



GENERAL POLICY AND PROCEDURE GUIDELINES FOR THE USE OF CHAPTER 100 INDUSTRIAL DEVELOPMENT INCENTIVES

Overview

Missouri law, specifically, Chapter 100 RSMo, establishes a framework by which cities may issue industrial revenue bonds to finance industrial development projects for private corporations, partnerships or individual companies. Under Chapter 100, the city issues bonds to finance real and/or personal property for eligible development projects. Eligible projects include warehouses, distribution facilities, research and development facilities, office industries, agricultural processing facilities, service facilities (which provide interstate commerce); and manufacturing plants.

Through Chapter 100, the city also may provide "tax abatement" for land, improvements, or personal property related to the industrial development project. Whether by purchase financed through industrial revenue bonds or conveyance of a fee interest in the subject property, the City obtains ownership of the real and/or personal property and leases it back to the company under a lease-purchase agreement. In the event that the property is financed by industrial revenue bonds, the lease agreement will require the company to make rent payments that are sufficient to pay the principal and interest on the bonds as they come due. Most commonly, the bonds are purchased by the company, but can be sold on the open market. If industrial revenue bonds are not used to finance the acquisition of the property, rents are otherwise established in the lease-purchase agreement.

In the event that the property is held in the name of the city during the lease term, such property is tax exempt, thus creating "tax abatement" for the company. The company later assumes or regains ownership of the property at the end of the term of the bonds and/or lease-purchase agreement. In addition to property tax "abatement," the company also may benefit from a sales tax exemption for construction materials and/or equipment for the project; provided the city will own the property being constructed. If the full "abatement" of taxes is more than is necessary to make the project feasible, the City may require the company to make payments in lieu of taxes ("PILOTs") to offset the excess benefits. Chapter 100 requires PILOTs to be paid to all affected taxing jurisdictions in proportion to their ad valorem tax levies.

Statutory Requirements

The city must approve a "plan for industrial development" pursuant to Section 100.050 of the Revised Statutes for the State of Missouri (RSMo). These plans are typically drafted by the applicant, with input from the city's staff and consultants, for approval by the City Council. All Chapter 100 Plans must include, at a minimum, a description of the project and its estimated costs, a statement of the source of funds to be expended for the project, and a statement of the terms upon which the facilities to be provided by the project will be leased or otherwise disposed by the City.

If the Chapter 100 Plan will involve the issuance of revenue bonds or the conveyance of a fee interest in real property to the City, the plan must also include a statement identifying each taxing district affected by the project, the most recent equalized assessed valuation of the property included in the project and an estimate of the projected

assessed valuation at the completion of the project, a cost benefit analysis for each taxing jurisdiction, and a statement identifying any PILOTs to be made.

Policy Guidelines

In addition to complying with the statutory requirements referenced above, the City has established several criteria that will be used to review and evaluate applications for Chapter 100 financing and tax abatement. To qualify for Chapter 100 tax abatement, each of the following should be satisfied:

1. Show a clear demonstration of public purpose and economic benefit through the advancement of the City's economic development goals, which include expanding the tax base, creating quality jobs, and spurring development in targeted City locations which are identified as highly desirable for Chapter 100 assistance as indicated on the map on file with the City Clerk.
2. Demonstrate the project would not occur "but for" the incentives offered. The incentive should make a difference in determining the decision of the business to locate, expand or remain in the City; and would not otherwise occur without the availability of the abatement.
3. Include evidence provided by the business that demonstrates the company's financial stability and capacity to complete the project. The City may utilize a financial advisor of its choosing to assist in this determination.
4. Ensure the City, Henry County, the Clinton School District, or any other taxing jurisdiction affected by the incentive would not receive less total real and personal property tax revenue from the property than was received prior to the granting of tax abatement.
5. Comply with the City's Comprehensive Plan.
6. Be environmentally compatible with the specific location and the surrounding area. Preference will be given to businesses that do their own pre-treatment or do not require extensive environmental controls.
7. Comply with the statutory requirements set forth in Sections 100.010 to 100.200 RSMo. Applications that do not meet all of these criteria may be approved if the application clearly demonstrates that the project, as a whole, is of vital economic interest to the City.

Abatement Guidelines. amounts are still under consideration

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

1. Standard Abatement
 - a. Up to 50% property tax abatement for ten (10) years for projects that make a capital investment at least \$4,000,000 or more for a new business or at least \$2,000,000 or more for expansion of an existing business.
 - b. The average wage of all full-time employees exceeds seventy percent (70%) of the County average wage as published by the Missouri Department of Economic Development (DED)¹
2. Enhanced Abatement

¹Average county wages are based on Census of Employment and Wages, Missouri Economic Research and Information Center (MERIC). Updates to be made annually.

- a. Up to 75% property tax abatement for ten (10) years for businesses that invest at least \$4,000,000 or more for a new business or at least \$2,000,000 or more for expansion of an existing business and:
 - i. At least 20 new² full-time³ employees will be hired as a result of the business.
 - ii. The average wage of all full-time employees exceeds the County average wage as published by the Missouri Department of Economic Development (DED)⁴.

b. As an additional enhancement, businesses that achieve any of the following standards may receive an additional bonus abatement for each satisfied standard (no business shall exceed 90% abatement):

- i. For every 10 new¹ full-time employees² hired above the initial 20 to qualify for the enhanced abatement, a business may receive an additional 1% (not to exceed 10%).
- ii. For every 5% of full-time employees² that are paid above one and one-half (1.5) times the average County wage as published by the Missouri Department of Economic Development (DED)³ may receive an additional 1% (not to exceed 10%).

3. Science & Technology/Corporate Headquarters Abatement

a. Up to 100% property tax abatement for ten (10) years for businesses that invest at least \$4,000,000 or more for a new business or at least \$2,000,000 or more for expansion of an existing business and:

- i. The business must be an agricultural, food production, biological, life sciences, information technology, or engineering based business that is engaged in science and research technology, engineering or other innovative process.

or

The business must be the designated headquarters for a U.S. Corporation or the U.S. headquarters for an international corporation. "Headquarters" designation must be readily apparent on digital and printed media providing corporate information, and a majority of corporate officers (i.e., chief executive officer, chief operating officer, chief accounting officer, chief information officer, etc.) for U.S. operations shall have their primary office located in Clinton.

- ii. At least 10 new full-time employees to Clinton will be hired as a result of the business or project.
- iii. The average wage of all full-time employees exceeds the County average wage as published by Missouri Department of Economic Development (DED).

The portion of property taxes not abated pursuant to this program shall be paid to the City as PILOTs for distribution to the appropriate taxing jurisdiction(s). The level of enhanced abatement may increase or decrease annually based upon the satisfaction of the standards identified in Section 2 of the Abatement Guidelines.

City Application/Approval Process

The applicant is required to first meet with City staff and/or consultants in a pre-qualification conference to determine project eligibility. An application may then be submitted to the office of the City Clerk for review and processing. A copy of the formal application form may be obtained through office of the City Clerk.

²Newly created job; new hire

³An employee of the company that is scheduled to work an average of at least 35 hours per week for a 12-month period.

⁴Average county wages are based on Census of Employment and Wages, Missouri Economic Research and Information Center (MERIC). Updates to be made annually.

If the project meets the policy guidelines outlined above, the company will be invited to submit a plan for industrial development ("Chapter 100 Plan") as outlined under Section 100.050 RSMo. The Chapter 100 Plan will then be considered for formal approval by the Clinton City Council.

Following approval of the Chapter 100 Plan, the City and the applicant shall enter into a Chapter 100 lease-purchase agreement which will govern the terms of the abatement. The agreement shall require that an annual report be submitted to the City by March 1 of each year. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting of project. The agreement may include a claw-back provision requiring specified performance on issues such as new jobs created as a condition for granting and maintaining the abatement.