

Economic Development Tools

- TIF: Tax Increment Financing
- CID: Community Improvement District
- TDD: Transportation Development District
- Chapter 100 Tax Abatement
- Chapter 353 Tax Abatement

Tax Increment Financing

Potential Incentives: Tax Reallocation

- Incremental increases in property and sales taxes can be “captured” and applied to development costs
- Revenues may be captured for 23 years after TIF is activated
- Public and/or Private costs may be paid with collections

Tax Increment Financing

How it works:

- Requires a blight finding
- Property Value Base is Frozen:
 - Base value property tax still paid to taxing jurisdictions
 - Increase in property tax is captured as “PILOTS” or payments in lieu of tax and applied to project costs
- Sales Tax Base is Frozen:
 - Base amount of sales tax paid to to taxing jurisdictions
 - 50% of increase in sales tax is captured as “EATS” or economic activity taxes and applied to project costs
 - Other 50% of increase in sales tax is paid to taxing jurisdictions

Community Improvement District

Potential Incentives: Tax Addition

- Additional taxes within District can be used to pay for any public improvement or for the demolition, removal, renovation, reconstruction or rehabilitation of privately owned buildings or structures:
 - Sales tax – up to 1.0%
 - Special assessments
 - Real property tax

Community Improvement District

CID Bonds:

- Maximum maturity of 20 years, if issued by CID directly
- Payable from collections of funding method imposed

Transportation Development District

Potential Incentives:

- Additional taxes within District can be used to pay for any transportation-related public improvement:
 - Sales tax – up to 1.0%
 - Special assessments
 - Real property tax – up to 10¢ on \$100 of assessed valuation
 - Toll roads or user fees for project

Transportation Development District

TDD Bonds:

- Maximum maturity of 40 years
- Payable from collections of funding method imposed

Chapter 100 Tax Abatement

Potential Incentives:

- Real Property Tax Abatement – 0% - 100%
- Personal Property Tax Abatement – 0% - 100%
- Sales Tax Exemption on Construction Materials
- Sales Tax Exemption on Equipment / Machinery (if DED approves)

Chapter 100 Tax Abatement

How it works:

- Land owned by Company is transferred to City, removing it from tax rolls
- Industrial Development Bonds are issued in an amount equal to the total value of the project
- City leases land and project back to Company
- City and company agree to schedule of Payments in Lieu of Taxes (PILOTS) to set abatement level
- City has no liability for bond payments.

Chapter 353 Tax Abatement

Potential Incentives:

- Real Property Tax Abatement
 - Up to 10 years: 100% abatement of all assessed valuation over land base
 - Up to 15 years after that: 50% abatement of land and improvements value

Chapter 353 Tax Abatement

How it works:

- Requires a blight finding
- Redevelopment Corporation (RC) is formed
- Completed project is transferred to RC, triggering abatement
- Subsequent owners receive abatement as long as property is maintained in accordance with original plan

Economic Development and Incentives Commission

- Unique to City of Independence
- Made up of representatives of the City, County, School Districts and other Taxing Jurisdictions
- Holds hearings and makes recommendations to City Council on incentive requests
- Reviews all incentives discussed above except for TIF which has its own review process that is similar

Economic Development Policy

- Limits incentives to 20% of total project costs
- Prevents new projects where City takes on risks of debt payments
- Encourages projects that provide new value to taxing jurisdictions from the beginning
 - At least 15% initial PILOT for abatement transactions
 - TIF must surplus 50% of PILOTS to taxing jurisdictions