

CITY COUNCIL STUDY SESSION

TO: Mayor and City Council
FROM: Mari E. Macomber, City Manager *MSM*
SESSION DATE: April 20, 2009
TIME: 5:00 p.m.
PLACE: Second Floor Conference Room

We will be in the Second Floor Conference Room on Monday for the Study Session and will need to adjourn by 5:50 p.m.

AGENDA:

- **Discuss Economic Development Tax Incentives/Abatement**
- **Newsletter Review – April 17, 2009**

DISCUSS ECONOMIC DEVELOPMENT TAX INCENTIVES/ABATEMENT

Tax abatement is a tool used by local government to attract private investment and job creation by exempting all or a portion of the new or increased assessed value resulting from new investment from the property tax roll.

The City has offered abatements over the years for industrial and business development through Enterprise Zone and Tax Increment Financing (TIF). In 2008, the City's ability to provide Enterprise Zone benefits ceased, as the State of Missouri is phasing this program out. The City currently has one TIF to support downtown redevelopment and will be asked in June to consider a second TIF for properties located on south 63. Discussions on this project began fall of 2007.

In addition to this TIF project, the City has been asked to consider approving a Chapter 353 for Weaver Development for a 20,000 to 30,000 professional office building. As a result of this proposal, the City Council asked that the other taxing districts be notified and given an opportunity to learn about the project. The desire to make sure that other taxing districts are notified of projects is not a new concept for the City, and in fact the City had made an informal commitment to the School District that the District would be notified when any development requests were made of the City that included a TIF component. This notification was made on the south 63 TIF proposal and the School Board sent a letter stating no objection to the proposed TIF provided the terms remain as originally outlined by the developer.

Available Tax Abatement Programs

Prior to the introduction of Chapter 353, we were all familiar with tax increment financing and Enterprise Zones. These are the tax abatement programs that are

found on the State of Missouri website and available to developers providing local property or sales tax abatements.

Chapter 100 Property Tax Exemption

Provides a sales tax exemption on tangible personal property purchased through Chapter 100 bonds for non-manufacturing purchases.

Chapter 353 Tax Abatement

Chapter 353 Tax Abatement is an incentive that can be utilized by cities to encourage the redevelopment of blighted areas by providing real property tax abatement.

Downtown Preservation

Facilitates the redevelopment of downtown areas and the creation of jobs by providing essential public infrastructure.

Tax Increment Finance (TIF)

Local Tax Increment Financing (Local TIF) permits the use of a portion of local property and sales taxes to assist funding the redevelopment of certain designated areas within your community. Areas eligible for Local TIF must contain property classified as a "Blighted", "Conservation" or an "Economic Development" area, or any combination thereof, as defined by Missouri Statutes

MORESA

Provides financial incentives for public infrastructure for the development of a renewable fuel production facility or eligible new generation processing entity facility, creating new jobs and agricultural product markets in rural Missouri

Taxing District Partnerships

The decision to grant anyone of these tax abatements lies largely with the City or County (if the project is solely in the county). The City Council understands this, but has shown a desire to keep other taxing districts informed. On Monday, representatives from the Adair County Health Department, Adair County Library, Kirksville RIII School District, Senate Bill 40 and Twin Pines Adult Care Center will be at the Study Session.

The purpose: 1) To hear from Phil Tate, Director of Job Creation about tax abatement as important tools in the economic development tool box; 2) To have a general discussion as a group about the pros and cons of tax abatements; 3) To see if, as stewards of the tax payer's dollars, we can reach some common understanding or criteria that should be considered when evaluating the merits of tax abatement; and finally 4) Leave the meeting with an understanding that all of the taxing districts are affected by these decisions and that open communication is key.

It is expected that this conversation will occupy the time available to the Council before the Council Meeting. Since the City does not have a formal economic development policy, a draft policy statement has been crafted for future consideration.

Policy Statement

The City of Kirksville is committed to the promotion and retention of high quality development in all parts of the City; and to an on-going improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City of Kirksville will, on a case-by-case basis, give consideration to providing tax abatements as stimulation for economic development in Kirksville. It is the policy of the City of Kirksville that said consideration will be provided in accordance with established criteria. Nothing herein shall imply or suggest that the City of Kirksville is under any obligation to provide tax abatement to any applicant.

In addition to the policy, other information is included to give you some things to think about: 1) Reasons to consider abatement; and 2) Thresholds for abatement levels including amounts, terms and comprehensive abatement limits.

Policy Criteria:

Possible Criteria to use to consider abatement

- a. Increase or preserve the tax base – real, personal or sales;
- b. Provide employment opportunities within Kirksville;
- c. Provide or help acquire or construct public facilities;
- d. Help redevelop or renew blighted areas;
- e. Help provide access to services for residents of the city;

Specific considerations would include the degree to which the individual project furthers the goals and objectives of the community, as well as the relative impact of the project, including costs to the City and other taxing districts for providing services, the local housing market, required infrastructure and affects on the environment.

Value of Abatement - The amount of the abatement will be determined based on the merits of the project, including, but not limited to - total capital investment, added employment, and average annual salary.

Term of Abatement - Duration and amount limits shall be for the minimum amount necessary to meet the financial goals of the project. The City could possibly establish a threshold that would not give abatement unless the value of the expected development met a certain dollar amount, created so many full-time jobs at specific average annual salary based on some amount above the median household income. For expansions, businesses that have already invested in the community, maybe the threshold is different - (1/2 the value of new) in real and personal property improvements with the same required jobs and average annual salary.

Limit of Abatement – A calculation could be performed that would establish an annual abatement limit for all tax abatement that would limit the abatement to a percentage of the City's current year property tax levy. For example the total property tax levy for 2008 was \$112,205,885. A one percent (1%) abatement would equal \$1,122,059.

Recommended Action:

Economic development is a priority for the City and has remained the top goal for the City Council. To encourage growth and development, cities must be competitive, yet mindful of communitywide needs so that development projects benefit the community, more than cost the community. Communications and community partnerships are also important goals for the City. Having open discussions with other taxing districts will be helpful in understanding each other. Council is asked to visit with the representatives in attendance Monday and discuss tax abatement and economic development.

NEWSLETTER REVIEW – April 17, 2009

Attachments

None