

**Minutes of the
TIF Commission Regular Meeting
City of Parkville, Missouri
Monday, November 13, 2017 at 6:00pm
City Hall Municipal Boardroom**

1. CALL TO ORDER

Chris Williams called meeting to order at 6:03 p.m.

2. ROLL CALL

Commissioners Present:

Diane Driver
Jim Werner
Hilary Murray (absent with prior notice)
Penny Sharp
Michael Sobba
Chris Cline
Jeanette Cowherd
Paul Kelly
Rennie Robbins
Daren Higerd
Jim Staley

3. GENERAL BUSINESS

- A. Elect Chair, Vice Chair, Treasurer and Secretary

Commissioner Driver nominated Commissioner Werner for Chairman, Commissioner Sobba seconded. Motion passed: 10-0.

Commissioner Robbins nominated Commissioner Higerd for Vice Chairman, Commissioner Sobba seconded. Motion passed: 10-0.

Commissioner Cowherd nominated Commissioner Kelly for Treasurer, Commissioner Sobba seconded. Motion passed: 10-0.

Commissioner Warner nominated Commissioner Cline for Secretary, Commissioner Sharp seconded. Motion passed: 10-0.

- B. Approve the Agenda

Chairman Werner declared the agenda approved.

- C. Approve Minutes from the November 8, 2017 work session

Chairman Werner declared the November 8, 2017 minutes approved.

4. PUBLIC HEARING

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Public Hearing – First Amendment to the Parkville Market Place Tax Increment Financing Redevelopment Plan, Projects, and Redevelopment Area; *CBC Parkville, LLC, Applicant*

A. Open public hearing

Chairman Werner opened the public hearing and invited city staff to present.

B. City staff introductory comments

Director Lachky said an ordinance was adopted for Tax Increment Financing Redevelopment Plan on February 19, 2008 and the proposed development had not been constructed. He said the applicant proposed an amendment to the plan.

C. Applicant (CBC Parkville, LLC) presentation

Curtis Peterson with Polsinelli Law Firm said he would present information on the economic/financing side of the project.

John Davis with Foresight Realty said his background was in civil engineering. He covered the proposed process which included rezoning, preliminary development, pedestrian improvements and stormwater detention. Davis said there were challenges of extreme topography changes, rock and undocumented fill with the proposed site. He said public improvements were included in the project and the ability to adequately handle stormwater detention.

Discussion focused on possible retailers, the property obtained for the project, the status and amendment to the Parkville Market Place.

D. City staff and consultant presentation

Director Stephen Lachky presented information regarding development costs including reimbursements via TIF assistance and a 1% sales tax CID. He reviewed the TIF Act and confirmed Public Notice was given pursuant to Missouri Statutes. He said the Board of Aldermen approved entering into an agreement with Springsted Incorporated to perform financial review of the proposed economic development incentives. He said the review performed analysis to determine whether requested incentives were accurate. Lachky reviewed TIF Act Findings. He said the applicant had submitted a blight study and indicated it was detailed in exhibit 9.

Tom Denaway, Assistant Vice President of Management Consulting Services with Springsted Incorporated presented the agency's "but-for" analysis findings.

Denaway said the purpose of the analysis was to determine whether a public incentive was needed in compliance with Missouri Statute 99.8810. He said the study considered feasibility of that specific project proposal with and without requested incentives. Denaway said the report conclusion was based on the developer's anticipated net income from the project. He said a sensitivity analysis was also performed to determine project feasibility in the absence of

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assistance, including higher and lower projections. Denaway showed that project return without assistance was below market range. He said it would take a 40% decrease in project costs or a 50% increase in revenues for developer feasibility. He acknowledged there may be variability from the assumptions but they would not be significant enough to make the project feasible in the absence assistance. He said the “but-for” determination concluded the proposed project would not occur without public incentive.

Tom Denaway, Springsted Incorporated; presentation attached as Exhibit A.

Discussion ensued regarding the assumptions used for rates of return in determining feasibility.

Commissioner Staley asked whether the City had a policy which addressed parameters for providing assistance. Director Lachky said there was not one; he said requests were not that frequent and applications were addressed on a case by case basis.

Discussion focused on the process of analysis and how Springsted arrived at their conclusion.

Denaway addressed concerns regarding revenues, including pad sales and retail lease rates.

Discussion focused on public infrastructure improvements and costs included in development.

City Attorney Williams detailed the TIF process illustrated in exhibit 5 and how capital costs are returned to the city for road improvements. Discussion focused on the topic.

Director Lachky detailed TIF Act Findings. Staff recommended approval based on staff’s analysis and the independent “but-for” determination report completed by Springsted Incorporated.

E. Public testimony

Chairman Werner opened the meeting to public comment.

John Kady said he represented Parkville Special Roads District. He said he was told that John Pepper submitted a plan seven or eight years ago to develop the area; he wondered if Pepper actually submitted a plan, and, if so, why John Pepper was denied. Kady said Pepper could pass the “but-for” analysis. He also said the length of time, a 23-year TIF, should be considered and added that 39% of development costs seemed like a lot to ask.

Lachky showed previous plans submitted and gave the background. He said there had been attempted development on the property since 2003 and provided various reasons the approved developments never came to fruition.

Director Lachky explained that Parkville Heights resident input was gathered through written communication and public hearings held at city Planning Commission meeting. That input was taken into consideration by the developer. Plans were amended to alleviate the stated concerns which included lighting, screening, noise and traffic.

F. Discussion and questions by TIF Commissioners

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Jim Werner (Chair), Representative for the City of Parkville

Jim Werner asked representatives for CBC Parkville, LLC if they had identified a retailer and restaurants for the project area. John Davis with Foresight Real Estate Services, LLC (105 N Stewart Ct., Liberty, MO 64068) said they were in active discussions with tenants and there was a lot of interest in the project. Without revealing their names, he characterized the anchor tenant as a service-oriented, neighborhood retailer and said a couple of restaurant groups have expressed interest in their pad sites.

Jim Werner evaluated the pro forma provided in the First Amendment to the Redevelopment Plan and commented that the project appeared to be marginally acceptable based on anticipated returns and revenue from the proposed Community Improvement District (CID). He then asked representatives for CBC Parkville, LLC if there was a number lower than the requested \$3,205,613 amount for TIF assistance. Curtis Peterson with Polsinelli law firm (900 W 48th Pl., Kansas City, MO, 64112) responded that he worked very closely with CBC Real Estate and there was no significantly different number that could work for the project. He noted the 30,000+ sq. ft. size of the project, site work and infrastructure costs did not leave a lot of room for mistakes; as well as a large amount of risk dependent on their leases of the proposed buildings on the site. He also noted the developer did not desire to make projects harder than they needed to be or ask taxing districts to offer TIF assistance for 23 years if unless it was needed. Curtis directed the TIF Commissioners' attention to the pro forma in Exhibit 8 of the First Amendment to the Redevelopment Plan. He explained how the tables showed what the project looked like with public support (i.e., incentives) and without public support and noted that CBC Real Estate would lose a significant amount of money through the development; moreover, would not be able to receive a bank loan in order to start the development.

Jim Werner asked if Springsted Incorporated could elaborate on the revenues side of the costs, such as whether or not the type of retailers for the site would bring in those estimated revenues. Tom Denaway with Springsted Incorporated said that revenues for the project fell into two categories — retail and sales from the pad sites. He said the developer's cost per square foot assumption fell in line with Springsted Incorporated's assumption, as well as their estimated vacancy rate.

Jim Werner then asked if there was any incentive for the developer to pay down the TIF reimbursement costs faster if the project was approved. Curtis Peterson responded that the developer intended on a "pay as you go" basis. Curtis elaborated on the large amount of cash needed by the developer for — as well as guaranteed debt to a lender — for the project. He said the more debt CBC Real Estate takes on, the more at risk they are. He also commented how all of the financial risk will be borne by the developer, not the City of Parkville.

Jim Werner said he did not see the project going anywhere without financial assistance, and commented that he had no problem with the 23-year request in order to provide a modest return. He said the site looked egregious and was not generating any appreciable tax revenues today, but could be something in the future that generated tax revenues. He said he was supportive of the project, but said he would like the Board of Aldermen to weigh the impact of precedent from this project on future developments seeking financial incentives.

Diane Driver, Representative for the City of Parkville

Diane Driver asked why two CID's were proposed instead of one CID and one Transportation Development District (TDD). Curtis Peterson responded that TDDs were more restrictive in terms of

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what their revenues could be used for, specifically only for road and sidewalk improvements. Curtis said the developer's first goal was to complete the road improvements needed for the project, and their second goal was to pay down the TIF reimbursement costs faster. He said a CID provides more flexibility to help them achieve both goals. Curtis also said that TDDs required more administrative work than CIDs.

Diane Driver then asked if the \$180,000 budgeted for public roadway costs included improvements for sidewalks along N Melody Lane. John Davis with Foresight Real Estate Services, LLC said that it did, and that amount was budgeted based on conversations with the City through the preliminary development plan process. He added that, while the Traffic Impact Study did not require these improvements, CBC Parkville, LLC recognized the City's desire and need to make those improvements.

Hilary Murray, Representative for the City of Parkville

Hilary Murray was absent with prior notice and recused herself from the meeting due to a conflict of interest.

Michael Sobba, Representative for the City of Parkville

Michael Sobba asked why the applicant was amending the Parkville Market Place TIF Redevelopment Plan rather than submitting a new plan. Curtis Peterson with Polsinelli law firm said during initial discussions with the City, they recognized there was an existing TIF adjacent to the property and it was more efficient administratively to amend the current plan.

Michael Sobba said he recalled the original 2008 Market Place TIF project was an economic activity taxes (EATS) only TIF without any use of payment in lieu of taxes (PILOTS) incentives. He asked representatives from CBC Parkville, LLC to comment on this. Curtis Peterson said the original 2008 project was not built because the TIF request wasn't viable enough and the project was not good enough based on the market for development. He added that the Great Recession played a factor, but also noted that CBC Real Estate had done millions of dollars of investment since 2011.

Michael Sobba also noted that the Parkville Commons TIF was approved and it had a 23-year TIF timeframe as well. He also said he was not excited about the time length of the TIF request, but he recommended approval based on staff's work.

Penny Sharp, Representative for the City of Parkville

Penny Sharp had no comments.

Chris Cline (Secretary), Representative of the City of Parkville

Chris Cline asked the representatives for CBC Parkville, LLC if they had more information regarding the proposed building elevations and landscaping on the site. Stephen Lachky, Community Development Director with the City of Parkville, explained that the developer had preliminary development plans approved for the site and the City's Development Code did not require building elevations and landscape plans to be submitted until the final development plan stage. John Davis with Foresight Real Estate Services, LLC said that CBC Real Estate was deferring building elevations until final development approval, as it would be impossible to retain confidentiality for their tenants on the site. Chris Cline commented that he has concerns about specific items like air conditioning units on top of buildings and their transparency. John Davis responded that Foresight Architecture would design the buildings in accordance with Parkville's Development Code, and

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anticipated things like rooftop screening and building parapets to be required. Chris said he'd like to see the design when it was ready to be presented and asked when that would be. Stephen Lachky responded that the Board of Aldermen's approval of the preliminary development plans required final development plans to be presented to the Planning and Zoning Commission for approval, and that building plans with renderings, exterior elevations, and landscape plans will need to be presented at that point in time.

Chris Cline stated that his only difficulty in the TIF recommendation process was not seeing final development plans and renderings for the site; however, he was familiar with the quality of work that CBC Real Estate had done in the Kansas City metropolitan area. Chris also said he would not be as comfortable at this stage in the development process if it was another developer besides CBC Real Estate. He commented that, while he would feel more comfortable with more information and architectural details for the final development of the site, he had confidence in City staff.

Daren Higerd (Vice Chair), Representative for the Platte County Commission

Daren Higerd asked CBC representatives whether or not their intent with a 23-year request was a hard number. Curtis Peterson with Polsinelli law firm said that it came down to three things — 1) their budget; 2) assumptions for the pro forma; and 3) ability to get their return up to 10%. Curtis added that if the TIF Act allowed for a 24-year request, they would have probably requested it in order to get their return up to a reasonable range. He also spoke about the amount of money needed for land acquisition (i.e., transfer of purchase) costs.

Daren Higerd asked the TIF Commission hypothetically, if the application for TIF was not approved, would the property owners want to continue to own an asset that was underperforming, or would they be willing to chip and see what they could do for the community? He also asked why the City would cover such a large amount for land acquisition in order to get the project started; and said he was hung up on paying for the overall interest on the development.

Daren Higerd said if the site did not develop Parkville would continue to exist as it does today and not suffer. Curtis Peterson with Polsinelli law firm responded that the TIF Commissioners needed to look at the whole picture including the quantitative benefits, not just the qualitative benefits. He said that taxes were currently a couple thousand per year on the whole site as a baseline, as opposed to if CBC Parkville, LLC does their project. Curtis acknowledged there would be a period of time with no additional taxes on the properties, but at the end of the project there would be a payoff for the community in terms of additional taxes. He said without the project, the community would not do any worse, but do much better with it. Curtis said without financial incentives for the project, Parkville would just see a couple thousand per year forever.

Rennie Robbins, Representative for the Platte County Commission

Rennie Robbins asked representatives of CBC Parkville, LLC if they had looked into acquiring the corner residential property (6410 Melody Ln.) for their project. John Davis with Foresight Real Estate Services, LLC replied that the property was a rental investment property and not needed for their project.

Rennie Robbins had questions relative to stormwater management and detention on the site. She asked whether the City or County had reviewed any stormwater management plans in detail. Stephen Lachky, Community Development Director with the City of Parkville, responded that a

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Preliminary Micro Stormwater Drainage Study has been submitted and reviewed by staff as part of CBC Real Estate's preliminary development plan approval process. He added that a condition of the Board of Aldermen's approval was for a Final Micro Stormwater Management Study to be submitted to the City for review, and that the study include details and calculations for stormwater detention, treatment and improvements. Stephen pulled up site, grading and utility plans for CBC Real Estate at APEX Plaza on the projector screen for the TIF Commissioners to see.

Rennie Robbins asked specific questions related to stormwater detention on the site, including downhill seepage from the basins and contingency plans in cases of overflow. John Davis said their professional engineers had done hydraulic analyses on their plans and all the detention basis were designed in accordance with American Public Works Association (APWA) standards to hold certain rainfall events. He added that these were nationwide standards that would be met on the site, and in some circumstances exceeded.

Jeanette Cowherd, Representative for the Park Hill School District

Jeanette Cowherd said she had concerns about the 23-year TIF assistance request, and that Park Hill School District had not dealt with such a long request. She added that the Park Hill School Board had a resolution passed in 2002 stating that the school district would not support requests exceeding 50% of real property taxes or longer than 10 years. She said the school district would lose a substantial amount of money out of the \$3,205,613 TIF assistance request.

Jeanette Cowherd said she appreciated representatives from CBC Real Estate meeting with the school district. She said the district often worked with the economic development councils (EDCs) and would like to work together with the developer, but the request was too much of an ask for them. She pointed out the City of Kansas City, Missouri did not have any projects that requested 100% of real property taxes being captured for TIF over 23 years. She, along with other members of the TIF Commission, asked if there were other financing options available, and what happens if the TIF is paid off early.

Paul Kelly (Treasurer), Representative for the Park Hill School District

Paul Kelly asked representatives of CBC Parkville, LLC what was the relationship between the "Net Total TIF to Developer" column on their revenues table, and the "Net Present Value (NPV)" costs. Curtis Peterson with Polsinelli law firm replied that the "Net Total TIF to Developer" costs (\$5,916,893) was the gross amount of TIF that could be generated over 23 years. He said the NPV (\$2,883,480) is the difference between the \$5.9 million amount and the developer's requested amount plus interest.

Paul Kelly asked whether Springsted Incorporated plugged all of CBC Parkville, LLC's pro forma numbers into a spreadsheet to verify the math was correct, and whether they verified their assumptions for the estimates. Tom Denaway with Springsted Incorporated replied that his firm went through the developer's assumptions and inputs to verify whether they were reasonable. He elaborated that they use up-to-date RSMeans building construction cost data, and that CBC Parkville, LLC's numbers lined up with those averages. He added if they had found outliers they would have been presented.

Paul Kelly asked what happens to the original 2008 Market Place TIF project if the TIF Commission approved the First Amendment to the Redevelopment Plan. Chris Williams, City Attorney with the City of Parkville, said there was no impact since the proposal was for a new project area. He added

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that developers of the original project were still bound by the approved 2008 plan which would expire on February 19, 2018.

Paul Kelly asked City staff what happened if the TIF outperformed and there was a maximum cap in place regarding the amount of money that could go back to the developer. Chris Williams said that once the TIF was paid off, the project was done. He added that the City would have an agreement in place with the developer, which was standard for cities approving TIF projects. Chris said it was detailed in the First Amendment to the Redevelopment Plan.

Paul Kelly questioned the amount of interest shown on the pro forma. He asked if the developer could collect interest over the 23-year timeframe if the TIF was paid off sooner.

Curtis Peterson with Polisinelli law firm said that no additional interest would be collected once the project was complete. Paul asked City staff to look into the approved TIF district across the street for the Parkville Commons, whether or not it was a successful project, and if precedents were set that were different than the Parkville Commons TIF. Lastly, Paul Kelly said he had faith in City staff, CBC Real Estate's quality of work, and that his vote was not in any way a reflection of his lack of confidence in the project.

Jim Staley, Representative for All Other Taxing Districts

Jim Staley referenced the developer's estimated rate of return with and without public incentives and asked Tom Denaway with Springsted Incorporated if the range was too large. Tom Denaway replied the range was merely financial information and did not tell the project's level of importance in a community. He added that information was based on reasonable assumptions and showed how the project would exist with and without public incentives.

Jim Staley noted how the projected TIF reimbursements accounted for 35% of the developer's costs and asked if that number was high for a project seeking financial incentives. Tom Denaway acknowledged that the percentage was on the higher end compared to other projects; however, said the number was actually lower when considering the Net Present Value (NPV), which was more in line with what Springsted Incorporated saw in other TIF projects. Curtis Peterson with Polisinelli law firm commented that the original 2008 Market Place TIF project across the street had a higher percentage of incentives requested compared to the total cost of the project.

Jim Staley asked Stephen Lachky, Community Development Director with the City of Parkville, if the City had any sort of development policy that detailed the amount of financial assistance or types of projects the City wants to provide. Stephen replied he was not aware of a specific policy, and mentioned the Board of Aldermen had annual Strategic Planning Workshop retreats to identify specific projects and initiatives they would like to see completed. He also noted the City's adopted *Parkville Master Plan* which contained sub-area plans, as well as corridor plans that the City has adopted.

Jim Staley asked if City staff could explain the \$239,379 "CAP COST PMT TO CITY" column on the TIF revenues table on Exhibit 5 of the First Amendment to the Redevelopment Plan. Chris Williams, City Attorney with the City of Parkville, said it pertained to the Parkville Special Road District. He elaborated that Platte County imposed county-wide transportation tax, and then distributes that funding back to its cities via a formula in order to do capital transportation projects. He added that Platte County's policy stated that when a TIF project was approved, the County subtracted the TIF

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amount (i.e., the 50% of real property taxes that's being captured by the TIF) from the annual allocation that's distributed to the City. The "CAP COST PMT TO CITY" was a way for those costs to be repaid to the City annually for capital transportation projects so the City was not taking a loss. Jim Staley said he felt like the policy was a way for Platte County to impose a deduction on cities for having TIF projects, and that the City was making up for those lost funds by having it provided by the other taxing jurisdictions via the TIF.

Jim Staley said that one of the misconceptions for the "but-for" determination and analysis was it was specifically for this project and not for any other projects that could potentially be done on the site. He also said that TIF assistance set up different reward structures between sales tax and property tax components. He then asked the TIF Commission hypothetically, was there a better site for the developers that was available and would not affect the taxing districts as much? Jim said he was aware of the work of CBC Real Estate and they were great partners. He asked the City if there was an ability to go beyond the 50% local and economic activity taxes (EATS) to help pay off the 23-year TIF faster, which would provide more taxes back to the taxing districts.

Chairman Werner called for additional questions or comments from the Commission. Seeing none he called for entrance of exhibits.

G. Enter exhibits into the public record

City Attorney Williams asked that exhibits listed as attachments at the end of city staff's policy report, additional exhibits by reference and the three PowerPoint presentations (by staff, Springsted, and the applicant) were entered into the record.

Chairman Werner declared the requested exhibits were entered into the record.

H. Close public hearing

Chairman Werner called for additional discussion. Seeing none he closed the public hearing and asked the Commission to consider the Resolution regarding recommendations to the Board of Aldermen.

Commissioner Cline asked clarification on the procedure to request additional stipulations of the applicant in the event the TIF request was approved. Attorney Williams said stating the requested condition with the motion was the procedure.

Commissioner Higerd asked whether the Commission had timeframe to decide on the resolution. Williams said the Commission had 30 days to decide since the public hearing was closed.

Chairman Werner called for a motion.

Commissioner Sobba moved to approve a Resolution recommending to the Board of Aldermen Approval of the First Amendment to the Parkville Market Place Tax Increment Financing Redevelopment Plan, Projects, and Redevelopment Area Enlarging the Redevelopment Area to Establish Redevelopment Project 2, Making Specific Findings, and

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Designating CBC Parkville, LLC, as the Developer for Redevelopment Project 2, Commissioner Sharp seconded. A roll call vote passed the motion: 7-3.

5. ADJOURNMENT

Chairman Werner adjourned the meeting at 8:36 p.m.

Submitted by:

Stephen Lachky
Community Development Director

11-13-17
Date

Shakedra Knight
Community Development Department Assistant

11-13-17
Date

DRAFT