

## Report to City Council on Enhanced Enterprise Zone

The purpose of this report is to respond to questions posed by Council.

### **Question 1: What are the impacts on the process if the City Council rescinds the resolution that established the EEZ map?**

We believe that the process to establish an Enhanced Enterprise Zone in Columbia has followed proper procedures and has allowed for public discussion on the proposed program. As a reference note, REDI is following the guidelines established and provided by the Missouri Department of Economic Development. The purpose of this effort is to apply to the State for a program that has been approved in at least 118 Missouri communities with another 30 in process today, to provide an opportunity for Columbia to have an opportunity to support expansion of our local manufactures and give the community a better opportunity to compete for new manufacturing companies and jobs. A recap of the process:

January 17 <sup>th</sup>	Presentation of proposed program to City Council work session meeting (documents on City web site)
February 6 <sup>th</sup>	Council passes Resolution to establish map and Advisory Board
February 12 <sup>th</sup>	Radio Show with Bob Roper, David Shorr and Al Germond to discuss EEZ
February 23 <sup>rd</sup>	Advisory Board Meeting
February 23 <sup>rd</sup>	Guest on KFRU to discuss EEZ
February 28 <sup>th</sup>	Presentation to Downtown Leadership Council
March 6 <sup>th</sup>	Public Information Meeting in City Council Chambers
March 9 <sup>th</sup>	Advisory Board Meeting
March 14 <sup>th</sup>	CIVIC Meeting at Parkade Center
March 16 <sup>th</sup>	Advisory Board Meeting
March 23 <sup>rd</sup>	Chamber of Commerce Emerging Issues Committee
March 27 <sup>th</sup>	Downtown Leadership Council
March 27 <sup>th</sup>	Presentation to Old Hawthorne Neighborhood Assoc

April 11 <sup>th</sup>	Advisory Board Meeting
April/May	Advisory Board Meeting
	Presentation of facts for Ordinance to Council

#### **Required actions to complete process:**

- City Council Action on Ordinance
- Presentation of resolution to County Commissioners
- County Commissioners action on resolution

To rescind the Resolution not only removes the proposed map, but also the Advisory Board which is required by Statute to perform the functions outlined in Statute. Rescinding the Resolution would eliminate all of the work and effort that has gone into this process, all of which has been done in good faith effort.

The process is working. Council members requested at the February 6<sup>th</sup> Council meeting that REDI review the map to see if there were areas that could be eliminated. The Advisory Board,

with REDI support has already removed a number of areas from the original map and will address the possibility of removal of even more areas at the April 11 meeting. There has been a lot of public comment and participation. We (REDI) agree that the City Council will have to approve the revised EEZ map prior to submitting the application to the State Department of Economic Development.

The Advisory Board will present to the City a report that provides the information necessary to create an Ordinance as required by the Missouri Department of Economic Development (DED). This ordinance will confirm the NAICS codes for businesses to be eligible to obtain the incentives, confirm the level of tax abatement on newly constructed real estate improvements for eligible businesses, and a newly configured zone map for approval. The original map will be rescinded and replaced by the new map in the ordinance. This ordinance will provide the opportunity for the community to respond to the map as requested.

Because REDI is addressing the concerns raised by Council concerning the map, we respectfully request that Council accept the efforts by REDI and the Advisory Board and not rescind the current resolution, but vote on the new map with the upcoming ordinance.

**Question 2: Are there requirements for realtors to disclose on any real estate form that a property is in an Enhanced Enterprise Zone?**

REDI has asked this question of a number of different sources, including Lee Terry, Chief Executive Officer of the Columbia Board of Realtors. Lee contacted her counterparts in Jeff City, Springfield and St. Joseph and her response from those discussions indicated that none of them believe that it is required and EEZ is not included on any of their listing forms.

**Question 3: Can the map be modified by Council?**

Council has final approval for the map that will be presented to the Missouri Department of Economic Development. The final map that will be presented to Council by the Advisory Board will reflect a much smaller map as requested by members of council, and will focus on the areas that offer the greatest opportunity for job growth.

The County's opinion on the zone/map has been requested. The County Commissioners are required by Department of Economic Development to pass a resolution in support of the findings identified in the City Ordinance.

**Question 4: Time frame for Council public hearing?**

The Public Hearing will be scheduled for the Council meeting where the Ordinance will be heard.

**Question 5: Do Enhanced Enterprise Zones work?**

Locally, Governor Nixon announced at a press that Spartan Light Metal Products plans to invest \$12.5 million into their manufacturing plant to bring in new product lines that will result in the

creation of 42 new manufacturing jobs over the next five years. The Governor specifically referenced the Missouri Department of Economic Development approved \$303,381 in EEZ Tax Credits helped make the expansion possible.

According to Carol Shoemaker, Missouri Department of Economic Development indicated that there have been in excess of 175 press releases announcing projects across the state that have received incentives from the Enhanced Enterprise Zone program. There are 215 companies that have been approved for tax credits that are in their system now.

Carol also reported in the Public Information Meeting that projects across the state have generated 5,115 jobs and \$1.6 Billion has been submitted to the State for tax credits.

One of the more successful EEZ programs is located in Springfield, Missouri. Here is a summary report on the impact

#### **Summary of Springfield Missouri Enhanced Enterprise Zone Activity**

The Springfield Enhanced Enterprise Zone was established and designated in June, 2005. Springfield reports that collectively, and since its inception in 2005, 57 companies have utilized the Springfield Enhanced Enterprise Zone program creating 2,815 new jobs and \$210,290,598 of new investment. The information reported below is based on reporting by fiscal year from July 1 to June 30. The Investment numbers were footnoted to state that the investment numbers and job creation numbers are as reported in business certification documents. Total Facilities represents the number of individual companies that located or expanded, and is further categorized to show if it was either an existing business that expanded, or a new company that located into the Springfield EEZ during the reporting period. The larger job creation and investment projects that occurred within the Springfield EEZ have primarily been from manufacturing sector businesses. Information from the last four Fiscal Years are:

#### **Springfield Enhanced Enterprise Zone Activity**

##### **Fiscal Year 2010-2011**

Total Investment	\$8,425,743	Job Creation Total	89
Total Facilities	4	Expanding	85
Expanding	3	Expanding	4
New	1		

#### **Springfield Enhanced Enterprise Zone Activity**

##### **Fiscal year 2009-2010**

Total Investment	\$37,761,800		
Total Facilities	10	Job Creation Total	258
Expanding	5	Expanding	230
New	5	New	28

#### **Springfield Enhanced Enterprise Zone Activity**

##### **Fiscal Year 2008-2009**

Total Investment	\$35,406,108		
Total Facilities	9	Expanding	8

New	1	Expanding	272
Job Creation Total	297	New	25

### **Springfield Enhanced Enterprise Zone Activity**

#### **Fiscal Year 2007-2008**

Total Investment	\$45,631,150
Total Facilities	9
Job Creation Total	789
New	313
Expanding	476

### **Question 6: What is the impact on the public schools?**

There are two scenarios which will impact on the Columbia Public Schools. The first will be determined by whether an approved business constructs new real estate which would result in the tax abatement incentive. In this case, the School Corporation will receive 50% of the new property taxes on the newly constructed real estate over a 10 year period. If the company adds any new personal property, those taxes will be collected in full.

The second impact scenario would include approved businesses that do not include newly constructed real estate. In this example, any investments that results in new personal property, those taxes will be collected in full.

REDI uses a modeling tool developed by the Federal Reserve Bank called the Fiscal Impact Tool to project the tax revenue from economic development projects. We are currently working with a manufacturing company that is considering Columbia as a possible site. This company would employ an average of 20 jobs during the first two years; invest approximately \$5.5 million dollars over the two year period. For the model, we have used an average wage of \$30,000 and all of the investment is directed to personal property. The estimated tax receipts per direct-job are estimated at \$6,399 and the total direct/indirect/induced estimate is \$7,784. The estimated direct property taxes that would go to the Columbia Public School Corporation from the estimated total is \$4,854 (using 2011 tax rates).

Questions have been raised concerning the fiscal impact to the schools from tax abatements. The primary purpose for proposing this incentive program is to give Columbia and Boone County the ability compete for new jobs in manufacturing, including support to our existing manufacturing companies. A new manufacturing company that would select our community for a facility, typically would only transfer a very few people into the community. Therefore, most of the potential employees of a new manufacturer are already in the labor shed area and their children are already in the school system. Our objective is to provide jobs with better pay and more benefits to individuals who do not have the educational requirements for jobs in the technology based economic development projects which typically require a minimum of an associate degree through a four year degree.

**Additional questions that have been raised by Council members.**

**Question 7: How will the EEZ respond to item (2) in Section 135.960:**

(2) A specific and practical process for individual businesses to obtain waivers from burdensome local regulations, ordinances, and orders which serve to discourage economic development within the area to be designated an enhanced enterprise zone, except that such waivers shall not substantially endanger the health or safety of the employees of any such business or the residents of the area;

The City and County each already have processes for companies that wish to obtain waivers from burdensome local regulations. We propose that companies that are located in the EEZ will follow the same procedures that any other company would pursue through the channels that already exist. In the City, the two forums for a request for a waiver would be in the Board of Adjustment or the Building Codes Commission.

*REDI will request that the Ordinance address this issue by stating that the EEZ Advisory Board will be given no authority to waive any local regulations, ordinances or orders.*

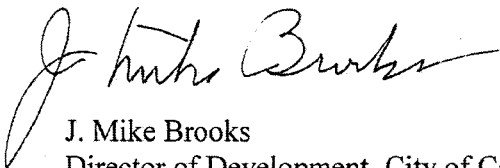
**Question 8: Can the Blight definition lead to “eminent domain” proceedings against any individual home or business?**

We have been given assurances that the resolution that the City passed on February 6<sup>th</sup> certifying that “portions of the City and Boone County contains inadequacies which lead to blight as that term is defined in Chapter 135 RSMo...” does not go to a level of detail that would allow the finding to be used for eminent domain.

We are however taking steps to help alleviate this concern. Representative Caleb Jones is carrying legislation that would add this wording “(5) A finding of blight under Chapter 135 cannot be used to meet the conditions for blight under any other state statute” to Section 135.953 of the RSMo.

*REDI will request that language be added to the ordinance that states Council’s passage of the resolution will only be used for the EEZ incentive program as outlined in Chapter 135.950 and will not be used for any other purpose in the City of Columbia.*

Prepared by:



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