

ECONOMIC DEVELOPMENT INCENTIVES: TAX ABATEMENT

Property tax abatement is the primary tool utilized to encourage investment and promote development in the City of St. Louis. Through this process, real estate taxes for a project are frozen at pre-development levels for a period of time, and a portion of the **new taxes** generated as a result of the development are abated – or reduced. Along with a portion of the new taxes, base taxes continue to be paid at pre-development levels throughout the abatement period.

IN NO SCENARIO does the overall revenue to the taxing districts decrease as a result of the tax abatement process.

TAX ABATEMENT DOES NOT PROVIDE DIRECT FINANCIAL CONTRIBUTIONS TO PROJECTS, it only reduces the tax burden for a fixed period.



IMPACT OF TAX ABATEMENT: EXAMPLE PROJECT



Project:	3172 Morgan Ford Road
Tax Abatement Authorized:	10 years @ 90%
Annual Base Taxes:	\$8,500
Annual Taxes During Abatement:	\$16,000
Annual Estimated Taxes After Abatement:	\$85,000

\$8,500 in base taxes + 10% of the \$76,500 in new taxes = \$16,000

- The site was *formerly occupied by a car wash and was redeveloped as a 26-unit apartment building with ground floor commercial space* in 2019.
- It received **10 years of 90% abatement** of new property taxes.
- Pre-development taxes for the site were \$8,500.
- **During the abatement period**, annual property taxes are about \$16,000.
- Taxes are expected to be about \$85,000 per year once the tax abatement ends in 2029 – **an increase of \$76,500 per year.**

TAX ABATEMENT PROCESS

APPLICATION

After initial review of guidelines on the online Incentives Dashboard and consultation with SLDC staff, developer will submit an application to SLDC for review.



COMMUNITY BENEFITS SCORECARD

Project will first be reviewed with the Community Benefits Scorecard. The project's score will determine if a project is eligible for incentives, and the maximum term and amount of tax abatement that a project can receive. Projects must meet a minimum score to be eligible.



FISCAL ANALYSIS

A rate of return analysis will be performed as a But-For-Test by comparing the return with and without incentives to market averages so as to not over incentivize. The project will then be reviewed to determine the projected impact on taxing jurisdictions from the use of incentives, and the projected net benefit resulting from the development occurring.



DEVELOPER VETTING

SLDC will evaluate developers based on previous projects, compliance with previous development agreements, and will ensure that at a minimum developers have no outstanding tax liabilities for previous projects.



DEVELOPER NEGOTIATIONS

After initial review and scoring of an application, the developer will meet with staff to identify opportunities for additional community benefits and other modifications that will allow the project to receive an improved score.



NEIGHBORHOOD ENGAGEMENT

Depending on the scale of the project and the score on the Community Benefits Scorecard, the developer may be required to participate in a neighborhood engagement process to ensure input from the community on the proposed project.



DEVELOPMENT BOARD

SLDC will present an analysis and recommendation to the relevant development board (LCRA, PIEA, EEZ, Port Authority, etc.) for their review. If approved, the project will move to the next stage in the approval process. If an LCRA or PIEA project, the project may also be reviewed by the Planning Commission before going to the Board of Aldermen.



BOARD OF ALDERMEN

A Board Bill approving a Redevelopment Plan that includes the project area undergoes a series of reviews and votes at the Board of Aldermen including a public hearing, vote by the appropriate committee, 2nd reading, perfection, 3rd and final reading before the full Board of Aldermen votes. The Mayor then has 30 days to sign or veto.



DEVELOPER DESIGNATION

If the project went through the LCRA or PIEA board, the project will return to that board for developer designation. The Board will advertise for Redevelopers and any developer can submit a proposal. Typically, the original developer will be chosen, if it controls the property.



DEVELOPMENT AGREEMENT

Once the developer has been designated, a development agreement is finalized and signed between the development board and the developer including Community Benefits Agreements if any, MWBE and prevailing wage requirements, design guidelines, and more.



MWBE COMPLIANCE & DESIGN REVIEW

Before construction begins, the developer submits its MWBE Utilization Plan and building permits/design plans for review and approval by SLDC.



INCENTIVE ACTIVATION

When construction is substantially complete and the terms of the Development Agreement are satisfied including MWBE and design compliance, SLDC requests that the Assessor activate the incentive.



REPORTING AND COMPLIANCE

Once completed, the developer will be required to provide annual reports and documentation for ongoing compliance through the lifecycle of the incentives.

