



## **INCENTIVE POLICY**

### **Lebanon Neighborhood Redevelopment Corporation**

#### **I. Program Statement**

The intent of the Lebanon Neighborhood Redevelopment Corporation (“LNRC”) is to strengthen the economic viability of neighborhoods in the City of Lebanon, Missouri (the “City”) by providing financial incentives for improving the appearance and structural conditions of its residential buildings and increasing the infill development of vacant parcels and population density to further support residential properties and the commercial developments that serve them.

The ultimate success of the LNRC is dependent on private sector commitment. It is up to the residents and investors to improve the condition and thereby the value of their homes.

This incentive program is intended to stimulate improvements by providing tax relief for improved residential properties. It presents an opportunity to preserve our community’s heritage, and to enhance and promote the aesthetics and economic viability of the City.

#### **II. Master Plan**

This Policy provides for real property tax abatement through Chapter 353, of the Revised Statutes of Missouri, as amended (the “Chapter 353 Abatement”). The City also contemplates that the Chapter 353 Abatement may be granted in conjunction with income tax credits offered by the State of Missouri under the Rebuilding Communities and Neighborhood Preservation Act, Sections 135.475 to 135.487 of the Revised Statutes of Missouri, as amended (the “State Tax Credits”), which are offered through a program administered by the Missouri Department of Economic Development. It is contemplated that a project may request and receive either or both of the Chapter 353 Abatement and the State Tax Credits.

**III. Description of Tax Abatement Program**

Pursuant to Chapter 353, the LNRC has the ability to abate real property taxes for redevelopment projects. The amount and length of the tax abatement is dependent on which “Level” applies to the project: A, B or C. The incentive amount varies with each Level depending upon the investment as a percentage of the existing value of the residence to be improved.

**Level A**

|                       |  |
|-----------------------|--|
| Investment Threshold: | Investment must be at least 50% of assessed value of property prior to investment  |
| Incentive Amount      | 10 years 100% abatement on improvements + 15 years at 50% abatement of total value |

**Level B**

|                       |   |
|-----------------------|---|
| Investment Threshold: | Investment must be at least 25% of assessed value of property prior to investment |
| Incentive Amount      | 10 years 100% abatement on improvements + 5 years at 50% abatement of total value |

**Level C**

|                       |   |
|-----------------------|---|
| Investment Threshold: | Investment must be at least 15% of assessed value of property prior to investment |
| Incentive Amount      | 7 years 100% abatement on improvements  |

*Determination of qualified investment threshold.* If the project involves new construction, or rehabilitation of an existing structure, interior and exterior costs may count towards the investment range. Interior costs shall not include furniture, appliances. No personal property shall be included in interior or exterior costs. The LNRC Board of Directors shall review the project application and make a recommendation to the City’s Zoning and Planning Commission. The Zoning and Planning Commission will, after consideration of the project application and the recommendation of the LNRC, make a recommendation to the City Council.

*Project density.* A project shall generally relate to an individual land parcel, but treating multiple properties as if assembled may be appropriate depending upon the circumstances. This Policy shall generally apply to individual single family residential structures, but may be applied to multi-family or multiple single-family structures in the discretion of the LNRC and the City.

*But-for economic analysis* means that, with respect to a particular project, the applicant would not reasonably be anticipated to undertake the project without the tax abatement incentive, which may be evidenced by an applicant’s affidavit attesting to this fact.

#### **IV. Description of Neighborhood Preservation Act**

The Rebuilding Communities and Neighborhood Preservation Act, Sections 135.475 to 135.487 of the Revised Statutes of Missouri, as amended (“NPA”) is a program offered through the Missouri Department of Economic Development (“DED”) which provides income tax credit incentives (“State Tax Credits”) for the rehabilitation or construction of owner-occupied homes.

Through NPA, DED issues State Tax Credits to a homeowner who rehabilitates a home or to a homeowner or developer that constructs a new home for owner-occupancy.

The tax credit can be applied to state income tax, excluding withholding tax, corporate franchise tax, or bank tax, insurance premium tax or other financial institution tax. This tax credit can carry back three years, carry forward five years and can be sold or otherwise transferred.

Applicants must submit a pre-application to DED that includes cost estimates and a scope of work. Applications are accepted during an application cycle starting in January and ending in mid-February. The applications are granted preliminary approval based on a lottery process.

More information about NPA and the application process is attached to this policy as **Exhibit A**.

#### **V. Tax Abatement Application Process**

Applications for the program will be accepted by City Staff on behalf of LNRC. A \$50.00 filing fee to LNRC is required.

The Application will first be reviewed by the LNRC Board of Directors for recommendation to the City’s Zoning and Planning Commission, including a recommendation as to the appropriate incentive level. The Zoning and Planning Commission will, after consideration of the project application and the recommendation of the LNRC, make a recommendation to the City Council. If the City Council favorably considers the application, it will adopt an ordinance approving the project and authorizing the Chapter 353 Abatement. The applicant and the LNRC will then enter into a Memorandum of Understanding setting forth program responsibilities and expectations and execute deeds conveying the property – albeit briefly – to LNRC and then back to the applicant, which triggers the Chapter 353 Abatement.

The tax incentive is available for only those projects that have been approved by the City Council before the project is started. The project is considered “started” when the applicant has received a building permit for the project.

## **VI. Annual Report**

During the period of project implementation, the applicant will promptly respond to the LNRC with respect to any requests to provide the following information: the availability of financing for the project and the status of the project as to any permits applied for or issued and any certificates of occupancy issued to allow the LNRC to include such information in its required annual report to City Council.

## **VII. Order of Events for Chapter 353 Abatement**

An application and approval process for Chapter 353 Abatement will follow the order of events shown below.

1. Application is submitted to City Staff.
2. City Staff informs LNRC of Application.
3. LNRC reviews application and makes recommendation to Zoning and Planning Commission.
4. City staff prepares Impact Study Exhibit and submits application to Zoning and Planning Commission with Impact Study Exhibit attached.
5. Zoning and Planning Commission considers application at a public meeting.
6. Zoning and Planning Commission makes recommendation to City Council.
7. If Zoning and Planning Commission recommendation is in favor of project, notice of application is mailed to taxing jurisdictions at least 15 days prior to City Council meeting at which public hearing will be held.
8. Public hearing is held on application, at which hearing all affected taxing jurisdictions may comment on application.
9. City Council determines whether to approve the application.
10. If City Council approves the application by ordinance, LNRC will enter into a memorandum of understanding with the applicant relating to the project and the Chapter 353 Abatement, which will be recorded in the real property records of the county.
11. Project site is conveyed by applicant to LNRC by special warranty deed, and then immediately conveyed back to applicant to trigger Chapter 353 Abatement.
12. Applicant completes project, which is subject to Chapter 353 Abatement in accordance with this Policy.

## **VIII. Order of Events for State Tax Credits**

See **Exhibit A** for a flow chart and information relating to the timing and process required to receive State Tax Credits. This process is controlled by DED and the City has no input in the determination or procedure.

## EXHIBIT A

### *Neighborhood Preservation Act Information*



## NEIGHBORHOOD PRESERVATION ACT

### MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

#### **PURPOSE**

To provide an incentive for the rehabilitation or construction of owner-occupied homes in certain areas of the state.

#### **AUTHORIZATION**

Sections 135.475 to 135.487, RSMo

#### **ELIGIBLE AREAS**

"Qualifying Areas" include "distressed communities," as defined in 135.530, RSMo, and areas with a median household income of less than 70% of the median household income for the applicable MSA or non-MSA.

"Eligible Areas" with a median household income of 70% to 89% of the median household income for the applicable MSA or non-MSA.

#### **ELIGIBLE APPLICANTS**

Any taxpayer who incurs eligible costs for a new residence or rehabilitates a residence for owner occupancy that is located in a designated area.

#### **PROGRAM BENEFITS/ELIGIBLE USES**

The Department of Economic Development (DED) issues state tax credits to a homeowner who rehabilitates a home or to a homeowner or developer that constructs a new home for owner-occupancy in certain areas of the state.

This tax credit can be applied to:

- Ch. 143 – Income tax, excluding withholding tax
- Ch. 147 – Corporate franchise tax
- Ch. 148 –
  - Bank Tax
  - Insurance Premium Tax
  - Other Financial Institution Tax

This credit's special attributes:

- Carry back 3 years
- Carry forward 5 years
- Sellable or transferable

#### **FUNDING LIMITS**

The maximum credits available are \$8 million for Qualifying Areas and \$8 million for Eligible Areas.

The credits for a project are determined as follows:

- New Residences in Eligible Areas – 15% of eligible costs, tax credits cannot exceed \$25,000 per residence;
- New Residences in Qualifying Areas – 15% of eligible

costs, tax credits cannot exceed \$40,000 per residence;

- Substantial Rehabilitation in Eligible Areas – 25% of eligible costs, minimum costs \$10,000, tax credits cannot exceed \$25,000 per residence;
- Substantial Rehabilitation in Qualifying Areas – 35% of eligible costs, minimum costs the greater of \$5,000 or 50% of the purchase price, tax credit cannot exceed \$70,000 per residence.
- Non-substantial Rehabilitation in Qualifying Areas – 25% of eligible costs, minimum costs \$5,000, tax credits cannot exceed \$25,000 per residence.

#### **APPLICATION/APPROVAL PROCEDURE**

A pre-application is submitted to DED that includes cost estimates and scope of work. Applications will be accepted during an application cycle starting in January and ending in mid-February. The applications are granted preliminary approval based on a lottery process.

#### **REPORTING REQUIREMENTS**

The "Tax Credit Accountability Act" reporting form must be submitted to DED by June 30 each year for three years following the year of the first issuance of tax credits.

#### **SPECIAL PROGRAM REQUIREMENTS**

Tax credits may not be claimed in addition to any other state tax credits, with the exception of the Historic Preservation tax credit authorized by sections 253.545 to 253.559, RSMo. If Historic Preservation tax credits are claimed, the maximum available credits under this program will be the lesser of 20% of the eligible costs or \$40,000.

#### **CONTACT**

Missouri Department of Economic Development

Division of Business and Community Services  
Development Finance Team

301 West High Street • Room 770 • P.O. Box 118  
Jefferson City • MO • 65102

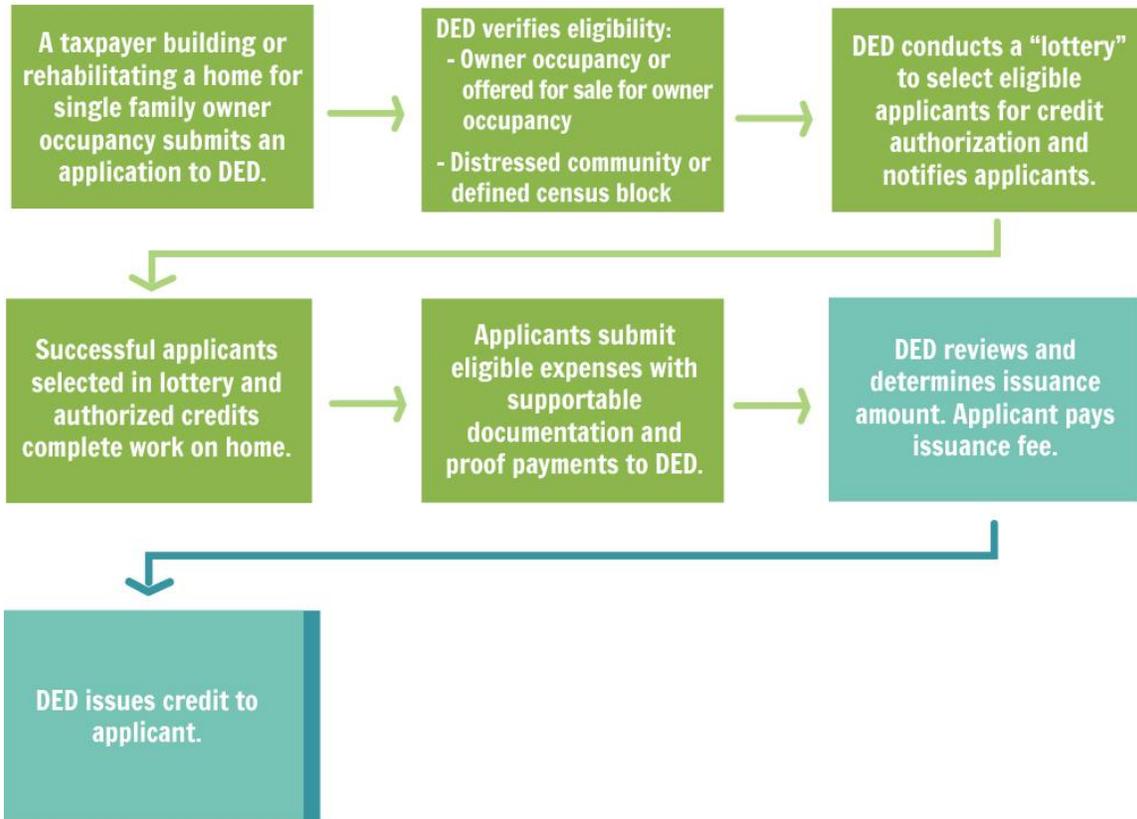
Phone: 573-522-8004 • Fax: 573-522-9462

E-mail: [dedfin@ded.mo.gov](mailto:dedfin@ded.mo.gov) • Web: [www.MissouriDevelopment.org](http://www.MissouriDevelopment.org)



*Revised April 2010*

### Neighborhood Preservation Act Flow Chart



### Neighborhood Preservation Act Eligibility

|  |             | REHABILITATION  |   |
|--|-------------|---|---|
|  |             | Eligible Area   | Qualifying Area (including Distressed Community)  |
| Eligible Costs                             | Residence:  | <ul style="list-style-type: none"> <li>▪ ≥ 40 years old</li> </ul>  | <ul style="list-style-type: none"> <li>▪ ≥ 40 years old</li> </ul>  |
|  | Tax credit: | <ul style="list-style-type: none"> <li>▪ 25% of eligible costs</li> <li>▪ \$10,000 minimum costs</li> <li>▪ \$25,000 tax credit max per residence per 10 years</li> </ul> | <ul style="list-style-type: none"> <li>▪ 25% of eligible costs</li> <li>▪ \$5,000 minimum costs</li> <li>▪ \$25,000 tax credit max per residence per 10 years</li> </ul>  |
| Substantial Rehabilitation                 | Residence:  | <ul style="list-style-type: none"> <li>▪ N/A</li> </ul>   | <ul style="list-style-type: none"> <li>▪ ≥ 50 years old</li> </ul>  |
|  | Tax credit: | <ul style="list-style-type: none"> <li>▪ Not available</li> </ul>   | <ul style="list-style-type: none"> <li>▪ 35% of eligible costs</li> <li>▪ Minimum costs =&gt;50% of purchase price <b>AND</b> no less than \$5,000</li> <li>▪ \$70,000 tax credit max per residence per 10 years</li> </ul> |
|  |             | NEW CONSTRUCTION  |   |
|  |             | Eligible Area   | Qualifying Area   |
|  |             |   | <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">Non Distressed Community</div> <div style="width: 45%;">Distressed Community</div> </div>   |
| Residence/land must be:                    |             | Replaces residence ≥ 40 years old<br><b>OR</b><br>On vacant land/property classified for tax purposes ≥ 40 years  | Property/Land Vacant ≥ 2 years<br><b>OR</b><br>Condemned  |
| Tax credit for eligible costs:             |             | <ul style="list-style-type: none"> <li>▪ 15% of eligible costs</li> <li>▪ No minimum</li> <li>▪ \$25,000 tax credit max per residence per 10 years</li> </ul>             | <ul style="list-style-type: none"> <li>▪ 15% of eligible costs</li> <li>▪ No minimum</li> <li>▪ \$40,000 tax credit max per residence per 10 years</li> </ul>   |
| Tax Credit for substantial rehabilitation: |             | Not available   |   |

### *Neighborhood Preservation Act Application*

For more detailed information and an application to DED for State Tax Credits, visit <https://ded.mo.gov/programs/community/neighborhood-preservation-act> or contact DED using the information below:

Missouri Department of Economic Development  
Division of Business and Community Services  
Development Finance Team  
301 West High Street, Room 770  
P.O. Box 118  
Jefferson City, MO, 65102  
Phone: 573-522-8004  
E-mail: [dedfin@ded.mo.gov](mailto:dedfin@ded.mo.gov)