

INDUSTRIAL DEVELOPMENT BONDS

“CHAPTER 100”

Industrial Development Bonds issued pursuant to Chapter 100 RSMo. may be used to provide real and personal property tax exemption and to provide sales tax exemption on qualified purchases.

Authorization Article VI, Sections 27 and 27(b), Missouri Constitution; Sections 100.010 to 100.200 RSMo.

Eligible Activities

Industrial development bonds may be issued to finance the land, buildings, fixtures, and machinery for warehouses, distribution facilities, research and development facilities, office industries, service industries engaged in interstate commerce, industrial plants, and certain types of commercial development. Retail and service industries in intrastate commerce are not eligible.

Program Benefits

- Real Property Tax Abatement – The property is owned by the City during the bond term and thus is exempt from taxes. A payment in lieu of taxes (PILOT) agreement may be required to modify the level of abatement.
- Personal Property Tax Abatement – Chapter 100 may also be used to purchase machinery and fixtures. As with the real property, the City owns the equipment during the bond term.
- A PILOT agreement may be required to modify the level of abatement.
- Sales Tax Exemption – Equipment purchases may be structured such that the City’s sales tax exemption is used.
- Bonds – Chapter 100 bonds may be tax-exempt, which makes it possible to issue the bonds at a lower interest rate compared to conventional financing.

Approval Process

Chapter 100 RSMo. allows local governments to issue bonds to finance industrial development projects and certain types of commercial development for private corporations, partnerships, and individuals. Upon issuance of the bonds, the company transfers ownership of the development site and/or equipment to the local government. The bond proceeds are then used to fund the construction of the development project. The company buys the bonds and repays them over a set time period. Once the bonds are completely repaid, the local government conveys title of the site and/or equipment back to the company.

City Council must hold a public hearing prior to approving Chapter 100 bonds and must notify all taxing jurisdictions of the public hearing.

The use of Chapter 100 Industrial Development Bonds can be particularly beneficial when coupled with the Missouri Quality Jobs program. The Quality Jobs program can provide state tax credits for companies which create at least 100 jobs with an average wage equal or greater than the county

average wage. This portion of Quality Jobs also provides a “local incentive bonus” to the company only when the local community provides a local incentive equal to 50% of the total tax benefit for 10 years. This can be achieved through granting real and personal property tax exemption using Chapter 100 RSMo. The Chapter 100 policy acknowledges this by providing for its use in situations where job creation meets the Quality Job standard. The policy also provides for the use of Chapter 100 bond financing for existing businesses making an additional investment in their facility and creating or retaining quality jobs.

Economic Development Incentives Resource Guide

The following information is available in the *Economic Development Incentives Resource Guide*:

- Industrial Development Bonds (“Chapter 100”) Process
- Industrial Development Bonds (“Chapter 100”) Pre-Application

Industrial Development Bond Policies

1. Real property tax exemption through Chapter 100 RSMo. may be considered for projects that meet the following criteria:
 - a. For existing businesses, the total new investment in real property must be a minimum of \$5 Million and the business must create or retain a minimum of 100 jobs with an average wage equal or greater than the Greene County average wage.
 - b. For new businesses, the total new investment in real property must be a minimum of \$5 Million OR the business must create a minimum of 100 jobs with an average wage equal or greater than the Greene County average wage within two (2) years.
 - c. The job creation/retention component may be waived or modified for projects where the City Council finds there to be an overriding public benefit.
 - d. Property tax exemption will typically mirror the abatement level granted through the Enhanced Enterprise Zone program (Sections 135.950 through 135.973, RSMo.). The exemption will be granted at a rate of 50% on improvements for 10 years, except in those cases where the development achieves a Silver rating or higher from the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) program. Those projects may be granted a 25% bonus exemption (total 75% exemption). The City will require the company to make payments in lieu of taxes to all taxing jurisdictions in an amount equal to the “unabated” property taxes. These PILOTS will be distributed in accordance with local levies.
 - e. Property taxes will not be reduced below the amount of tax on land and improvements paid in the year preceding the application for Chapter 100 exemption.
 - f. The company will be required to annually report employment numbers to the City. Tax exemption shall be terminated effective the last day of the calendar year in the event the company reduces its labor force by more than 25% from the preceding year or by more than 50% from the date of the first year of the abatement.

2. Personal property tax exemption through Chapter 100 RSMo. may be considered for projects that meet the following criteria:
 - a. For existing businesses the total personal property to be acquired and installed must have a cost of at least \$5 Million and the business must create or retain a minimum of 100 jobs with an average wage equal or greater than the Greene County average wage.
 - b. For new businesses, the total personal property to be acquired and installed must have a cost of \$5 Million OR the company must create a minimum of 100 new jobs with an average wage equal or greater than the Greene County average wage within two (2) years.
 - c. The exemption will typically be granted at a rate of 50% on new personal property for 10 years. The City will require the company to make payments in lieu of taxes to all taxing jurisdictions in an amount equal to 50% of the exempted personal property taxes. These PILOTS will be distributed in accordance with local levies.
 - d. Replacement of equipment financed under a previous Springfield Chapter 100 Bond issuance is not eligible.
 - e. The company will be required to annually report employment numbers to the City. Tax exemption shall be terminated effective the last day of the calendar year in the event the company reduces its labor force by more than 25% from the preceding year or by more than 50% from the date of the first year of the abatement.
3. The City will not extend its sales tax exemption for purchases unless City Council finds there to be an extraordinary public benefit or the savings from such exemption will be used to reduce the City's cost in connection with a project.
4. All projects will be subject to the following:
 - a. The City may consider an increased exemption level in those cases where the jobs created or retained pay 150% or more of the Greene County average wage.
 - b. The beneficiary will be responsible for all costs relating to issuing the bonds and obtaining the exemption.
 - c. PILOTS are due by December 31 of each year. Failure to pay PILOTS will result in termination of the tax exemption.
 - d. The beneficiary will be required to submit annual compliance reports. Failure to comply with the terms of the PILOT and lease agreements will result in a loss or reduction in the exemption.

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General Policies

1. It is the policy of the City of Springfield to consider the judicious use of incentives for projects which demonstrate a substantial and significant public benefit by constructing public improvements in support of developments that will, by creating new jobs and retaining existing employment; eliminate blight, strengthen the employment and economic base of the City, increase property values and tax revenues, reduce poverty, create economic stability, upgrade older neighborhoods, facilitate self-sufficiency, and implement the City's Comprehensive Plan and economic development strategy.
2. Developers are strongly encouraged to discuss their projects with staff prior to filing any applications for incentives.
3. The City encourages developers to meet with taxing jurisdictions that will be affected by the incentive.
4. All discretionary incentives will be subject to a "but for" test. There must be a finding by the City Council that the project would not occur, or would only occur at a significantly smaller scale, or will not be financially feasible or stable, or that public benefit will not occur if the incentive is not provided. Discretionary incentives will only be granted to those projects that would not otherwise occur if incentives were not provided, unless the City Council finds there to be an overriding public benefit or a reduction in costs that would otherwise be paid by the City.
5. Discretionary incentives will be granted only at the level necessary to make the project financially feasible.
6. The City encourages sustainable development and will consider additional incentives for those projects that achieve a Silver rating or higher from the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program.
7. The City will consider additional incentives for projects that create or retain quality jobs that pay wages equal to or higher than the Greene County average wage and offer competitive benefits.
8. The City's "annual appropriation", or General Fund, guarantee will not be pledged for economic development projects, except in extraordinary cases.
9. Taxes will not be reduced below the base year, as established by the individual redevelopment plans, after an incentive is approved.
10. The City will not waive City permit, development, or incentive fees.
11. All projects receiving incentives must be consistent with the City's Comprehensive Plan and must comply with all applicable City zoning and building codes.
12. Since each project is unique, every proposal will be evaluated under the City's Policies on its individual merit and overall contribution to the local economy and the City's goals.
13. The City shall require periodic reporting evidencing compliance with the requirements of the program and measuring the economic benefit to the City and the region.

Economic Development Incentive Fees

The use of economic development incentives is subject to the fees set forth in General Ordinance 5490, adopted August 22, 2005. Please see the *Economic Development Incentives Resource Guide (Resource Guide)* for the fee schedule.