



## SALES TAX REIMBURSEMENT AGREEMENTS

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### Overview

Sales Tax Reimbursement agreements are a funding mechanism allowed by Missouri law that may be used to achieve a public benefit through funding public infrastructure. Under such an agreement, municipalities have the ability to annually appropriate the increase in sales taxes created by new private capital investment to offset a portion of their project investment costs. The sales tax increment must be used for a public purpose, primarily through the funding of public improvements. Under such an agreement, a portion of City sales taxes captured from the *increased sales* generated by the project would be reimbursed to the company for eligible expenses.

### Statutory Requirements

Under Section 70.220 of the Revised Statutes of the State of Missouri (RSMo), municipalities are authorized to contract and cooperate with private firms or corporations for the planning, development, construction, acquisition or operation of public improvements.

### Policy Guidelines

The City of Grandview is prepared to approve sales tax reimbursement agreements that would result in the stabilization of a strategically important under-utilized retail center or which would facilitate the adaptive re-use of historic properties. In addition, the following criteria should be satisfied:

1. Demonstrate that the project would prevent a significant loss in existing sales tax revenue or make a significant contribution to the overall health and well-being of the local economy.
2. Show a clear demonstration of public purpose and economic benefit through the advancement of the City's economic development goals, which include the retention and expansion of the tax base and job retention and creation.
3. Demonstrate that the project would not occur "but for" the incentives offered. The incentive should make a difference in determining the decision of the business to expand or remain in the City and would not otherwise occur without the availability of the sales tax reimbursement.
4. Include evidence provided by the company that demonstrates the firm's financial stability and capacity to complete the project.

5. Ensure the City or any other taxing jurisdiction affected by the incentive is not receiving less total sales tax revenue from the property than was received prior to the granting of the sales tax reim-bursement.
6. Generally ensure the term of the reimbursement should not extend beyond 10 years from approval.

### **City Application/Approval Process**

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. A copy of the formal application form may be obtained from, and submitted to, the Department of Community Development.

Upon consent from the Board of Aldermen, the City and an applicant will enter into a performance agreement. The agreement shall require that annual reports be submitted to the City by March 1 of each year. The report shall cover the time period of January 1 through December 31 of the previous year and include a detailed accounting of project. The agreement may include a claw-back provision requiring specified performance on issues such as new jobs created as a condition for granting and maintaining the abatement.

