

The Public Finance Toolbox

*How to Bridge the Funding Gap
with Public Finance Tools*

An Urban Redevelopment Workshop Presented by
Young Leaders Group - ULI St. Louis

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LOCAL PUBLIC FINANCE INITIATIVES

1) Property Tax Abatement

Missouri Department of Economic Development:

<http://www.missouridevelopment.org/Community%20Services/Local%20Finance%20Initiatives/Property%20Tax%20Abatement.aspx>

In the City of St. Louis: [www.St. Louisouis.missouri.org/sldc/busdev/abate.html](http://www.St.Louisouis.missouri.org/sldc/busdev/abate.html)

- Missouri Statute Chapter 353, Urban Redevelopment Corporations (URC) law: Provides cities.
 - o Created in 1947, tax abatement was first used in the City of St. Louis in 1959.
 - o Abatement of incremental real property taxes is available within areas considered blighted. “Incremental” property tax refers to the amount of increase in tax due to higher property valuations occurring in the project area after the completion of redevelopment. The increase or increment is based on the amount of property tax that was paid in the project area in the “base year” which is usually the year before work on the redevelopment began.
 - o A blighted area is defined as “that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration, have become economic and social liabilities, and such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.”
 - o Once the applicable local governmental authority (e.g., city council/board of alderman) declares property is blighted and approves a development plan for the area, a for-profit URC is eligible for real property tax abatement for redevelopment, and, with approval of the city, to acquire property by eminent domain within blighted areas.
 - o Usual term is 10 years at full abatement, but term can be extended to 25 years (a maximum of 10 years at full abatement + 15-year abatement at 50%). Full abatement is becoming slightly less common.
 - o Available for commercial, industrial or residential purposes.
- See also, Chapter 100 Industrial Development, discussed below.

2) Local Tax Increment Financing (TIF)

Missouri Department of Economic Development:

<http://www.missouridevelopment.org/Community%20Services/Local%20Finance%20Initiatives/Tax%20Increment%20Financing.aspx>

In the City of St. Louis: [www.St. Louisouis.missouri.org/sldc/busdev/tif.html](http://www.St.Louisouis.missouri.org/sldc/busdev/tif.html)

- TIF is both a state and local economic development tool, although the practice of combining both into one deal is rare. The so-called state “Super TIF” is discussed below.
 - o Created in 1982, TIF was first used in the City of St. Louis in 1991.

- Local TIFs are designed to help finance improvements in designated redevelopment areas or districts that have been “blighted” or qualify as an economic development or conservation district.
- Either a private developer or a debt-issuing governmental entity can underwrite the improvements, and be reimbursed later for eligible project costs (i.e. expenses incurred for assembly, acquisition, demolition, financing or rehabilitation).
- TIF revenues come from two sources that are generated by a finished project:
 - o Payments in lieu of taxes (“PILOTS”) are from any increase in property tax assessments when comparing the values before and after a project’s completion.
 - o Economic Activity Taxes (“EATS”) are from increases in local sales, earnings, and utility taxes in the area that are generated by the finished project.
- 100% of the increase in PILOTS and 50% of the increase in EATS are deposited in a Special Allocation Fund. These monies are then used to repay certain debts incurred by the private developer, the debt issuing governmental entity or the bondholders as the case may be.
- A TIF commission evaluates a TIF’s feasibility and makes a non-binding recommendation to the governing body. If approved, the governing body will enter into a development agreement with the developer to follow an approved Redevelopment Plan for the area.
- TIF is often a difficult tool to use, as it can be met with a great deal of public opposition.

3) Neighborhood Improvement Districts (NIDs)

Missouri Department of Economic Development:

<http://www.missouridevelopment.org/Community%20Services/Local%20Finance%20Initiatives/Neighborhood%20Improvement%20District.aspx>

- NIDs are geographically defined districts created to help fund public infrastructure improvements such as lighting, streets, sidewalks or sewers.
 - o Created by statute in 1990.
 - o A NID can be created by a majority vote at a general or special election, or a citizen petition that is signed by at least 2/3 of the property owners located within the proposed NID.
- A subsequent ordinance of support from the governing body allows a city to issue bonds or notes that pay for improvements to a NID. Property owners benefiting from these improvements then pay special assessments back to the City, which uses them to pay off the bonds or notes.
- Public hearings concerning the specifics of the project, its costs, and other specific information pertinent to the project must be conducted prior to commencement of work on any project of the NID so that any written or oral objections may be considered.

- NIDs are available for any development, but are often seen in large single-family residential developments to pay for things like sewers. The developer spends less money on infrastructure, and can pass that savings onto the consumer with a lower-priced home, but the consumer has an additional annual payment in the form of a NID assessment that can be as high as – or higher than – the annual real estate tax bill.

4) Community Improvement Districts (CIDs)

Missouri Department of Economic Development:

<http://www.missouridevelopment.org/Community%20Services/Local%20Finance%20Initiatives/Community%20Improvement%20District.aspx>

- CIDs are geographically defined districts that allow contiguous groups of property owners or a nonprofit corporation to decide what additional services and improvements are needed in their area, and impose special assessments on one another to pay for the added benefits.
 - o Created by statute in 1998.
 - o Additional improvements and services may include beautification, cleaning, maintenance and security provisions, as well as research and support for business activity, economic development and special events. The improvements must be public in nature to qualify for funding.
 - o For a proposed district to be approved, more than 50% of its property owners AND property owners owning more than 50% of its assessed value must agree through a petition process to the creation of such a district.
 - o The last step in the CID approval process is a successful public hearing held by the governing body within 45 days of receipt of a verified petition.
- A CID is governed by a Board of Directors that is either elected by the municipality or, in the case of a nonprofit corporation, selected in same manner as any other nonprofit corporation.
- Though CIDs originally were meant for improving and providing security in a dilapidated area, they are being more commonly used to pay for certain project costs in new commercial developments through a maximum 1% sales tax. The CID statute has a much broader laundry list of eligible improvements than, for instance, a TDD.

5) Transportation Development Districts (TDDs)

Missouri Department of Economic Development:

<http://www.missouridevelopment.org/Community%20Services/Local%20Finance%20Initiatives/Transportation%20Development%20District.aspx>

- TDDs are created to meet the transportation needs of a geographically defined area. A TDD is a separate political subdivision that is responsible for developing, funding, improving, maintaining or operating a project for infrastructure upgrades. Such projects may include, for example, street, bridge, traffic signal, bus stop, garage, railroad or light rail improvements.
 - o Created by statute in 1990.
 - o TDDs can be formed by registered voters, property owners or governing bodies in a proposed district successfully petitioning the local circuit court.

- Funding of TDD projects can occur by bond or note issuance secured by special assessments, property taxes or a maximum 1% sales tax, or through the creation of toll roads. All potential funding mechanisms however, must secure TDD voter approval.
- TDDs, like CIDs and other special taxing districts, are often combined with TIFs to provide additional revenue.
- After completion, ownership and control of a TDD project will be transferred to the MO Highways & Transportation Commission, or a local public authority, which will then assume responsibility for future TDD maintenance costs.

6) Sales Tax Rebate Agreements

- Not a specific creature of statute, but a city or county is authorized to enter into such agreements pursuant to Section 70.210 *et seq.* of the Missouri statute, which allows certain political subdivisions to contract with private parties for the planning, development, construction, acquisition or operation of any public improvement or facility.
 - Typically, the developer agrees to construct certain “public improvements”, and the city/county agrees to allocate all or a portion of the local sales tax revenues generated from the developer’s completed project over a period of time to pay the developer back for the cost of such public improvements.
 - Retailers in the project charge sales taxes in normal fashion, making their periodic sales tax returns to the Missouri Department of Revenue (DOR). The DOR makes annual payments to the city/county, which segregates the revenues that were generated by the project and pays the developer the agreed-upon percentage until the public improvements have been paid.
 - “Public Improvement” can be a flexible standard, often within the (reasonable) discretion of the city/county council, but allocation of sales tax proceeds is limited by the definition of the specific tax (e.g., a city “storm water, parks and recreation sales tax” is limited to paying for only those specific types of improvements).
 - Only appropriate for projects that generate retail sales tax.

7) Industrial Development Bonds (IDBs)

Missouri Department of Economic Development:

<http://www.missouridevelopment.org/Community%20Services/Local%20Finance%20Initiatives/Property%20Tax%20Abatement.aspx>

In the City of St. Louis: [www.St. Louisouis.missouri.org/sldc/busdev/revbond.html](http://www.St.Louisouis.missouri.org/sldc/busdev/revbond.html)

- MO law gives authority to Industrial Development Corporations (IDC’s) in MO cities and counties to purchase or construct certain types of projects with IDB bond proceeds, and to lease or sell that project to an eligible private company. The government of the local municipality issues the IDBs, and must maintain legal ownership of the property while the bonds are outstanding in order for the property to be eligible for tax abatement.

- Created by statute in 1961.
- Proceeds can be used for purchase, construction, extension and improvements on all types of manufacturing plants, assembly, industrial and processing plants, distribution facilities, solid waste and water distribution facilities, multi-family housing projects and facilities for non-profit corporations.
- IDCs can issue General Obligation (GO) or revenue IDBs. These bonds are purchased by either a private bank or public underwriter, and proceeds are “passed through” the IDC, to the private company, to finance the project.
- IDBs are attractive to all parties because IDCs are formed to encourage economic development within a city’s borders, the private company finances new land and/or equipment with sub-prime interest rates, and the interest paid to bondholders is exempt from federal and state income taxes.

PROGRAMS UNIQUE TO THE CITY AND COUNTY OF ST. LOUIS

1) SLDC Revolving Loan Funds (RLFs)

www.St.Louisouis.missouri.org/slhc/busdev/rlf.html

St. Louis Development Corporation-SLDC (Phone: 622-3400)

- Funded from two sources: (a) Annual appropriations—between \$1.0 to \$1.5 million--from U.S. HUD Department via Community District Block Grant funds; and (b) a one-time Economic Development Administration grant, for \$1.0 million, that has been continuously recycled. The program is administered locally by the business development Department of SLDC.
 - Created in 1977.
 - Eligible businesses must be for-profit and located in the City of St. Louis.
 - Approval from the St. Louis local development corporation board is required
 - Proceeds can be used for purchasing land and buildings, machinery and equipment, working capital, renovations and leasehold improvements.
- RLF loans can be made up to 33% of the total project costs to a maximum amount of \$150,000. Financing structure is made up of three components: (a) Private bank loan in a first-lien position (typically 60% project costs); (b) RLF loan in a subordinate-lien position (30%); and (c) an applicant’s personal equity (10%).
- A job creation criterion is associated with RLF loans. One job must be created for every \$10,000 in RLF funds borrowed. A first source employment agreement for entry-level

job referrals must be signed with the St. Louis Agency on Training and Employment (SLATE).

2) 50/50 Sidewalk Repair Program

www.St.Louisouis.missouri.org/government/cdstrts.htm

St. Louis City Street Department (Phone: 647-3111)

- Organized and administered under the St. Louis City Street Department, this program operates under a 1977 city ordinance stating that the city of St. Louis will pay half the cost of sidewalk repair, if the property owner provides matching funds.
- When residential property owners contact the City Street Department, they may be placed on the repair list. Commercial property owners must first get the approval of their aldermanic representative before they can be placed on the repair list.
- The City budget division appropriates roughly \$400,000 per year to each of the City's 28 wards for "bricks and mortar" projects. Each ward's alderperson then determines what portion of the annual appropriation will be spent on the 50/50 Sidewalk Repair Program.

3) Building Façade / Neighborhood Commercial District Incentive Program

www.St.Louisouis.missouri.org/development/commdist/facade.html

St. Louis Development Corporation-SLDC (Phone: 622-3400)

- Funded from annual appropriations—between \$1.0 to \$1.5 million—from U.S. Department of HUD, via Community District Block Grant funds. The program is administered and organized locally under the City of St. Louis Economic Development Agency, SLDC.
- The Façade Program, created in 1990, assists business owners to improve and/or restore the exterior of their commercial building to create greater visual appeal.
- To be eligible for a grant, a property must be located in one of the city's Neighborhood Business Commercial Districts (NBCD), where there is an active Business Association.
- A list of eligible NBCDs and active business associations is at the web link above.

4) Downtown Employer Assisted Housing (DEAH) Program

www.downtownSt.Louisouis.org/docs/DEAH.pdf

Downtown St. Louis Partnership-DTSLP (Phone: 436-6500 x 239)

- Co-created in 2001 by Fannie Mae's St. Louis office and DTSLP. The program is administered by DTSLP.
- Participating employers provide a \$5,000 loan to their eligible employees, to use for down payment and/or closing costs on the purchase of a home in downtown St. Louis. The loan is forgivable after 5 years, if the buyer remains with the company and in that home over this period.
- Annual program budget varies among participating companies.

5) St. Louis Business Development Fund

www.slbdf.com

St. Louis County Economic Council (Phone: 615-5029)

- The Fund, created in 1994, is a corporation, made up of a consortium of 24 local banks, which is managed by the St. Louis County Economic Council.
- Designed to provide debt and equity investments, ranging from \$50,000 to \$500,000, to for-profit businesses in the St. Louis area.
- Money received from the fund may be subordinate to traditional bank debt.
- These businesses must demonstrate the desire and ability to grow, but an inability to secure conventional financing for expansion related expenses, such as working capital, inventory, machinery and equipment, or real estate.
- The borrower, which will pay a premium for Fund financing, must provide at least a 10% equity injection towards the project. The remainder of the investment will be in a term loan, typically five years with a floating rate and have a variable success fee applied annually.

6) Justine Peterson Micro Loan Program

<http://www.justinepetersen.org/micro.html>

Justine Peterson Housing & Reinvestment-JPHR Corp (Phone: 664-5051)

- Organized as an intermediary lender through the U.S. Small Business Administration (SBA) and administered locally by JPHR Corp.
 - o JPHR Corp. was approved by SBA to administer the program in 1997.
 - o Loans range from \$500 to \$35,000 and terms range from one to five years.
 - o There is also an option for a forgivable loan up to \$7,500 if starting a business in one of St. Louis' nine sustainable neighborhoods and remaining for at least five years.
- Designed to assist for-profit start-up and small companies in the City of St. Louis who cannot access capital via conventional lending.
- Proceeds are used for business equipment and inventory purchases, working capital or leasehold improvements.

7) Ameren Community Development Corporation (CDC) Grants

www.ameren.com/EconomicDevl/ADC_ED_FormationACDC.asp

Ameren Economic Development Group (Phone: 800-981-9409)

- AmerenUE created the Ameren CDC in 2002 to distribute funds raised by company shareholders for community and economic development initiatives in Ameren's 65-county, 20,000 square mile Missouri service territory.
 - o Eligible grant applicants must demonstrate that their organization will spur economic growth and retain or attract new jobs.
- \$9.0 million in funding is available from 2002-2006. During the first grant cycle (Fall 2004), \$2.7 million was awarded to 12 companies. The second grant cycle had 2 phases, with the second application phase ending October 2005.

8) AmerenUE Economic Development Department Incentives

[www.St. Louisouis.missouri.org/slhc/busdev/amue.html](http://www.St.Louisouis.missouri.org/slhc/busdev/amue.html)

Ameren Economic Development Group (Phone: 800-981-9409)

- Ameren employs a team of business development executives that are ready to help clients with timely, innovative, and confidential assistance. At its disposal are a number of tools that include but are not limited to:
 - o **Ameren Insite** - an exclusive program that provides ready-to-go sites with ready-to-go flexible building plans for new, relocating and expanding companies.
http://www.ameren.com/ECONOMICDEVL/ADC_ED_AmerenInSite.asp
 - o **Development Finance** - The Ameren Economic Development Financing Solutions Program offers innovative & flexible financing for growing companies.
http://www.ameren.com/economicdevl/ADC_ED_FinancingSolutionsProgram.asp
 - o **Electric and Natural Gas Rates** – Ameren will provide non-residential customers and prospective non-residential customers with a rate comparison based on usage information provided by customer. Certain projects also may qualify for our Economic Development Rider (Missouri only) – an incentive rate that equals a 15% reduction in annual cost of electrical power during a five year contract term.
<https://www2.ameren.com/business/Rates/ratesSvcMap.aspx>

MISSOURI STATE PUBLIC FINANCE INITIATIVES

1) Missouri Historic Tax Credits (MOHTC)

<http://St.Louisouis.missouri.org/slhc/busdev/histtax.html>

- The Missouri Department of Economic Development (MODED) issues state income tax credits equal to 25% of the eligible historic rehab costs and expenses. \$1 of MOHTC reduces income tax owed to the State of Missouri by \$1.
 - o Created in 1997 and effective since 1998.

- Applications are submitted to MODED, Community Development division. MODED works with the Missouri State Historic Preservation office in determining and approving project eligibility.
- A structure must be listed individually on the National Register of Historic Places, be considered a contributing structure in a National Register historic district, or be located in a local historic district certified by the United States Department of the Interior
- Credits may be used in the year provided, carried back up to three years, or carried forward up to ten years.
- MOHTC has two features that the Federal Historic Tax Credit does not:
 - o It can be used on non-income producing residential structures;
 - o Credits earned after 8/28/1998 can be sold or transferred to other qualified MO taxpayers.

2) MO Brownfield Redevelopment Program

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Brownfield%20Redevelopment%20Program.aspx>

- Missouri Department of Economic Development (MODED) issues state income tax credits to qualified redevelopers of commercial and industrial sites that have been abandoned or underutilized for at least three years and are contaminated by hazardous substances (i.e. lead paint, asbestos, storage tanks).
 - o Created in 1995 and revised in 2001.
- Applications must be made to both MODED & Missouri Dept. of Natural Resources.
- Credits can be issued for 3 types of activities at a Brownfield site:
 - o Remediation tax credits (site cleaning);
 - o Demolition tax credits (removing structures on site);
 - o Job and investment tax credits (creating new jobs after redevelopment).
- Tax credits for up to 100% of remediation and demolition costs may be issued.
- Remediation tax credits can be sold or transferred.
- Remediation and Demolition Credits are eligible for a carry-forward of twenty years.
- To be eligible, a project must create 10 new jobs or retain 25 existing jobs.

3) Missouri Rebuilding Communities (RBC) Tax Credits

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Rebuilding%20Communities.aspx>

- Created in 1997, the RBC program provides state income tax incentives for eligible businesses locating, relocating or expanding their businesses within a “distressed community.”

- Downtown St. Louis qualifies as a “distressed community”, and a comprehensive list of distressed communities can be found at: [http://www.missouridevelopment.org/upload/2000censusdistressedcommunitiesentirecities\(020206\).pdf](http://www.missouridevelopment.org/upload/2000censusdistressedcommunitiesentirecities(020206).pdf)
- A pre-application must be submitted to MODED who will let an applicant know if they are eligible for the tax credits. Once eligible, an applicant will formally apply.
- New, relocating or existing businesses can earn tax credits on equipment purchases (such as computer hardware and software) while employees of new and relocating businesses can earn tax credits against their annual salaries.
 - Eligible new or relocating businesses may choose one of the 40% Tax Credits and the employees may receive the 1.5% Employee Tax Credit.
 - Existing Businesses already located in a distressed community may be eligible for the 25% Equipment Tax Credit. Existing businesses that double the number of full time employees in the distressed community from the previous year, may choose one of the 40% Tax Credits
- RBC tax credits can be sold or transferred, but cannot be combined with federal Enterprise Zone or Missouri Quality Jobs tax credits for the same tax period.

4) Missouri Quality Jobs (MOQJ) Program

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Quality%20Jobs%20Program.aspx>

- Created in 2005, the MOQJ is organized and administered under the MODED.
 - 3 different project types are eligible if a minimum number of new jobs at the project facility are created within a 2-year period:
 - Small / Expanding businesses - 40 jobs in the City of St. Louis;
 - Technology businesses - 10 jobs;
 - High-Impact businesses -100 jobs.
- Designed to encourage an employer to create new full-time jobs that at least equal the average county wage (where the employer is located) and offer health insurance. In exchange, the employer benefits by:
 - keeping a portion of that new employee’s income tax it would normally have to submit to the state of Missouri;
 - For technology and high-impact businesses, an employer can earn a MOQJ tax credit that can be assigned, sold or transferred.
- Annual program cap of \$12 million, which is provided on a first-come basis.
- A business is ineligible if it is already earning benefits from any of the following programs: (a) Missouri Enhanced Enterprise Zone; (b) Business Facility; (c) Rebuilding Communities; or (d) Brownfield redevelopment job and investment tax credits.

5) Missouri Enhanced Enterprise Zone (EEZ)

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Enhanced%20Enterprise%20Zone.aspx>

- An EEZ is a specific geographic area designated by local governments and certified for program eligibility by the MODED for a 25-year span. The program was created in 2004 and has been effective since 2005.
- A new or expanding businesses needs to demonstrate positive impact on local industry cluster development and/or the creation of sustainable jobs in a targeted industry to be eligible in an EEZ. If approved, and in order to claim the EEZ state-income tax credit:
 - o A new business must create 2 new jobs and \$100,000 in new investment over the prior year;
 - o A Replacement business facility must create 2 new jobs and \$1,000,000 in new investment.
- This process can be repeated for a 10-year period.
 - o Eligible investment purchases include land, building, machinery and equipment.
 - o Annual program cap of \$4.0 million until 12/31/2006. Annual cap after: \$7.0 million.
 - o EEZ tax credits can be assigned, sold or transferred.
- A business is ineligible for this program if it is already earning benefits from any of the following programs: (a) Enterprise Zone; (b) Business Facility; (c) Rebuilding Communities; or (d) Brownfield redevelopment job and investment tax credits.

6) Missouri Downtown Economic Stimulus Act (MODESA)

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/MODESA.aspx>

- Created in 2003, MODESA is designed to facilitate the redevelopment of “blighted” downtown Central Business District (CBD) areas by providing funding for public infrastructure. The proposed municipality annual household income must be below \$62,000.
 - o Downtown St. Louis is eligible. The city of St. Louis must expend at least \$10 million on project costs and create at least 100 new jobs within the designated area.
 - o At least 50% of the buildings must be 35 years old or older. Other restrictions apply.
- A redevelopment area must have local funds committed before state funds are awarded. Annual state appropriations are capped at \$108 million.
- Similar to a state TIF, but one important distinction is that a combination of state sales and income tax increments (up to 50%) may be captured in a redevelopment area—along with the local increment—to pay for the infrastructure improvements.

- Applications must be submitted to MODED, who will work in conjunction with Missouri Development Finance Board on rendering a decision.
- Currently, the only MODESA that has been created in the state is in downtown Kansas City.

7) Missouri State Supplemental Tax Increment Financing

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/State%20TIF.aspx>

- To be eligible for State Supplemental Tax Increment Financing (State TIF), the redevelopment project must meet *each* of the following:
 - o The redevelopment project area must be blighted.
 - o The redevelopment project area must be located in:
 - a state enterprise zone;
 - a federal empowerment zone;
 - an urban core area; *or*
 - a central business district.
 - o The zone or blighted area must contain at least one building that is 50 years of age or older.
 - o The redevelopment project area, over the past 20 years, must have experienced a generally declining population or generally declining property taxes.
- When local tax increment financing leaves a gap for a redevelopment project, a municipality can apply for a portion of the new state tax revenues created by the project to be disbursed to cover the financing gap for eligible redevelopment costs on the project. However it is uncommon to combine both a local and supplemental TIF in one deal
- To be eligible for State TIF, the underlying local TIF must dedicate at least 50% of the amount of the new local sales tax (and earnings tax in St. Louis and Kansas City) revenue and 100% of the amount of the new real property tax revenue created by the project each year for which state TIF is sought.
- The district must have local TIF funds committed before state TIF funds are awarded. Annual MO appropriations are capped at \$32 million as of 8/28/2005.
- Similar to MODESA, but one important distinction is that an applicant must choose the state increment (up to 50%) sought - a state **sales** tax increment or a state **income** tax increment. This captured amount is then used in a redevelopment area – along with the local increment – to pay for the infrastructure improvements.
- Applications must be submitted to MODED who will decide on a project's eligibility in conjunction with the Commissioner of the Missouri Office of Administration.

8) Urban Enterprise Loan (UEL) Program

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Urban%20Enterprise%20Loan.aspx>

- Created in 1996, the UEL is funded by MODED and administered locally by St. Louis Minority Business Council.

- Must be a small for-profit business owned by a Missouri resident, with less than 100 employees located in an eligible census tract block group in the City of St. Louis that is a designated “UEL zone.”
- Proceeds can be used for starting a new business or purchasing an existing business, purchasing equipment or inventory, or for working capital. A more complete list is located at the web site noted above.
- UEL Loans can be made up to 50% of the total project costs to a maximum amount of \$100,000. Financing structure is made up of 3 components: Private bank loan in a first-lien position (typically 40-45% project costs) UEL loan in a subordinate-lien position (45-50%) and an applicant’s personal equity (10%).
- A job creation criterion is associated with UEL loans. Within two years of the project’s completion, one job must be created for every \$20,000 in UEL funds borrowed. A first source employment agreement for entry-level job referrals must be signed with the St. Louis Agency on Training and Employment (SLATE).

9) Resources for Missouri, Inc. – Small Business Administration Micro Loan Program
www.rmiinc.org/micro.php

- Organized under the Small Business Administration (SBA) and administered by a private for-profit corporation by the name of Resources for Missouri, Inc. (RMI).
 - RMI approved by SBA to administer the program in 1998
 - Loans range from \$500 to \$35,000 and terms range from one to six years.
- Designed to assist for-profit start-up and small companies in Missouri who cannot access capital via conventional lending.
- Proceeds are used for business equipment and inventory purchases, working capital or leasehold improvements.

10) MO Business Use Incentives for Large-Scale Development (BUILD) Program

- Created in 1996, the program is designed to finance a portion of the capital, infrastructure and utility costs for eligible businesses seeking to expand in MO or relocate to MO.
 - Authorized annual cap of \$15 million
- Applications must be submitted to MODED, who will recommend a course of action to the final project arbiter - the Missouri Development Finance Board (MODFB).
- If accepted and if local governments have committed local incentives first, MODFB will issue certificates (usually IDBs) to finance the project. The eligible business will then pay principal and interest to the owners of the certificates. Finally, MODFB will reimburse the business for these certificate payments by issuing MO state income tax credits that the business may apply towards the income taxes they owe to the state of MO.

- An eligible business must meet both a capital investment and new job creation requirement within a 3-year period.

11) MO Low Income Housing Tax Credits (LIHTC)

www.mhdc.com/rental_production/low_inc_tax_pgrm.htm

- Created in 1986 and effective since 1987, the LIHTC program is both a Federal and State financing instrument. State credits can only be awarded if federal credits are awarded.
- Both U.S. Congress & the Missouri General Assembly have delegated administration of the Federal & State LIHTC Programs to the Missouri Housing Development Commission (MOHDC).
- The MOHDC allocates federal and state tax credits to provide an incentive to qualified private developers to construct, rehab or maintain rental-housing units for low and very-low income households in the state of Missouri. MOHDC also monitors private developer compliance with state and federal regulations.
- MOHDC issues credits to private developers, who in turn sell the credits to investors (i.e., a bank or corporation). The developer will then use these funds as equity to construct or rehab the proposed housing units.
- Each year, tax credit amounts are made available to developers in August, application submissions are required by October, and MOHDC project allocation decisions are made in December. For the current 2006 cycle, \$10.7 million is available for federal tax credits and \$10.7 million is available for Missouri tax credits.
- A qualified LIHTC project must be both rent restricted and have a percentage of units set aside for individuals whose income does not exceed certain area figures.

12) Missouri First Linked Deposit Program

<http://St.Louisouis.missouri.org/slhc/busdev/linkdep.html>

- Created in 1986, the program is organized under and administered by the Missouri State Treasurer's Office.
- The State Treasurer takes available state funds, and offers to deposit them in qualified Missouri financial institutions at below market interest rates. These institutions then must make low-interest loans to eligible borrowers by "passing" these interest rate savings they received from the State onto the borrower.
- \$350 million in State deposits are available for loans to businesses engaged in six different areas: (a) agricultural development; (b) job creation; (c) small businesses; (d) multi-family housing; (e) drought relief; and (f) student loans. Eligibility criteria, dollar allocations, proceed usage regulations and deposit terms vary amongst the six areas.
- Generally, an eligible borrower is a new, existing or expanding business that creates or retains jobs in the state of MO.

- A borrower must create or retain one new job in exchange for every \$25,000 in borrowed funds.

13) Small Business Incubator Tax Credit

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Small%20Business%20Incubator%20Tax%20Credit.aspx>

- Created in 1989, designed to encourage taxpayers to contribute their private funds to an approved Missouri small business incubator sponsor. In exchange, MODED will issue state tax credits to the donor in an amount equal to 50% of their contribution.
 - o Authorized annual cap of \$500,000
- A sponsor is an organization which by agreement with MODED, administers, funds or operates a small business incubator program.
- In the incubator, a number of small businesses collectively operate during their start-up period. The program sponsor uses the privately donated funds to purchase land, buildings, equipment, furnishings and professional business services (e.g, advising, educating or marketing) for the businesses located in the incubator.
 - o Sharing these assets and services allows the businesses to defray costs, thus assisting them during their growth period.
 - o This credit can be assigned, sold or transferred.

14) Neighborhood Preservation Act Tax Credit

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Neighborhood%20Preservation%20Act.aspx>

- Created in 1999, designed to encourage the rehabilitation or new construction of owner-occupied homes in income-restricted neighborhoods. MODED will issue state tax credits to the homeowner or developer responsible for their investment in these areas.
 - o Qualifying areas include distressed communities and areas with a median household income of less than 70% of the median household income.
- The credit is available for 3 project types:
 - o new construction (15% of eligible costs);
 - o rehab (25% of eligible costs); or
 - o substantial rehab (between 25-35% of eligible costs)
- Application for these credits is accepted annually from September to mid-November. For the current 2006 cycle, \$8.0 million is available for homes in “eligible areas,” and \$8.0 million is available for homes in “qualifying / distressed community areas.” St. Louis city qualifies as a “distressed community.”
- This credit cannot be coupled with any other state tax credit except the Missouri Historic Tax Credit.
- This credit can be assigned, sold or transferred.

15) Neighborhood Assistance Program (NAP) Tax Credit

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Neighborhood%20Assistance%20Program.aspx>

- Created in 1978, designed to encourage donors to make contributions to approved Community Based Organizations (CBO) for local needs. In exchange, MOVED will issue state tax credits to the donor in an amount equal to 50% to 70% of their contribution.
 - o Application for these credits is accepted any time after mid-March until credits are depleted, or March 1st of the following year. For the current 2006 cycle, \$12 million is available for non-rural areas.
- A CBO is usually a non-profit or charitable entity. It will use donor contributions to meet people's needs in underserved communities via NAP projects.
- NAP's aim to improve the quality of life in these areas by assisting in education, job training, crime prevention and physical revitalization opportunities, and by providing resident services such as counseling, day care or transportation.

16) Sales & Use Tax Exemptions

<http://www.dor.mo.gov/tax/audit/manual/chapter10.htm>

- Sales tax: tax that is levied on retail good or service that is purchased.
- Use tax: tax levied on tangible personal property (property that is not real estate, such as cars, furniture, machinery, tools, artwork, jewelry, etc.) that is purchased in another state, but consumed, distributed, stored or used in Missouri.
- Missouri has 18 major exemptions from the sales and use tax. Each is described on the above web link.

17) Certified Capital Companies (CAPCOs) Tax Credit

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Certified%20Capital%20Companies.aspx>

- Created in 1996, designed to encourage insurance companies to invest in new or growing small Missouri businesses, through a venture capital intermediary known as a "CAPCO." In exchange, MOVED would issue a 100% premium state tax credit – which would be passed through a CAPCO – to the investing insurance companies.
 - o Program cap of \$140 million in tax credits over the 12-year program period (1996-2008). All \$140 million was issued by 1999.
- MO State Auditor advised MOVED and the Missouri General Assembly to let the CAPCO program expire in 2008 without authorizing any additional credits.
- 4 of the 5 CAPCOs in Missouri are located in St. Louis City or County.

18) Missouri Tax Credit for Contribution Program

<http://www.missouridevelopment.org/Business%20Solutions/Financial%20and%20Incentive%20Programs/Public%20Infrastructure%20Financing/Tax%20Credit%20for%20Contribution%20Program.aspx>

- Created in 1985, designed to encourage donors (e.g., individuals, corporations, trusts or estates) to make contributions to 1 of 3 Missouri Development Finance Board (MODFB) funds. In exchange, MODFB will issue state tax credits to the donor in an amount equal to 50% of their contribution.
- The 3 funds are:
 - o the industrial development and reserve fund (for economic development projects);
 - o the infrastructure fund (for qualified infrastructure facilities);
 - o the export finance fund (for export trade activities within Missouri).
- Donated funds are used to make loans and loan guarantees to new and expanding businesses and non-profits, or grants to state agencies and local government entities.
- Credit may be sold between 75-100% of its par value.

19) MO Community College New Jobs Training Program

<http://www.ded.mo.gov/WFD/Business%20Services/Financial%20Incentives/Missouri%20Community%20College%20New%20Jobs%20Training%20Program.asp>

- Created in 1992, designed to assist an eligible company that is expanding or relocating to Missouri with the costs of educating and training their employees in newly created jobs.
 - o There are \$16 million in program funds available for the 2006 cycle.
- Organized under MODED via the Division of Workforce Development, and administered locally through the St. Louis Community College (SLCC) district.
- Qualified employers are those engaged in interstate or intrastate commerce for manufacturing, processing or assembling products or conducting research and development.
- Eligible businesses that create new Missouri jobs send their employees to be trained by a SLCC. These training programs are funded by SLCC bond issuances, the proceeds of which pay for employee training assistance such as facilities and equipment, instructor salaries and curriculum development. Bond buyers are comfortable financing these programs because the new employee will begin to generate Missouri income taxes after training. Instead of all of the employee withholding tax going to the state, a portion instead goes to pay the note holders who funded the training program.
- The amount of bond principal outstanding for the 12 Missouri community college districts for all years cannot exceed \$55 million at any time.

20) MO Customized Training Program

<http://www.ded.mo.gov/WFD/Business%20Services/Financial%20Incentives/Missouri%20Customized%20Training%20Program.aspx>

- Created in 1987, the program is offered by MODED, via the Division of Workforce Development, in cooperation with the Department of Elementary & Secondary Education. The program is locally administered by St. Louis education agencies, community colleges, and career & technical schools.
 - o Applications for these funds are accepted in mid-May and approved July 1st. After July 1st, date of receipt is a factor in review and approval of projects. For the current 2006 cycle, \$7.5 million in funds were available.
- Designed to reimburse Missouri employers for eligible on-the-job and/or classroom costs for the training/retraining of new or existing full time employees who are MO residents. Employers must be creating new jobs in Missouri, or retraining/upgrading the skills of existing employees.
 - o Eligible expenses include instructor/vendor trainer costs, curriculum design and development costs and supplies. Ineligible expenses include certain travel expenses, senior-level management training or OSHA/safety related training.

21) Youth Opportunity Program

<http://www.missouridevelopment.org/topnavpages/Research%20Toolbox/BCS%20Programs/Youth%20Opportunity%20Program.aspx>

- Created in 1995, designed to encourage donors to make contributions to eligible organizations that benefit “At-Risk” children.
- Program that provides kids opportunities for positive development and community participation, and to discourage criminal and violent behavior.
 - o According to the Missouri Legislature, a variety of activities and/or programs accomplish these goals, including counseling, degree completion, employment, internships, mentoring and substance abuse and violence prevention programs.
 - o Application for these credits is accepted by MODED at any time of year, until funds are depleted. \$6 million in total credits are available annually. Each project is limited to \$250,000 in credits and each contributor is limited to \$200,000 per year in credits.
- An eligible organization can be a local governmental unit, a non-profit, a Missouri business or an approved school or religious organization.
- MODED will send a claimable tax credit certificate to a donor for their contributions, which can include cash or paid youth wages (50% credit); or property or equipment contributions (30%).

FEDERAL FINANCE INITIATIVES

1) Federal Historic Tax Credits

www.cr.nps.gov/hps/tps/tax/brochure1.htm

- Created in 1976, organized jointly beneath National Parks Service (acting on behalf of U.S. Department of Interior) & IRS (acting on behalf of U.S. Department of Treasury).
- Both entities work with a State's Historic Preservation Officer (SHPO). In Missouri, the SHPO is organized under the Department of Natural Resources, State Parks division.
- Allows for a 20% tax credit for a certified rehab of a certified historic structure (\$1 of tax credit reduces income tax owed by \$1 up to 20% of amount spent) or the 10% rehabilitation tax credit is available for the rehabilitation of *non-historic buildings* placed in service before 1936.
- Can be combined with the Missouri Historic Tax Credit

2) Federal Empowerment Zone Benefits

www.St.Louisizezone.org/ezone2004.html

- Created in 1998, called the Greater St. Louis Regional Empowerment Zone. St. Louis' period (Urban Round II) lasts from December 31, 1998 through December 31, 2009.
- Provides financial (grants / bonds / leveraged investment) and technical assistance for (a) community development; (b) business & workforce development; (c) commercial & industrial development.
- In December of 2000, these bonds financed \$95 million for the Convention Center Hotel.
- Volume cap is \$130 million through December 31, 2009.

3) New Market Tax Credits

http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

- Created in 2000, organized beneath U.S. Department of Treasury. In St. Louis, the Community Development Entity (CDE) is the St. Louis Development Corporation (SLDC).
- Investors provide capital to a certified CDE. The CDE spends this money in low-income communities to help finance community projects, stimulate economic growth and create jobs. In exchange, an investor receives a federal income or "new market" tax credit from the CDE. This supply of new market tax credits totals \$15 billion over its term from 2001-2007.

4) SBA 504 Loans:

www.sba.gov/financing/sbaloan/cdc504.html

- Organized beneath the U.S. Small Business Administration, SLDC was certified by the SBA in 1981.

- Provides growing businesses with long-term fixed-rate project financing for major fixed assets (such as land, buildings, machinery and equipment).
- Financing is made up of 3 components: (a) Private bank loan in a first-lien position (50% project costs); (b) Community Development Company (CDC) loan in a subordinate-lien position (35-40%); and (c) an applicant's personal equity (10-15%). For meeting SBA guidelines, the SBA guarantees borrower repayment to the CDC.

5) SBA 7A Loans:

www.sba.gov/financing/sbaloan/7a.html

- Organized beneath the U.S. Small Business Administration, provides growing businesses with project financing for fixed assets (such as land, buildings, machinery and equipment), working capital and debt refinancing.
- Lenders are commercial banks who participate in the 7A Program that seek the SBA to guaranty a certain percentage of the bank's loan.
 - o Loans made according to the SBA criteria may be eligible for a 75% to 85% guaranty from the SBA.