Summary
Board Bill Number 156
Sponsored by Alderwoman Tammika Hubbard
Date: November 15, 2019

Overall Purpose/Reasons for the Board Bill

This Board Bill will facilitate personal property tax abatement and sales and use tax exemption incentives in connection with Square, Inc.'s expansion of its St. Louis operations, which includes the creation of more than 250 jobs and the relocation of Square's St. Louis offices to the former Post-Dispatch building located at 900 N. Tucker Boulevard.

What the Board Bill Will Do

This Board Bill will authorize an industrial revenue bond transaction that will facilitate the following incentives:

- 10 years of personal property tax abatement (75% abatement in years 1 – 5; 50% abatement in years 6 – 10);
- Sales and use tax exemption on the purchase of personal property; and
- Sales and use tax exemption on the purchase of construction materials used for tenant improvements

The industrial revenues bonds will be purchased by Square and will be payable only from lease revenues paid by Square, and not from any City tax revenues. The City approved similar industrial revenue bond transactions for Anheuser Busch in 2018 (Ordinance No. 70921), in 2017 for Huvepharma (Ordinance No. 70590), and in 2015 for Square's initial expansion into St. Louis (Ordinance No. 70132).

The Main Components of the Board Bill

The Board Bill (1) approves a Plan for an Industrial Development Project, which is attached as Exhibit A to the Board Bill, as is required by Chapter 100, RSMo. for this type of incentive, and (2) authorizes the issuance of the industrial revenue bonds to facilitate the above-described incentives.

The Impact of the Board Bill to the Community

The Board Bill will incentivize Square to create invest approximately $45 - $50 million in the City and create more than 250 jobs. A Cost/Benefit Analysis describing the financial impacts of the tax incentives on the various taxing districts is included in Exhibit A to the Board Bill and will be sent to each of the taxing districts, as required by Chapter 100, RSMo.

ORDINANCE 71088

BOARD BILL NUMBER 156 INTRODUCED BY ALDERWOMAN TAMMIKA HUBBARD

An Ordinance recommended by the Board of Estimate and Apportionment authorizing The City of St. Louis, Missouri to issue its Taxable Industrial Development Revenue Bonds in one or more series in a total principal amount of not to exceed $50,000,000 for the purpose of providing funds to pay the costs of acquiring, constructing, improving and equipping an industrial development project in the City; approving a plan for such project; authorizing and directing the Mayor and the Comptroller to execute certain documents related thereto; and authorizing and directing the taking of other actions and approval and execution of other documents as are necessary or desirable to carry out and comply with the intent hereof.

WHEREAS, The City of St. Louis, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the "City"), is authorized and empowered pursuant to the provisions of Article VI, Section 27(b) of the Missouri Constitution, Sections 100.010 through 100.200, inclusive, of the Revised Statutes of Missouri, as amended, and its charter (collectively, the "Act"), to purchase, construct, extend, equip and improve certain projects (as defined in the Act) and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, office industry, warehousing and industrial development purposes upon such terms and conditions as the City deems advisable; and

WHEREAS, the Act requires the City to prepare a plan in connection with any industrial development project undertaken pursuant to the Act; and

WHEREAS, a Plan for an Industrial Development Project (the "Plan") has been prepared in the form of **Exhibit A** attached hereto; and

WHEREAS, notice of the City's consideration of the Plan has been given in the manner required by the Act, and the Board of Aldermen has fairly and duly considered all comments submitted to the Board of Aldermen regarding the proposed Plan; and

WHEREAS, the Board of Aldermen hereby finds and determines that it is desirable for the improvement of the economic welfare and development of the City and within the public purposes of the Act that the City: (1) approve the Plan pursuant to the Act, (2) issue its Taxable Industrial Development Revenue Bonds in one or more series in a total principal amount not to exceed $50,000,000 (the "Bonds"), for the purpose of acquiring, constructing, improving and equipping an industrial development project (the "Project") at facilities in the City operated by Square, Inc. (including any affiliates or related entities, the "Company"), (3) lease the Project to the Company, and (4) enter into one or more performance agreements with the Company, under which the Company will make certain payments to the City in consideration of the City issuing the Bonds; and

WHEREAS, the Board of Aldermen further finds and determines that it is necessary and desirable in connection with the issuance of the Bonds that the City enter into certain documents, and that the City take certain other actions as herein provided;

BE IT ORDAINED BY THE CITY OF ST. LOUIS AS FOLLOWS:

SECTION ONE. The Board of Aldermen hereby approves the Plan for an Industrial Development Project attached as <u>Exhibit A</u> hereto.

SECTION TWO. The City is hereby authorized to provide for the acquisition, construction, improvement and equipping of the Project, as further described in the Plan.

SECTION THREE. The City is hereby authorized to issue and sell the Bonds as described in the recitals hereto for the purpose of providing funds to pay the costs of the Project. The Bonds shall:

(a) be issued in one or more series, provided that the cumulative maximum principal amount of all series shall not exceed $50,000,000;

(b) be sold initially only to the Company;

(c) have an interest rate of no greater than 5.00% per annum;

(d) have a final maturity date no later than then end of the tax abatement period described in the Plan.

The Bonds shall be issued and secured pursuant to the Indentures described in Section Five below and shall have such terms, provisions, covenants and agreements as are set forth in the Indentures.

SECTION FOUR. The Bonds and the interest thereon shall be limited obligations of the City, payable solely out of certain payments, revenues and receipts derived by the City from the Leases described in Section Five below. Such payments, revenues and receipts shall be pledged and assigned to the trustee named in the Indentures (the "Trustee"), as security for the payment of the Bonds as provided in the Indentures. The Bonds and the interest thereon shall not constitute general obligations of the City, the State of Missouri (the "State") or any political subdivision thereof, and neither the City nor the State shall be liable thereon. The Bonds shall not constitute an indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction, and are not payable in any manner by taxation.

SECTION FIVE. In connection with the issuance of the Bonds, the City hereby authorizes the Board of Estimate and Apportionment to approve, on behalf of the City, the following documents (collectively, the "City Documents"), the terms of which shall be consistent with Section Three above and the Plan:

(a) one or more Trust Indentures (the “Indentures”) between the City and the Trustee, pursuant to which the applicable series of Bonds will be issued and the City will pledge the applicable portion of the Project and assign certain of the payments, revenues and receipts received pursuant to the applicable Lease to the Trustee for the benefit and security of the owners of the Bonds upon the terms and conditions as set forth in the applicable Indenture;

(b) one or more special warranty deeds, base leases or ground leases between the City and the Company, pursuant to which the Company will transfer an interest in the real property associated with the Project to the City;

(c) one or more Lease Agreements (the “Leases”) between the City and the Company, pursuant to which the City will lease the applicable portion of the Project to the Company pursuant to the terms and conditions therein, in consideration of rental payments by the Company that will be sufficient to pay the principal of and interest on the corresponding series of Bonds;

(c) one or more Bond Purchase Agreements between the City and the Company, pursuant to which the Company will purchase the applicable series of Bonds from the City; and

(d) one or more Performance Agreements between the City and the Company, pursuant to which the Company will make certain payments in lieu of taxes in consideration of the issuance of the applicable series of Bonds.

The Mayor or her designated representatives and the Comptroller or her designated representatives, with the advice and concurrence of the City Counselor and after approval by the

Board of Estimate and Apportionment, are hereby further authorized and directed to make any changes to the documents, agreements and instruments approved and authorized by this Ordinance as may be consistent with the intent of this Ordinance and necessary and appropriate in order to carry out the matters herein authorized, with no further action of the Board of Aldermen or the Board of Estimate and Apportionment necessary to authorize such changes made by the Mayor or her designated representatives or the Comptroller or her designated representatives. Such changes may include, but are not limited to, the substitution of an affiliated entity designated by Square, Inc. as a party to the applicable City documents. The Mayor and the Comptroller's signatures on the applicable City Documents shall constitute approval of any such change.

SECTION SIX. The Mayor and the Comptroller are hereby authorized and directed to execute the Bonds and to deliver the Bonds to the Trustee for authentication for and on behalf of and as the act and deed of the City in the manner provided in the Indentures. The Mayor and the Comptroller are hereby authorized and directed to execute the City Documents and such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance, for and on behalf of and as the act and deed of the City. The City Register is hereby authorized to attest to and affix the seal of the City to the Bonds and the City Documents and such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance.

SECTION SEVEN. The City shall, and the officials, agents and employees of the City are hereby authorized to, take such further action, and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance and to carry out, comply with and perform the duties of the City with respect to the Bonds and the City Documents. The Mayor and the Comptroller are hereby authorized, through the term of the Leases, to execute all documents or take any other actions on behalf of the City (including documents pertaining to the transfer of the Project) as may be required to carry out and comply with the intent of this Ordinance, the Indentures and the Leases.

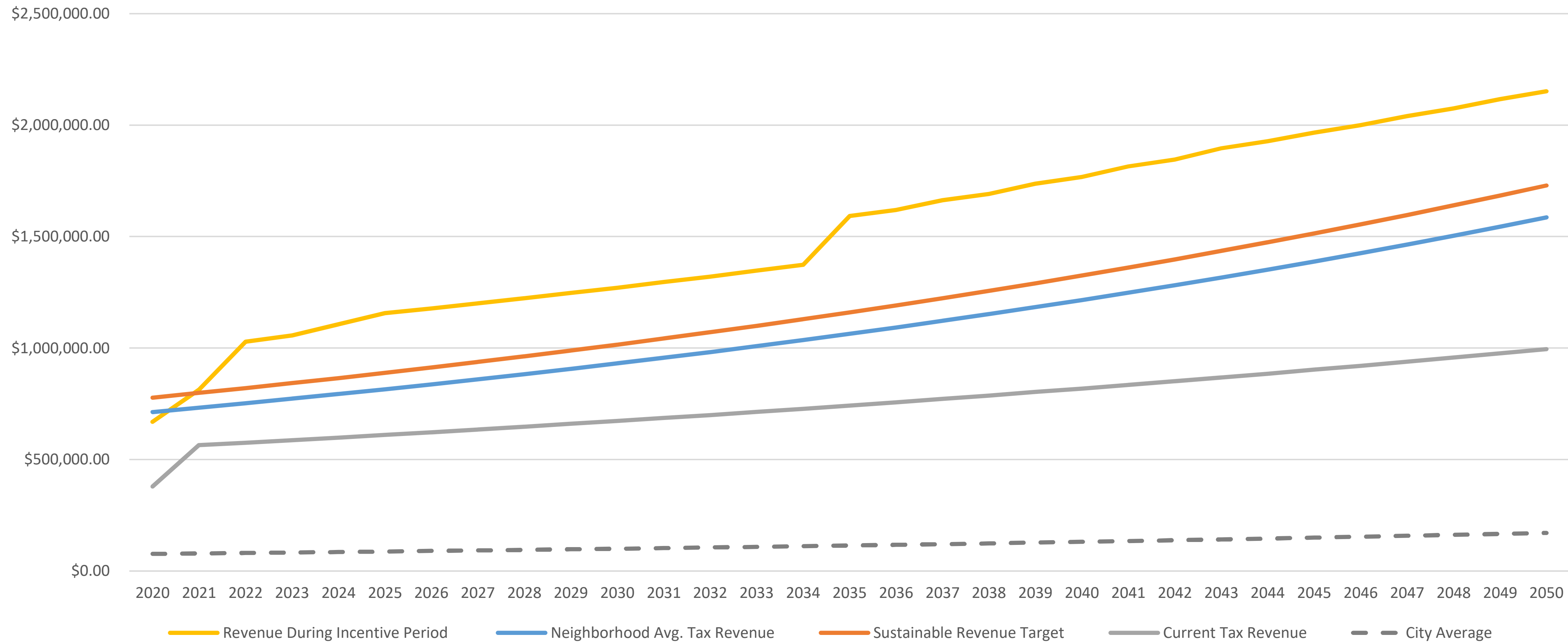
SECTION EIGHT. If any section, subsection, sentence, clause, phrase or portion of this ordinance is held to be invalid or unconstitutional, or unlawful for any reason, by any court of competent jurisdiction, such portion shall be deemed and is hereby declared to be a separate, distinct and independent provision of this Ordinance, and such holding or holdings shall not affect the validity of the remaining portions of this Ordinance.

SECTION NINE. After adoption of this Ordinance by the Board of Aldermen, this Ordinance shall become effective on the 30th day after its approval by the Mayor or adoption over her veto.

EXHIBIT A

PLAN FOR INDUSTRIAL DEVELOPMENT

900 N. Tucker Financial Impact Report



Incentive Summary

TIF	
TIF Utilized	Yes
Value of TIF Request	$11,850,000
Tax Abatement	
Abatement Utilized	No
Tax Abatement Type	0
How many Years of Tax Abatement?	0
Percentage of Abatement Years 1-5	0%
Percentage of Abatement Years 6-10	0%
Percentage of Abatement Years 11-15	0%
Percentage of Abatement Years 16-20	0%
Percentage of Abatement Years 21-25	0%
Tax Assurance	
Tax Assurance Utilized	No
Start Year	
Length (in Years)	
Growth Rate	
New CID/TDD	
New Sales Tax CID?	No
New CID Percentage	
New Sales Tax TDD?	No
New TDD Percentage	
New Property Tax CID/TDD Assessment	No
Applies to	
% subject to the special assessment	

Break-Even Analysis

	Year of Operation
Neighborhood Average Break-even*	1
Sustainable Revenue Target Achieved	1
Replacement Project Window	1
TIF Payoff Year	2035

* Year accumulated tax benefits of the incentivized project surpasses those of an average un-incentivized project in the neighborhood

Fiscal Benefit

Fiscal Benefit	10-year	20-year
Benefit Over Base (If no project)		
Fiscal Benefit to City	$4,297,000	$9,244,000
Fiscal Benefit to School District	$203,000	$2,584,000
Benefit Over Neighborhood Average		
Fiscal Advantage to City	$1,882,000	$5,388,000
Fiscal Advantage to School District	$89,000	$1,506,000
Incentive Value to Project		
Present Value of Incentive	$11,850,000	$11,850,000
% of Project Costs	17.0%	17.0%

Property Status

MVA Category	B
Existing and/or Historical	Yes
Strategic Land Use Plan Category	SMUA

Tax Performance (per SF of parcel area)

	Stabilization	*Year 5*	*Year 10*
900 N. Tucker	**$18.29**	**$20.95**	**$23.05**
Neighborhood Average	14.89	17.26	20.01
Sustainable Revenue Target	16.23	18.82	21.81

Developer Return Analysis

Market Average Rate of Return (RERC)	*Low End of Range*	*High End of Range*
	8.3%	10.7%
Project 10-Year Rate of Return	*No Incentives*	*w/ Incentives*
	6.1%	9.6%

Project Score

	Score
Value Score	14.0
Tax Revenue Score	24.0
Increment Score	0.4
Total Score	38.4/40
Project Grade	**4.75/5**

Sources and Uses Summary

Project Financing		*Amount*
Federal Historic Tax Credits	$	8,547,913
State Historic Tax Credits		12,118,230
State Brownfields Tax Credits		3,991,651
New Market Tax Credits		-
Local Incentive Amount (TIF, etc.)		11,850,000
Monetized CID/TDD Values		-
Primary Debt		-
Secondary Debt		-
Developer/Investor Equity		28,252,970
Deferred Developer Fee		4,961,200
Other		-
Total Project Sources–Permanent		**$69,721,964**

Uses of Funds		
Acquisition	$	2,380,000
Hard Costs (Construction)		57,993,059
Soft Costs		4,387,705
Financing Costs		-
Reserves		-
Developer Fee		4,961,200
Other		-
Total Project Uses		**$69,721,964**

Exhibit A to Board Bill 156
Sponsor: Alderwoman T. Hubbard

THE CITY OF ST. LOUIS, MISSOURI

PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT
AND
COST/BENEFIT ANALYSIS

FOR

SQUARE, INC.

TABLE OF CONTENTS

Page

* * *

THE CITY OF ST. LOUIS, MISSOURI

PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT
AND
COST/BENEFIT ANALYSIS
SQUARE, INC.

I. PURPOSE OF THIS PLAN

The City of St. Louis, Missouri (the "City") intends to issue one or more series of taxable industrial revenue bonds in a cumulative principal amount of not to exceed $50,000,000 (the "Bonds") to finance the costs of a proposed industrial development project (the "Project") for Square, Inc. (including its affiliates, the "Company"). The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended, Article VI, Section 27(b) of the Missouri Constitution and the City Charter (collectively, the "Act"). The Bonds will initially be owned by the Company, and cannot be transferred, other than to the Company's affiliates and lenders, without the City's prior approval.

This Plan for an Industrial Development Project and Cost/Benefit Analysis (this "Plan") has been prepared to satisfy requirements of the Act and to analyze the potential costs and benefits, including the related tax impact on affected taxing jurisdictions, of using industrial development bonds to finance the Project and to facilitate abatement of ad valorem taxes on the bond-financed property.

II. DESCRIPTION OF CHAPTER 100 FINANCINGS

General. The Act authorizes cities, counties, towns and villages to issue industrial development bonds to finance the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities that provide interstate commerce, industrial plants and other commercial facilities. Bond proceeds may be used to finance land, buildings, fixtures and machinery.

Issuance and Sale of Bonds. Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from the project. The municipality issues its bonds and in exchange, the benefited company promises to make payments that are sufficient to pay the principal of and interest on the bonds as they become due. Thus, the municipality merely acts as a conduit for the financing.

Concurrently with the closing of the bonds, the company will convey to the municipality title to (1) the site on which the industrial development project will be located and/or (2) the personal property included in the project. (The municipality must be the legal owner of the property while the bonds are outstanding for the property to be eligible for tax abatement, as further described below.) At the same time (depending on whether the real and/or personal property tax abatement is being provided), the municipality will lease the project site, the improvements thereon and the personal property included in the project back to the benefited company pursuant to a lease agreement. The lease agreement will require the company, acting on behalf of the municipality, to use the bond proceeds to purchase and construct the project.

Under the lease agreement, the company typically: (1) will unconditionally agree to make payments sufficient to pay the principal of and interest on the bonds as they become due; (2) will agree, at its own expense, to maintain the project, to pay all taxes and assessments with respect to the project, and to maintain adequate insurance; (3) has the right, at its own expense, to make certain additions, modifications or improvements to the project; (4) may assign its interests under the lease agreement or sublease the project while remaining responsible for payments under the lease agreement; (5) will covenant to maintain its corporate existence during the term of the bond issue; and (6) will agree to indemnify the municipality for any liability the municipality might incur as a result of its participation in the transaction.

Property Tax Abatement. Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Revised Statutes of Missouri, as amended, all property of any political subdivision is exempt from taxation. In a typical transaction, the municipality holds fee title to the project and leases the project to the benefited company. Although the Missouri Supreme Court has held that the leasehold interest is taxable, it is taxable only to the extent that the economic value of the lease is less than the actual market value of the lease. See *Iron County v. State Tax Commission*, 437 S.W.2d 665 (Mo. banc 1968) and *St. Louis County v. State Tax Commission*, 406 S.W.2d 644 (Mo. banc 1966). If the rental payments under the lease agreement equal the actual debt service payments on the bonds, the leasehold interest should have no "bonus value" and the bond-financed property should be exempt from ad valorem taxation and personal property taxation so long as the bonds are outstanding.

If the municipality and the company determine that partial tax abatement is desirable, the company may agree to make "payments in lieu of taxes." The amount of payments in lieu of taxes is negotiable. The payments in lieu of taxes are payable by December 31 of each year, and are distributed to the municipality and to each political subdivision within the boundaries of the project in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law.

Sales Tax Exemption. In addition to property tax abatement, qualified building materials can be exempt from sales tax if approved by the municipality. The sales tax exemption is evidenced by a project exemption certificate issued by the municipality. The purchase of manufacturing equipment is exempt from sales tax pursuant to Missouri law. The purchase of other personal property as part of the project may be exempted from sales tax if approved by the Missouri Department of Economic Development.

III. DESCRIPTION OF THE PARTIES

Square, Inc. The Company is a financial services, merchant services aggregator, and mobile payment company headquarterd in San Francisco, California. The Company markets several software and hardware payments products and has expanded into small business services. The Company was founded in 2009 by St. Louis natives Jack Dorsey and Jim McKelvey. The Company opened its first St. Louis office in 2015. It has been traded as a public company on the New York Stock Exchange since November 2015 under the ticker symbol SQ.

The City of St. Louis, Missouri. The City is a charter city and a political subdivision of the State of Missouri. The City is authorized and empowered pursuant to the provisions of the Act to purchase, construct, extend, equip and improve certain projects (as defined in the Act) and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, warehousing and industrial development purposes upon such terms and conditions as the City deems advisable.

IV. REQUIREMENTS OF THE ACT

A. Description of the Project. The Company intends to renovate and improve a portion of the building located at 900 N. Tucker Boulevard in the City (the "Building") that it will lease for use as its St. Louis office (the "Project Improvements"). The estimated cost of the Project Improvements is $32,000,000. The Company also intends to invest approximately $16,000,000 in furniture, office and technology equipment and other personal property (the "Project Equipment" and, together with the Project Improvements, the "Project") to equip its St. Louis office. The acquisition, construction and installation of the Project is expected to begin in 2020 and be completed by December 31, 2021. The City will acquire the Project with the Bond proceeds and will lease or sublease the Project to the Company.

B. Estimate of the Costs of the Project. The Project is estimated to cost $48,000,000, consisting of approximately $32,000,000 for the Project Improvements and approximately $16,000,000 for the Project Equipment. The Bonds will be issued in the maximum principal amount of $50,000,000 to provide for contingencies.

C. Source of Funds to be Expended for the Project. The source of funds to be expended for the Project will be the proceeds of one or more series of Bonds in the cumulative maximum principal amount of $50,000,000 and other available funds of the Company. The Bonds will be payable solely from the revenues derived by the City from the lease or other disposition of the Project to the Company (as further described below). The Bonds will not be an indebtedness or general obligation, debt or liability of the City or the State of Missouri.

D. Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City. The City will lease or sublease the Project to the Company for lease payments equal to the principal and interest on the Bonds. At the Company's option, portions of the Project may be leased or subleased to separate affiliates of the Company (for example, one affiliate may be the sublessee for the real property portion of the Project and another affiliate may be the lessee for the personal property portion of the Project). Under the terms of the lease agreements with the City, the Company (or applicable affiliate) will have the option to purchase the applicable portion of the Project at any time for nominal consideration. All leases or subleases entered into in furtherance of this Plan in connection with the Project Improvements will terminate following completion of the Project Improvements. All leases or sublease entered into in furtherance of this Plan in connection with the Project Equipment will terminate no later than December 31 of the tenth year in which tax abatement is realized (currently estimated to be 2030, but subject to change depending on when Project Equipment is acquired).

E. Affected School District, Community College District, Ambulance District, Fire District, County and City. The St. Louis Public School District is the school district affected by the Project. The Community College District of St. Louis, St. Louis County, Missouri is the community college district affected by the Project. No ambulance districts or fire districts are affected by the Project. The City of St. Louis is the city affected by the Project. Because the City is not located within a county, no county is affected by the Project. The Cost/Benefit Analysis attached hereto identifies all other taxing districts affected by the Project.

F. Current Assessed Valuation. The Building has a current assessed value of $1,312,000. The redevelopment of the Building will be undertaken by 900 N. Tucker Building, LLC (the "Developer"), subject to approval by the City of tax increment financing assistance. After redevelopment, the Building is expected to have an assessed value of $6,407,954 (however, tax increment financing will capture taxes attributable to assessed value above $1,312,000[1]). The Developer will lease approximately 75% of the Building to the Company, within which the Company will construct the Project Improvements as part of its tenant improvement work. The Company's leasehold interest does not currently have, nor is it expected to have a separate assessed value.

[1] A redevelopment plan and cost-benefit analysis relating to the proposed tax increment financing for the Building are on file with the St. Louis Development Corporation. No real property tax abatement is being provided by this Plan. Please consult the tax increment financing documents on file with the St. Louis Development Corporation for estimates of real property tax revenues.

The Project Equipment has not yet been acquired and installed; accordingly, the most recent equalized assessed valuation of the personal property included in the Project is $0. The estimated total equalized assessed valuation of the Project Equipment after development of the Project is $4,647,269. This valuation was calculated based upon the Company's anticipated investment of $16,000,000 in personal property, the estimated schedule of such investment, depreciation, and an assessment rate of 33.33% for the Project Equipment.

G. Payments in Lieu of Taxes. If this Plan is approved by the Board of Aldermen, the City intends to issue one or more series of the Bonds, take possession of the Project and extend personal property tax abatement to the Company. During the period the City owns the Project Equipment, the Company will make the following payments in lieu of taxes ("PILOTs"):

- Beginning in the first year after the initial installation of the Project Equipment and continuing for five years (currently estimated to be 2021 through 2025), the Company will make PILOTs equal to 25% of the ad valorem personal property taxes that would be due with respect to the Project Equipment, but for the City's ownership thereof; and
- Beginning in the sixth year after the initial installation of the Project Equipment and continuing for five years (currently estimated to be 2026 through 2030), the Company will make PILOTs equal to 50% of the ad valorem personal property taxes that would be due with respect to the Project Equipment, but for the City's ownership thereof.

The PILOTs will be divided among taxing districts that levy personal property taxes on the Project.

The Developer (and the Company, to the extent obligated under its lease from the Developer) will be responsible for paying real property taxes on the Building, including the Project Improvemnets. As noted above, the real property tax revenues generated from the Building are expected to be impacted by the proposed tax increment financing applicable to the Building.

H. Cost/Benefit Analysis and Discussion of Exhibits. In compliance with Section 100.050.2(3) of the Revised Statutes of Missouri, as amended, this Plan has been prepared to show the costs and benefits to the City and to other taxing jurisdictions affected by the tax abatements and exemptions of the Project. The following is a summary of the exhibits attached to this Plan that shows the direct tax impact the Project is expected to have on each taxing jurisdiction. This Plan does not attempt to quantify the overall economic impact of the Project.

Summary of Cost/Benefit Analysis. **Exhibit 1** presents a summary for each affected taxing district of (1) the total estimated tax revenues that would be generated if the Project did not receive tax abatement, (2) the total estimated value of the PILOTs to be made by the Company for the proposed abatement period and (3) the total estimated value of the abatement to the Company. Please note that the actual value of the Project may differ from the estimated value assumed in this Plan and may impact the value of the PILOTs to be made by the Company.

Personal Property Tax Revenues. **Exhibit 2** provides the projected tax revenues that would be generated from the Project Equipment without tax abatement. **Exhibit 3** provides the projected value of the personal property PILOTs to be made by the Company.

Refer to **Attachment A** for the assumptions related to the determination of the assessed values and the personal property tax formulas.

Sales/Use Tax Exemption. The City will grant a sales and use tax exemption on the qualified building materials necessary to construct the Project Improvements. For purposes of determining the impact of the exemption granted by the City on the affected taxing jurisdictions, it was assumed that:

- $12,800,000 of the total costs of the Project Improvements will be allocated to construction material costs;
- the applicable sales tax rate is 9.679%, of which 4.225% is allocated to the State of Missouri and 5.454% is allocated to St. Louis City and various citywide taxing districts (i.e., Metrolink, St. Louis Public School District and Regional Parks and Trails);
- the applicable use tax rate is 9.013%, of which 4.225% is allocated to the State of Missouri and 4.788% is allocated to the City and various citywide taxing districts (i.e., Metrolink and Regional Parks and Trails; the St. Louis Public School District does not have a use tax);
- 80% of the qualified construction materials will be subject to the State's sales tax and 20% will be subject to the State's use tax; and
- 10% of the qualified construction materials will be subject to the City's and various citywide districts' sales tax and 20% will be subject to the City's and various citywide districts' use tax.

Based on the assumptions set forth above, the net fiscal impact of the sales and use tax exemption on the qualified building materials granted by the City is approximately $733,184, allocated as follows:

	Sales Tax	Use Tax	Total
State of Missouri	$432,640	$108,160	$540,800
City (including all citywide taxing districts)	69,811	122,573	192,384
Total	$502,451	$230,733	$733,184

The Company is also expected to seek sales and use tax exemption on the purchase of the Project Equipment from the Missouri Department of Economic Development. For purposes of determining the impact of the exemption granted by the Missouri Department of Economic Development on the affected taxing jurisdictions, it was assumed that:

- $16,000,000 will be invested in the Project Equipment;
- the applicable sales and use tax rates are the same as described above;
- 80% of the Project Equipment will be subject to the State's sales tax and 20% will be subject to the State's use tax; and
- 10% of the Project Equipment will be subject to the City's and various citywide districts' sales tax and 20% will be subject to the City's and various citywide districts' use tax.

Based on the assumptions set forth above, the net fiscal impact of the sales and use tax exemption on the Project Equipment is approximately $916,480, allocated as follows:

	Sales Tax	Use Tax	Total
State of Missouri	$540,800	$135,200	$540,800
City (including all citywide taxing districts)	87,264	153,216	240,480
Total	$628,064	$288,416	$916,480

Please note that any variance in these assumptions will alter the net fiscal impact of the sales tax exemption on the affected taxing jurisdictions.

Ancillary Project Benefits. The Company estimates that the completion of the Project will result in the creation of 263 jobs (and approximately 640 existing jobs will be relocated to the Project). The Project will also provide collateral benefits for local suppliers during the construction and installation period and serve as a catalyst for further investment in the NOW (North of Washington) technology district. These ancillary impacts were not measured for purposes of this Plan.

V. ASSUMPTIONS AND BASIS OF PLAN

In preparing this Plan, we have made some key assumptions to estimate the fiscal impact of the abatement proposed for the Project. See **Attachment A** for a summary of these assumptions.

In addition to the foregoing, in order to complete this Plan, we have generally reviewed and relied upon information furnished to us by, and have participated in conferences with, representatives of the City, representatives of the Company and its consultants, and other persons as we have deemed appropriate. We do not assume any responsibility for the accuracy, completeness or fairness of any of the information provided to us; we have not independently verified the accuracy, completeness or fairness of such information.

* * *

ATTACHMENT A

SUMMARY OF KEY ASSUMPTIONS

1. The Project Equipment will be owned by the City and leased to the Company with an option to purchase. As long as the Project Equipment is owned by the City, it will be exempt from ad valorem taxes.

2. The Company will invest $16,000,000 in acquiring and installing the Project Equipment during calendar year 2020. The Project Equipment would, but for the City's ownership, be subject to ad valorem personal property taxes beginning in 2021.

3. The assessed value of the Project Equipment is calculated using the following formula:

(Cost * Depreciation Factor) * Assessment Ratio of 33-1/3%

4. For the Project Equipment, a depreciation factor is applied at the end of each year using the percentages listed below. The Project Equipment consisting of office furniture (an anticipated $8,000,000 investment) will be depreciated over a seven year period and the Project Equipment consisting of office equipment, technology equipment and other personal property (an anticipated $8,000,000 investment) will be depreciated over a five year period:

Year	(7-Year Depreciation)	(5-Year Depreciation)
0	100.00%	100.00%
1	89.29%	85.00%
2	70.16%	59.50%
3	55.13%	41.65%
4	42.88%	24.99%
5	30.63%	10.00%
6	18.38%	10.00%
7	10.00%	10.00%
8	10.00%	10.00%
9	10.00%	10.00%
10	10.00%	10.00%

5. The City will transfer ownership of the Project Equipment to the Company on December 31, 2030. During the period the period that the City owns the Project Equipment, the Company will make the following PILOTs:

- For calendar years 2021 through 2025, the Company will make PILOTs equal to 25% of the ad valorem personal property taxes that would be due with respect to the Project Equipment, but for the City's ownership thereof; and
- For calendar years 2026 through 2030, the Company will make PILOTs equal to 50% of the ad valorem personal property taxes that would be due with respect to the Project Equipment, but for the City's ownership thereof.

6. The Cost/Benefit analysis relies on 2019 tax rates, which are assumed to remain constant through 2030.

* * *

EXHIBIT 1

SUMMARY OF COST/BENEFIT ANALYSIS

Tax Distribution	Tax Revenue for Personal Property Without Abatement	Revenue Generated from PILOT Payments	Value of Abatement
State of Missouri	$ 4,940	$ 1,452	$ 3,489
The City of St. Louis	260,194	76,463	183,730
St. Louis Public School District	821,751	241,489	580,262
Library	88,927	26,133	62,794
St. Louis Community College	32,936	9,679	23,257
Zoo - Museum District	42,817	12,583	30,234
MSD	18,115	5,323	12,791
Sheltered Workshop	21,408	6,291	15,117
Children's Service Fund	29,642	8,711	20,931
Senior Services	8,234	2,420	5,814
Mental Health	14,821	4,356	10,466
	$ 1,343,785	$ 394,899	$ 948,886

EXHIBIT 2

PROJECTED PERSONAL PROPERTY TAX PAYMENTS WITHOUT ABATEMENT

Taxing Jurisdiction	Property Tax Rate per $100	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Total Estimated Assessed Value of Personal Property		$ 4,647,269	$ 3,457,254	$ 2,580,542	$ 1,809,686	$ 1,083,358	$ 756,724	$ 533,280	$ 533,280	$ 533,280	$ 533,280	
State of Missouri	0.0300	$ 1,394	$ 1,037	$ 774	$ 543	$ 325	$ 227	$ 160	$ 160	$ 160	$ 160	$ 4,940
The City of St. Louis	1.5800	73,427	54,625	40,773	28,593	17,117	11,956	8,426	8,426	8,426	8,426	260,194
St. Louis Public School District	4.9900	231,899	172,517	128,769	90,303	54,060	37,761	26,611	26,611	26,611	26,611	821,751
Library	0.5400	25,095	18,669	13,935	9,772	5,850	4,086	2,880	2,880	2,880	2,880	88,927
St. Louis Community College	0.2000	9,295	6,915	5,161	3,619	2,167	1,513	1,067	1,067	1,067	1,067	32,936
Zoo - Museum District	0.2600	12,083	8,989	6,709	4,705	2,817	1,967	1,387	1,387	1,387	1,387	42,817
MSD	0.1100	5,112	3,803	2,839	1,991	1,192	832	587	587	587	587	18,115
Sheltered Workshop	0.1300	6,041	4,494	3,355	2,353	1,408	984	693	693	693	693	21,408
Children's Service Fund	0.1800	8,365	6,223	4,645	3,257	1,950	1,362	960	960	960	960	29,642
Senior Services	0.0500	2,324	1,729	1,290	905	542	378	267	267	267	267	8,234
Mental Health	0.0900	4,183	3,112	2,322	1,629	975	681	480	480	480	480	14,821
	8.1600	$ 379,217	$ 282,112	$ 210,572	$ 147,670	$ 88,402	$ 61,749	$ 43,516	$ 43,516	$ 43,516	$ 43,516	$ 1,343,785

Personal Property Assessed Value

7-Year Property (Office Furniture)											
2020	8,000,000	2,380,829	1,870,746	1,469,986	1,143,352	816,718	490,084	266,640	266,640	266,640	266,640
5-Year Property (Office/Tech Equipment)											
2020	8,000,000	2,266,440	1,586,508	1,110,556	666,333	266,640	266,640	266,640	266,640	266,640	266,640
	16,000,000	4,647,269	3,457,254	2,580,542	1,809,686	1,083,358	756,724	533,280	533,280	533,280	533,280

EXHIBIT 3

PROJECTED PAYMENTS IN LIEU OF TAXES REVENUES (PERSONAL PROPERTY)

Total Estimated Assessed Value of Personal Property		$ 4,647,269	$ 3,457,254	$ 2,580,542	$ 1,809,686	$ 1,083,358	$ 756,724	$ 533,280	$ 533,280	$ 533,280	$ 533,280	
PILOT Percentage		25%	25%	25%	25%	25%	50%	50%	50%	50%	50%	
Personal Property PILOT Distribution	Property Tax Rate per $100	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
State of Missouri	0.0300	$ 349	$ 259	$ 194	$ 136	$ 81	$ 114	$ 80	$ 80	$ 80	$ 80	$ 1,452
The City of St. Louis	1.5800	18,357	13,656	10,193	7,148	4,279	5,978	4,213	4,213	4,213	4,213	76,463
St. Louis Public School District	4.9900	57,975	43,129	32,192	22,576	13,515	18,880	13,305	13,305	13,305	13,305	241,489
Library	0.5400	6,274	4,667	3,484	2,443	1,463	2,043	1,440	1,440	1,440	1,440	26,133
St. Louis Community College	0.2000	2,324	1,729	1,290	905	542	757	533	533	533	533	9,679
Zoo - Museum District	0.2600	3,021	2,247	1,677	1,176	704	984	693	693	693	693	12,583
MSD	0.1100	1,278	951	710	498	298	416	293	293	293	293	5,323
Sheltered Workshop	0.1300	1,510	1,124	839	588	352	492	347	347	347	347	6,291
Children's Service Fund	0.1800	2,091	1,556	1,161	814	488	681	480	480	480	480	8,711
Senior Services	0.0500	581	432	323	226	135	189	133	133	133	133	2,420
Mental Health	0.0900	1,046	778	581	407	244	341	240	240	240	240	4,356
	8.1600	$ 94,804	$ 70,528	$ 52,643	$ 36,918	$ 22,101	$ 30,874	$ 21,758	$ 21,758	$ 21,758	$ 21,758	$ 394,899

BOARD BILL FISCAL NOTE

(Board Bill No. 156)

Preparer's Name: St. Louis Development Corporation staff

Contact Information: Dale Ruthsatz
Director of Commercial Development
St. Louis Development Corporation
(314) 657-3732
ruthsatzd@stlouis-mo.gov

Bill Sponsor: Alderwoman Tammika Hubbard

Bill Synopsis:	Board Bill No. 156 relates to an industrial development project for Square, Inc. (the "Company"). The project involves (1) the acquisition and installation of approximately $16,000,000 of new equipment and other personal property and $32,000,000 of real property improvements at 900 N. Tucker Boulevard in the City (the "Project"), (2) the issuance of not to exceed $50,000,000 of industrial revenue bonds in connection with the Project (the "Bonds"), and (3) the provision of personal property tax abatement and sales tax exemption for the Project. The Bonds and tax abatement are permitted by Chapter 100, RSMo. The sales tax exemption for construction materials is permitted by Section 144.062, RSMo. Board Bill No. 156 authorizes the issuance of the Bonds and approves the tax abatement and sales tax exemption. The personal property tax abatement is limited to ten years (75% in years 1 – 5 and 50% in years 6 – 10). The Bonds will be purchased by the Company and will be special limited obligations of the City payable only from lease revenues paid by the Company ***and not from any City tax revenues***. The Bonds are not "debt" of the City and the City will have no obligation to make any payments on the Bonds if there are insufficient lease revenues.
Type of Impact:	Pursuant to the requirements of Chapter 100, RSMo., a cost-benefit analysis showing the impact of the proposed tax abatement on the City and other taxing district has been prepared and provided to all affected taxing districts (and is included in Exhibit A to the Board Bill).
Agencies Affected:	Issuance of the Bonds will require approval of bond documents by the Board of Estimate and Apportionment and administration of the tax

	abatement incentives by the Assessor, License Collector, Collector of Revenue and St. Louis Development Corporation.

SECTION A
Does this bill authorize:

- An expansion of services which entails additional costs beyond that approved in the current adopted city budget? ____Yes __X__No.

- An undertaking of a new service for which no funding is provided in the current adopted city budget? ____Yes __X__No.

- A commitment of city funding in the future under certain specified conditions? ____Yes __X__No.

- An issuance of bonds, notes and lease-purchase agreements which may require additional funding beyond that approved in the current adopted city budget? ____Yes __X__No.

  Although the Board Bill authorizes the issuance of Bonds, the Bonds are secured by and solely payable from lease revenues paid by the Company. ***<u>No City tax revenues will be used to pay the Bonds</u>***.

- An execution or initiation of an activity as a result of federal or state mandates or requirements? ____Yes __X__No.

- A capital improvement project that increases operating costs over the current adopted city budget? ____Yes __X__No.

- A capital improvement project that requires funding not approved in the current adopted city budget or that will require funding in future years? ____Yes __X__No.

If the answer is yes to any of the above questions, then a fiscal note must be attached to the board bill. Complete Section B of the form below.

SLDC will provide its financial analysis of the project under separate cover

SECTION B

- Does the bill require the construction of any new physical facilities? ____Yes ____No.
    - If yes, describe the facilities and provide the estimated cost:

____
____
____
____
____

- Is the bill estimated to have a direct fiscal impact on any city department or office?
____Yes ____No.
    - If yes, explain the impact and the estimated cost:

- Does the bill create a program or administrative subdivision? ____Yes ____No.
    - If yes, then is there a similar existing program or administrative subdivision?
____Yes ____No.
    - If yes, explain the how the proposed programs or administrative subdivisions may overlap:

____
____
____
____
____

- Describe the annual operating, equipment, and maintenance costs that would result from the proposed bill, as well as any funding sources:

Complete the chart below to list the total estimated expenditures required of the City resulting from the proposed board bill and any estimated savings or additional revenue.

Financial Estimate of Impact on General Fund			
Fiscal Impact	**Year 1 (current)**	**Year 2**	**Year 3**
Additional Expenditures			
Additional Revenue			
Net			
Financial Estimate of Impact on Special Funds			
Fiscal Impact	**Year 1 (current)**	**Year 2**	**Year 3**
Additional Expenditures			

Additional Revenue			
Net			

- Describe any assumptions used in preparing this fiscal note:

- List any sources of information (including any City officials, agencies, or departments) used in preparing this fiscal note:

- Have the financial estimates of this bill been verified by the City Budget Division?
____Yes __X__No.

If yes, by whom? ________________________________ .