GLOSSARY OF TERMS FOR ECONOMIC DEVELOPMENT STUDY

BLIGHTED AREA

A “blighted area” is an area that, 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 that 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.

BOND FINANCING

Bond financing is a funding mechanism that uses tax incentives to lower financing costs for businesses by having a government entity act as a conduit borrower for a private entity. Bond financing is particularly useful for several reasons: local government acting as the borrower enhances the credit of borrower, the bonds are exempt from federal and state taxes, and bonds provide lower-interest financing options than are otherwise available.

“BUT FOR” TEST

The “but for” test is a required statutory finding that each governing body must make for each tax increment financing (TIF) redevelopment plan. The governing body must find that the redevelopment area has not been subject to growth and development through private investment and is not reasonably anticipated to be developed “but for” the adoption of tax increment financing. To make such a finding, there must be detailed evidence of the factors that support the finding and a signed affidavit of the developer attesting to the conditions supporting this finding.

CHAPTER 100 PROPERTY TAX ABATEMENT

Tax abatement authorized under Chapter 100 of the Revised Statutes of Missouri authorizes cities, counties, towns, and villages to issue industrial development bonds to finance projects for private corporations, partnerships, and individuals. These bonds are used to finance the costs of warehouses, distribution facilities, and the like. This qualifies as tax abatement because the local government entity holds title to the property, develops it, and leases it to a business; property owned by government entities is exempt from taxation.

CHAPTER 353 PROPERTY TAX ABATEMENT

Tax abatement authorized under Chapter 353 of the Revised Statutes of Missouri specifically targeting tax abatements to a “blighted area.” An eligible city or county may approve a redevelopment plan that provides for tax abatement for up to 25 years.

COMMUNITY IMPROVEMENT DISTRICT

A community improvement district (CID) may be organized either as a political subdivision or a non-profit corporation. CIDs are organized to finance a wide variety of public facilities and to manage policies and public services for the needs of the district. A CID is established by the enactment of an ordinance and it may have directional or operational ties to the local government. A CID produces a five-year plan with a series of proposed projects it seeks to complete or enact; accompanying this plan is an estimate of the costs of the services and improvement and the maximum rates of property taxes and special assessments that may be imposed.

CONSERVATION AREA

A “conservation area” is any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which fifty percent or more of the structures in the area have an age of thirty-five years or more. 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. A conservation area shall meet at least three of the factors provided in this subdivision for projects approved on or after December 23, 1997.

ECONOMIC ACTIVITY TAXES (EATs)
"Economic activity taxes" are the total additional revenue from taxes that are imposed by a municipality and other taxing districts, 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 calendar year prior to the adoption of the ordinance designating such a redevelopment area, while tax increment financing remains in effect, 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. For redevelopment projects or redevelopment plans approved after December 23, 1997, if a retail establishment relocates within one year from one facility to another facility within the same county and the governing body of the municipality finds that the relocation is a direct beneficiary of tax increment financing, then for purposes of this definition, the economic activity taxes generated by the retail establishment shall equal the total additional revenues from economic activity taxes that are imposed by a municipality or other taxing district over the amount of economic activity taxes generated by the retail establishment in the calendar year prior to its relocation to the redevelopment area.

EXEMPTIONS AND EXCLUSIONS
Exemptions and exclusions to state taxes often operate by a company applying for and receiving an exemption or exclusion and then buying something (machinery, for example), paying for the goods, and simply carrying no sales tax liability at the register.

GENERAL OBLIGATION BONDS
Missouri municipalities are authorized to issue general obligation bonds under Art. VI, §26(b), (c), (d), and (e) of the Missouri Constitution and §§95.115 to 95.130 of the Revised Statutes of Missouri. These bonds carry the full faith, credit, and taxing power of the municipality. Municipalities may issue general obligation bonds for any municipal purpose authorized by charter or Missouri law.

LEASE-PURCHASE FINANCING – SALES TAX FINANCING
A municipality can acquire certain equipment or facilities from a private entity like a bank, manufacturer, or leasing company, pursuant to a lease-purchase agreement that is subject to annual appropriation by the municipality's governing body. The municipality's sales tax revenue provides a source of funds for making the lease payments. The municipality receives unencumbered title to the items being leased when the final lease payment is made.

NEIGHBORHOOD IMPROVEMENT DISTRICT
A neighborhood improvement district (NID) may be created in an area seeking specific public-use improvements that are paid for by special tax assessments to property owners in the area in which the improvements are made. An NID is created by election or petition, so while it functions similarly to a CID, the creation of these two economic development entities differs. An NID also produces a plan that discloses the scope of the projects proposed, costs, repayment, and assessment parameters to property owners affected in the NID.

PAY AS YOU GO – SALES TAX FINANCING
As sales tax is collected, it can be used to immediately fund improvement projects. This is a straightforward method for utilizing sales tax revenue, but it is effective mainly for short-term relatively low cost projects such as street repairs.

PAYMENT IN LIEU OF TAXES (PILOTs)
Payment in lieu of taxes are those estimated revenues from real property in the area selected for a redevelopment project, which revenues according to the redevelopment project or plan are to be used for a private use, which taxing districts would have received had a municipality not adopted tax increment allocation financing, and which would result from levies made after the time of the adoption of tax increment allocation financing during the time the current equalized value of real property in the area selected for the redevelopment project exceeds the total initial equalized value of real property in such area until the designation is terminated pursuant to subsection 2 of section 99.850.

POINT-OF-SALE CITIES
Cities that retain most of the sales tax revenues collected from businesses within their boundaries. These cities had local sales taxes before the countywide sales tax was enacted. Legislation passed in 1993 provides for some sharing of revenues by point-of-sale cities: a sliding scale is used to calculate amounts contributed to the pool by point-of-sale cities.

POOL CITIES
Cities that share revenue with other cities from the county in a pool on a per capita basis are "pool cities." Unincorporated St. Louis County is part of the pool as well.

PROPERTY TAX
Many St. Louis County municipalities levy a property tax for municipal purposes. The reason for a great range of property taxes across the region is because some municipalities have their own fire departments paid for out of city revenues, while most obtain fire protection and ambulance service from fire protection districts that levy a separate property tax. Cities also vary on what is paid for out of the city revenues.

REDEVELOPMENT AREA
A redevelopment area is an area designated by a municipality, in respect to which the municipality has made a finding that there exist conditions that cause the area to be classified as a blighted area, a conservation area, an economic development area, an enterprise zone pursuant to sections 135.200 to135.256, or a combination thereof, which area includes only those parcels of real property directly and substantially benefitted by the proposed redevelopment project.

REDEVELOPMENT PLAN
A redevelopment plan is the comprehensive program of a municipality for redevelopment intended by the payment of redevelopment costs to reduce or eliminate those conditions, the existence of which qualified the redevelopment area as a blighted area, conservation area, economic development area, or combination thereof, and to thereby enhance the tax bases of the taxing districts that extend into the redevelopment area. Each redevelopment plan shall conform to the requirements of section 99.810.

REVENUE BONDS
Revenue bonds are issued to finance facilities that have a definable use or revenue base. Specific statutory authority is required for the issuance of revenue bonds. Projects financed with revenue bonds include waterworks systems, sewerage systems, and parking facilities.

SALES TAX
Retail sales in St. Louis County are subject to state sales tax (4.225%), a transportation sales tax (0.5%), a mass transit sales tax for Metrolink (0.25%), a children's service sales tax (0.25%) and a regional parks and trails sales tax (0.1%), plus a 1% local sales tax that is distributed among the municipalities of the county. The retail sales tax in St. Louis County is 6.325%.

SALES TAX REBATE/DEVELOPMENT AGREEMENTS

An alternative to tax increment financing is for a municipality to enter into an agreement with a property owner, whereby the owner of a retail establishment agrees to fund the cost of certain public improvements and the municipality agrees to reimburse the owner for the cost of those improvements, with interest at an agreed-upon taxable interest rate, from the incremental sales tax generated by the project. The owner generally agrees to be paid solely from those incremental sales taxes and not from any other funds of the municipality.

SALES TAX REVENUE BONDS – SALES TAX FINANCING
Certain cities may issue bonds directly to fund capital improvements and pledge sales tax revenues to repay the bonds. Before sales tax revenues can be pledged to the payment of bonds on a long-term basis, the bonds must be approved by the constitutionally required percentage of votes. Sales tax revenue bonds are also subject to the debt limitations of the Missouri Constitution.

SPECIAL ALLOCATION FUND
A special allocation fund is the fund of a municipality or its commission that contains at least two separate segregated accounts for each redevelopment plan, maintained by the treasurer of the municipality or the treasurer of the commission into which payments in lieu of taxes are deposited in one account, and economic activity taxes and other revenues are deposited in the other account.

SPECIAL BUSINESS DISTRICT
A special business district (SBD) is a political subdivision with the power to impose a real property tax, a business license tax, and special assessments, depending upon the size of the City in which the SBD is created. The funding sources can be spent on certain public improvements and services listed in the statute. The SBD is created by a city following submission of a petition by property owners that pay real property taxes within the proposed district. SBD can finance certain public infrastructure improvements like widening existing streets and alleys, landscaping, installation and operation of public music and news facilities, or the construction of pedestrian plazas.

TAX ABATEMENT
Tax abatement is a redevelopment tool that freezes the assessed value of real estate at pre-development levels. This keeps the tax rate low while the property is developed, a process that otherwise would raise the tax obligation on the property.

TAX ANTICIPATION NOTES – SALES TAX FINANCING
At the beginning of the sales tax collection year, cities can issue tax anticipation notes in an amount not to exceed a percentage of the estimated taxes and revenues for the year yet collected. The proceeds of the notes are available for capital improvements and the sales tax receipts are accumulated and used to pay off the notes at maturity. Since such notes must mature within 12 months of their date of issuance or by the end of the fiscal period, this is a short-term financing method.

TAX CREDIT
A tax credit is a reduction in the tax liability owed by an individual or a business. There are three general stages in the lifetime of a tax credit: first, the state government authorizes the creation a tax credit, which is awarded based on established criteria; then, the state issues a tax credit once it receives proof that certain requirements are met; and finally, the state redeems a tax credit when the taxpayer uses the credits to offset taxes owed to the state.

TAX INCREMENT FINANCING
Tax increment financing (TIF) is an economic development and redevelopment tool that generates a pool of money, which is used for reinvestment within a designated area. The money is generated by freezing the assessed value of property that is to be developed. Taxing districts (municipal, county, school) continue to collect property tax based on the frozen assessed value. As property values in the TIF district increase as a result of the development, additional tax reserves resulting from the increased values are placed into a TIF dun for TIF

development projects. That additional reserve from increased property values is the “increment.” A municipality establishes a TIF district and the increment created may be utilized to develop the TIF district. TIF is political process that results from the partnering of developers with local government entities; it is not a matter of filling out forms and checking boxes.

TIF COMMISSION

In all cities and counties, the governing body creates the TIF Commission. St. Louis County and cities in St. Louis County have 12-member TIF Commissions composed of 6 members appointed by the governing body, 3 members appointed by St. Louis County, 2 by the school boards of the affected school districts and 1 member appointed by other taxing districts who levy ad valorem taxes. The City of St. Louis has a 9-member TIF Commission comprised of 6 members appointed by the governing body, 2 by the school boards affected, and 1 by the other taxing districts that levy ad valorem taxes.

TRANSPORTATION DEVELOPMENT DISTRICT

A transportation development district (TDD) may be created by petition filed with the court the TDD is located in. The TDD can be organized for the purpose of developing, improving, and maintaining or operating one or more projects related to the transportation needs of the area. The TDD may be funded either by a district-wide property or sales tax, which requires approval of the voters in a district, or by bonds, notes, or other obligations.