the Central Business District (CBD).
 - The CBD is the area at or near the historic core that is locally known as the "downtown" of a municipality;
 - At least fifty percent (50%) of existing buildings in the CBD must have been built more than 35 years before the adoption of the ordinance approving the development plan. For vacant lots to count, there must have previously been a building on the lot that was built more than 35 years before the adoption of the redevelopment plan;
 - The historical land use emphasis of a CBD prior to redevelopment must have been a mixed use of business, commercial, financial, transportation, government and multifamily residential uses; and
 - The CBD is in a municipality with a median household income of \$62,000 or less.

Eligible Project Costs

Redevelopment project costs that can be covered by state financing under this program must be for public property, buildings, rights-of-way and infrastructure to support the redevelopment project. Such costs include, but are not limited to, the following:

- Costs of studies, appraisals, surveys, plans and specifications;
- Professional service costs, such as architectural, engineering, legal, marketing, financial or planning services;
- Land acquisition, demolition costs and site preparation;
- Costs of rehabilitating and repairing existing public buildings;
- Costs of constructing public works or improvements;
- Financing costs, such as costs of issuance, capitalized interest, underwriting expenses and reserve funds;
- A taxing district's capital costs resulting from the development project, to the extent the municipality by written agreement accepts and approves such costs; and
- State government costs related to evaluation and administration of the development project.

No Replacement of Prior Committed Funds

No municipality shall obligate or commit the expenditure of disbursements received from the downtown revitalization preservation fund prior to receiving a certificate of approval for the

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redevelopment project generating other net new revenues. In addition, no municipality shall commence work on a redevelopment project prior to receiving a certificate for approval for the redevelopment project.

Section 2

Application Requirements

Application Form

The Program Application and instructions for completing the application are located in Section 6 of this booklet. The original plus 5 copies of the Application and any attachments must be submitted to DED.

Application Requirements

Program Applications may only be submitted to DED following approval of the redevelopment plan by the municipality.

A Program Application must contain documentation or information as follows:

I. A copy of and proof of adoption of a Local Development Plan that meets all of the following requirements (§ 99.1086, RSMo):

1. A redevelopment plan shall set forth in writing a general description of the program to be undertaken to accomplish the redevelopment projects and related objectives and shall include, but need not be limited to:
 - a. The name, street and mailing address, and phone number of the mayor or chief executive officer of the municipality;
 - b. The street address of the redevelopment site;
 - c. The estimated redevelopment project costs;
 - d. The anticipated sources of funds to pay such redevelopment project costs;
 - e. Evidence of the commitments to finance such redevelopment project costs;
 - f. The anticipated type and term of the sources of funds to pay such redevelopment project costs;
 - g. The anticipated type and terms of the obligations to be issued;
 - h. The general land uses to apply in the redevelopment area;
 - i. A list of other community and economic benefits to result from the project;
 - j. A list of all other public investments made or to be made by this state or units of local government to support infrastructure or other needs generated by the project for which the funding under sections 99.1080 to 99.1092 is being sought;
 - k. A certification by the chief officer of the applicant as to the accuracy of the redevelopment plan;
 - l. A study analyzing the revenues that are being displaced as a result of the project that otherwise would have occurred in the market area. DED shall have discretion to exempt smaller projects from this requirement;

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- m. An economic feasibility analysis including a pro forma financial statement indicating the return on investment that may be expected without public assistance. The financial statement shall detail any assumptions made including a pro forma statement analysis that demonstrates the amount of assistance required to bring the return into a range deemed attractive to private investors. That amount shall not exceed the estimated reimbursable project costs.
2. The redevelopment plan may be adopted by a municipality in reliance on findings that a reasonable person would believe:
- a. The redevelopment area on the whole is a blighted area or a conservation area as determined by an independent third party. Such a finding shall include, but not be limited to, a detailed description of the factors that qualify the redevelopment area or project under this subsection;
 - b. The redevelopment area has not been subject to growth and redevelopment through investment by private enterprise or would not reasonably be anticipated to develop or continue to be developed without the implementation of one or more redevelopment projects and the adoption of local and state redevelopment financing;
 - c. The redevelopment plan conforms to the comprehensive plan for the redevelopment of the municipality as a whole;
 - d. The estimated dates, which shall not be more than twenty-five years from the adoption of the ordinance approving any redevelopment project, of the completion of such redevelopment project and retirement of obligations incurred to finance redevelopment project costs have been stated, provided that no ordinance approving a redevelopment project shall be adopted later than fifteen years from the adoption of the ordinance approving the redevelopment plan and provided that no property for a redevelopment project shall be acquired by eminent domain later than ten years from the adoption of the ordinance approving such redevelopment plan;
 - e. In the event any business or residence is to be relocated as a direct result of the implementation of the redevelopment plan, a plan has been developed for relocation assistance for businesses and residences; and
 - f. The redevelopment plan does not include the initial development or redevelopment of any gambling establishment.

II. Municipality's Ordinance Approving the Development Project

A copy must be submitted.

III. Local Funding Requirement

State financing under the Program is only available if the redevelopment plan and subsequent approval by ordinance provides that at least 50% of Local Sales Tax Revenue generated by the redevelopment project is used each year for redevelopment project costs. The definition of Local Sales Tax Revenue is city sales tax revenues received under

section 94.500 to 94.550, RSMo, and county sales tax revenues received under 67.500 to 67.594, RSMo.

IV. “But-For” & “Least Amount Necessary” Requirements

The proposed redevelopment project could not be financed without the use of state funds. The request for state increment must be the minimum necessary to cause the development project to be developed.

Submissions must include:

1. An affidavit that is signed by the developer or developers attesting that the redevelopment area has not been subject to growth and redevelopment through investment by private enterprise or would not reasonably be anticipated to develop or continue to be developed without the implementation of one or more redevelopment projects and the adoption of local and state redevelopment financing.

V. Economic Benefit to State

DED will run a cost/benefit analysis on the project to determine if the amount of disbursement from the downtown revitalization preservation fund, in addition to any other state economic redevelopment funding or other state incentives, exceeds the projected state benefit of the redevelopment project.

NOTE: DED requires in the cost/benefit analysis that State costs must include all state funding or incentives related to the project, including non-discretionary tax credits.

VI. Baseline Estimates – DOR Verification

1. Identification of the existing businesses located within the development project area and the development area;
2. The aggregate baseline year amount of state sales tax revenues and the aggregate baseline year amount of state income tax withheld on behalf of existing employees, reported by existing businesses within the development project area. DED will submit the information received in the Application to DOR for verification of amounts and DED will review the information presented.

NOTE: The baseline prepared at this time is only an estimate based upon the information provided and available as of the date the Application was submitted. Applicants have a duty to supplement with additional baseline information as soon as it is available.

VII. State Increment Estimates

An estimate of the state sales tax increment and state income tax increment within the development project area after redevelopment. The methodologies and underlying assumptions used in determining the estimate of the state sales tax increment and the state income tax increment.

VIII. State Increment Sought

The amounts and types of state increment sought by the Applicant to be disbursed from the Downtown Revitalization Preservation Fund and the number of years such funding is desired.

1. Other Net New Revenues may be the following:

State Sales Tax Increment – up to fifty percent (50%) of the incremental increase in the general revenue portion of State Sales Taxes in the development project area;

2. Retail Restriction

If a retail establishment relocates within one year from one facility within the same county and the governing body of the municipality finds that the retail establishment is a direct beneficiary of tax increment financing, EATS generated by the retail establishment shall equal the total additional revenues from EATS that are imposed by a municipality or other taxing district over the amount of EATS generated by the retail establishment in the calendar year prior to its relocation to the redevelopment area.

3. Maximum Number of Years of State Financing:

No more than twenty-five (25) years from the adoption of the ordinance approving any redevelopment project, of the completion of such redevelopment project and retirement of obligations incurred to finance redevelopment project costs have been states. No ordinance approving a redevelopment project shall be adopted later than fifteen (15) years from the adoption of the ordinance approving the redevelopment plan and provided that no property for a redevelopment project shall be acquired by eminent domain later than ten (10) years from the adoption of the ordinance approving such redevelopment plan.

Section 3

Reporting Requirements

- **Hearing Notices:** Municipalities (and their authority) must send a copy of any and all hearing notices required by the Act to DED.
- **Business Relocations:** By the last day of February each year, each municipality shall report to DED the name, mailing address, phone number and primary line of business of any business that **relocates** to the development area and the previous location address of the business and the new address within the redevelopment area.
- **Annual Report:** Each municipality shall submit an annual report to DED by October 30th of each year in electronic format. DED will provide a format for this report. DED will post all annual reports on its web site upon completion. DED shall compile and report the same to the governor, the speaker of the house and the president pro tempore of the senate on the last day of April each year
- **Failure to File Annual Report:** Any municipality that fails to timely file the Annual Report shall be ineligible to receive any disbursements from the State Supplemental Downtown Preservation Revitalization Fund.

Section 4

Comparison of State TIF, MODESA and Downtown Preservation

Downtown Preservation is similar to already-existing local and state supplemental tax increment financing with some notable exceptions. Just a few of the similarities and differences are set forth in the following table:

State TIF	MODESA	Downtown Preservation
Limited to blighted areas located in a federal empowerment zone, state enterprise zone, urban core or central business district. CBD is not defined.	Limited to blighted or conservation areas in a central business district. CBD is defined as the area at or near the historic core locally known as the “downtown.”	Limited to blighted or conservation areas in a central business district. CBD is defined as the area at or near the historic core locally known as the “downtown
Area must contain one or more buildings at least 50 years old	At least 50% of the area’s buildings must be 35 years of age or older.	At least 50% of the area’s buildings must be 35 years of age or older.
Area must be suffering from a declining population or property valuation over a 20-year period.	Declining population and property valuation is a consideration.	Declining population and property valuation is a consideration.
No limitation on median annual income for city.	Median annual income for city must be at or below \$62,000.	Median annual income for city must be at or below \$62,000
State TIF requires that a project be named in the state appropriation for the program.	No such requirement – simply a general appropriation out of the fund.	No such requirement – simply a general appropriation out of the fund.
Total amount limited to \$15 million annually.	Total amount limited to \$150 million annually.	Total amount limited to \$15 million annually.

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State TIF	MODESA	Downtown Preservation
To receive State TIF, the project must use 100% of local PILOTS and 50% of local EATS.	To receive state financing, the project must use 100% of local PILOTS and 50% of local EATS, although contributions to the project from private not-for-profits can be substituted on a dollar for dollar basis and other local financing can be substituted on a dollar for dollar basis.	To receive state financing, the project 50% of local sales tax increment.
State TIF requires the applicant to choose the state increment sought – either up to 50% of the state general revenue sales tax increment OR up to 50% of the state income tax increment.	Allows for greater flexibility - up to 50% of the state general revenue sales tax increment OR up to 50% of the state income tax increment OR a combination of both.	Up to 50% of the state general revenue sales tax increment
Limited to 15 years absent approval by DED and the Office of Administration for a greater time period, not to exceed 23 years.	Limited to 15 years absent approval by DED and MDFB for a greater time period, not to exceed 25 years.	Not to exceed 25 years.

Section 5

Definitions

For purposes of interpreting this Program Summary, the Act and submitting an Application, DED will use the following definitions unless otherwise specified:

Act means sections 99.1080 to 99.1092, RSMo, the Downtown Revitalization Preservation Act.

Applicant means the municipality submitting a Program Application to DED for assistance pursuant to the State Supplemental Downtown Revitalization Preservation Program.

Approved Project means a Program Application that has received final approval by DED and has received a Certificate of Approval from the Director of DED and the Commission of the Office of Administration.

Baseline Year means for most redevelopment projects the calendar year prior to the adoption of the ordinance by the municipality approving a redevelopment project. There are exceptions to this in the Act in certain circumstances.

Blighted Area means 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.

Central Business District means the area at or near the historic core that is locally known as the "downtown" of a Municipality that has a median household income of \$62,000 or less, according to the last decennial census... At least 50% of existing buildings in this area will have been built more than 35 years before the adoption of the ordinance approving the redevelopment plan. For vacant lots to count, there must have previously been a building on the lot that was built more than 35 years before the adoption of the redevelopment plan. The historical land use emphasis of a Central Business District prior to redevelopment must have been a mixed use of business, commercial, financial, transportation, government and multi-family residential uses.

Certificate of Approval means the certificate of approval issued by DED after an Approved Application that contains the terms of the New State Revenues to be made available, subject to appropriation of funds by the general assembly, for a redevelopment project.

Conservation Area means any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which 50% or more of the structures in the area have an age of 35 years or more and 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.

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DED means the Department of Economic Development.

Developer means the developer named in the Approved Application.

Downtown Revitalization Preservation Fund means the special fund by that name created within the state treasury into which Revenues are deposited, and from which disbursements for approved projects are to be made by DED pursuant to Certificates of Approval and subject to appropriation by the General Assembly.

DOR means the Department of Revenue.

Eligible Project Costs means the costs that DED has approved as eligible for reimbursement from other net new revenues.

Gambling Establishment means an excursion gambling boat as defined in section 313.800, RSMo, and any related business facility including any real property improvements which are directly and solely related to such business facility, whose sole purpose is to provide goods or services to an excursion gambling boat and whose majority ownership interest is held by a person licensed to conduct gambling games on an excursion gambling boat or licensed to operate an excursion gambling boat as provided in sections 313.800 to 313.850, RSMo.

Local sales tax increment at least 50% of the local sales tax revenue from taxes which are imposed by the municipality and its county, and which are generated by economic activities within a redevelopment area, over the amount of such taxes generated by economic activities within such redevelopment area in the baseline year, but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments provided however, the governing body of any county may, by resolution, exclude any portion of any county-wide sales tax of such county. If a retail establishment relocates within one year from one facility within the same county and the governing body of the municipality finds that the retail establishment is a direct beneficiary of tax increment financing, the EATS generated by the retail establishment shall equal the total additional revenues from EATS that are imposed by a municipality or other taxing district over the EATS generated by the retail establishment in the calendar year prior to its relocation to the redevelopment area.

Local sales tax revenue means city sales tax revenues received under sections 94.500 to 94.550, RSMo, and county sales tax revenues received under sections 67.500 to 67.594, RSMo

Major Initiative is a development project within a Central Business District that:

- a) Promotes tourism, cultural activities, arts, entertainment, education, research, arenas, multipurpose facilities, libraries, ports, mass transit, museums, or conventions, the estimated cost of which is in excess of the amount set forth below for the municipality, as applicable.

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Population of Municipality	Estimated Project Costs	Population of Municipality
100,000 to 199,999	\$5,000,000	100,000 to 199,999
50,000 to 99,999	\$1,000,000	50,000 to 99,999
10,000 to 49,999	\$500,000	10,000 to 49,999
1 to 9,999	\$250,000	1 to 9,999

Municipality any city or county of this state having fewer than two hundred thousand inhabitants.

Obligations bonds, loans, debentures, notes, special certificates or other evidences of indebtedness issued by the municipality or authority, or other public entity authorized to issue such obligations under sections 99.1080 to 99.1092 to carry out a redevelopment project or to refund outstanding obligations.

Ordinance an ordinance enacted by the governing body of any municipality.

Program Application or **Application** means the form submitted by a municipality for the consideration of requests under the Program to DED.

Redevelopment Area an area designated by a municipality in respect to which the municipality has made a finding that there exist conditions which cause the area to be classified as a Blighted Area or a Conservation Area, which area shall have the following characteristics:

- a) It can be renovated through one or more Development Projects;
- b) It is located in the Central Business District; and
- c) The development area shall not exceed ten percent of the entire area of the municipality.

Redevelopment Plan means the comprehensive program of a municipality to reduce or eliminate those conditions which qualified a redevelopment area as a Blighted Area or a Conservation Area, and to thereby enhance the tax bases of the taxing districts which extend into the redevelopment Area through the reimbursement, payment, or other financing of Redevelopment Project Costs in accordance with sections 99.1080 to 99.1092 and through application for and administration of downtown revitalization preservation program financing under sections 99.1080 to 99.1092.

Redevelopment Project means any redevelopment project within a Redevelopment Area that constitutes a Major Initiative in furtherance of the objectives of the Redevelopment Plan, and any such redevelopment project shall include a legal description of the area selected for such development project.

Redevelopment Project Area means the area located within a Redevelopment Area selected for a Redevelopment Project.

Redevelopment Project Costs mean the costs of a redevelopment project that are expended for public property, buildings, rights-of-way and infrastructure to support the redevelopment project, including facades. Such costs shall only be allowed as an initial expense which, to be

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recoverable, must be included in the costs of the redevelopment plan or redevelopment project, except in circumstances of plan amendments approved by the DED. Such infrastructure costs include, but are not limited to, the following:

- a) Costs of studies, appraisals, surveys, plans and specifications;
- b) Professional service costs, such as architectural, engineering, legal, marketing, financial or planning, or special services;
- c) Property assembly costs including but not limited to, acquisition of land and other property, real or personal, or rights or interests therein, demolition of buildings, and the clearing and grading of land;
- d) Costs of rehabilitation, reconstruction, repair, or remodeling of existing public buildings and fixtures;
- e) Costs of constructing public works or improvements;
- f) Financing costs, including, but not limited to, all necessary expenses related to the issuance of obligations issued to finance all or any portion of the infrastructure costs of one or more redevelopment projects, and which may include capitalized interest on any such obligations and reasonable reserves related to any such obligations;
- g) All or a portion of a taxing district's capital costs resulting from the development project, necessarily incurred or to be incurred in furtherance of the objectives of the redevelopment plan, to the extent the municipality by written agreement accepts and approves such costs;
- h) Payments to taxing districts on a pro rata basis to partially reimburse taxes diverted by approval of a redevelopment project when all debt is retired; and
- i) State government costs related to evaluation and administration of the development project.

State sales tax increment means up to one-half of the incremental increase in the State Sales Tax Revenue in the Redevelopment Project Area. There are special restrictions for amounts attributable to retail sales, and relocating facilities.

State sales tax revenue means the general revenue portion of state sales tax revenues received pursuant to section 144.020, RSMo, excluding sales taxes that are constitutionally dedicated, taxes deposited to the school district trust fund in accordance with section 144.701, RSMo, sales and use taxes on motor vehicles, trailers, boats and outboard motors and future sales taxes earmarked by law.

Taxing districts any political subdivision of this state having the power to levy taxes.

Taxing district's capital costs those costs of taxing districts for capital improvements that are found by the municipal governing bodies to be necessary and to directly result from a redevelopment project.

Section 6

Forms

Application Part I – Cover Sheet

Application Part II – Attachment Checklist

An original and five (5) copies of a completed Application with all attachments should be submitted to:

Department of Economic Development
Development Finance
Truman State Office Building, Room 770
PO Box 118
Jefferson City, MO 65102