

CITY OF PARKVILLE, MISSOURI

Policy Title:	Economic Development Incentive Policy		
Policy Number:	100-08	Category:	Board
Effective Date:	October 4, 2011 Resolution No. 10-01-11	Updates:	

INTRODUCTORY STATEMENT

The Board of Aldermen of the City of Parkville, Missouri (the "City") adopted the Parkville Plan for Progress (the "Plan for Progress") on September 21, 2010 pursuant to Resolution 09-01-10 setting forth a strategic plan for economic development for the City. The Plan for Progress called for the formation of the Parkville Economic Development Council ("EDC") to encourage and facilitate responsible economic development within the City and outlined several goals and implementation recommendations to achieve those goals. The EDC completed one of the implementation items by the adoption of an Economic Development Incentive Policy.

The City recognizes the importance of the efficient and effective use of limited public and private resources and incentive programs to facilitate responsible economic development. The City further recognizes that the City's adoption of an economic development incentive policy is essential to its responsible use of these limited resources. In furtherance of the Plan for Progress, the City adopts this Economic Development Incentive Policy ("EDI Policy") to guide the City and City staff in the responsible use of incentive programs within the City.

PURPOSE OF THE POLICY

The purpose of this EDI Policy is to provide a general guide for the use of the various economic development incentives available for public and private economic development projects. Each potential use of any one economic development incentive for any one project should be evaluated in light of the given circumstances and economic climate and overall public goals at the time overview.

GENERAL POLICY GUIDELINES

When Incentives Should be Used. Generally, incentives should be used only when the City finds that incentives are necessary to attract private and/or other public investment that would (a) not otherwise occur in a timely manner that would result in (i) sustainable quality residential or commercial development, or (ii) the attraction of new businesses or retention or expansion of existing businesses which are anticipated to generate new wealth and growth in Parkville, and (b) have an overall positive impact on the community. Incentives should be used in a manner that leverages the most investment from other public and private resources while eliminating or minimizing the risk to the general fund. During times of recession, economic development

incentives should be more favorably considered in order to jump-start the economy. As the economy improves the use of incentives should be more limited.

What Incentives Should be Used. All incentives that are available should be considered. No one incentive should be considered to be unavailable in all cases. The key to the effective and efficient use of incentives is determining "when" and "how" any one particular incentive is used in general and in particular.

Extent Incentives Should be Used. Once the City finds that any one or more incentives are necessary to attract public and/or private investment in a particular project, the amount or extent of the use of the incentive(s) should be limited to that which is necessary to attract the desired investment with the desired result, whether it be a particular type of quality development, business, number of jobs and/or increase in the tax base. Depending on the project, there could be numerous factors to consider in determining the amount and extent of the public incentives that are necessary. The factors to be considered will depend on the particular project, type of investment and investor and the desired result. In most private investment cases, the bottom line for the private investor will be the investor's projected return on investment. In some cases the developer will be focused on the short term and in other cases the long term. Whatever factors are considered, it will be necessary to consider them on a case-by-case basis with the review being based upon the principles that underlie this EDI Policy.

Financing Methods. The method of financing the project or monetizing the incentive in question is an important factor to be considered in determining the use of the incentive. The use of public financing for private development which puts the City's general fund at risk, such as general obligation bonds, should be used only when there is a compelling public interest at stake. Likewise, the use of City credit enhancement such as a City annual appropriation guarantee to finance private development, although less risky than general obligation debt, should be used only when a compelling public interest is at stake. In which cases, the risk to the general fund and City's credit should be minimized to the extent possible. The use of public revenue bonds should be considered when there is no other readily available private source of financing or when tax-exempt financing would be available to reduce the overall financing costs, resulting in a more viable and economically sustainable project. Projects that have substantial private equity investment in which the public incentive is financed on a "pay-as-you-go" basis and/or which receive incentive based on performance should be viewed more favorably than projects in which the public incentive requires public financing.

Involvement of Community Partners. The impact the investment and use of the incentives will have on the City's community partners should be considered. The City's community partners include but are not necessarily limited to the other affected taxing districts. Early communication with the City's community partners will be essential to determine the impact the use of incentives will have on community partners and to maintain good relations with community partners. The level of communication and involvement should depend on the type of incentive being considered and the level of impact on the City's community partner.

Master Plan and Zoning Issues. As a general rule, projects seeking the assistance of public financial incentives should comply with the Parkville Master Plan and Parkville Municipal Code

before the Board of Alderman will evaluate or support the use of incentives for a particular project; however, there will be instances in which an amendment to the Parkville Master Plan or Parkville Municipal Code may be necessary, compelling and in the public interest.

OTHER FACTORS TO CONSIDER

There are many other factors to consider in determining whether or not and to what extent to use any one particular public incentive for private development. Below is a list of general factors to consider and questions to ask. This is not intended to be an exhaustive list and some will not be applicable in all situations.

1. The leverage of other funding sources by the proposed project financing: (a) Does the use of the local public incentive leverage other state or federal funds? (b) Has the developer sought or will the developer seek other state or federal funds or public or private grants? (c) Will the developer seek self-help tools such as a special assessment district or special district sales tax? (e) Is the amount of private funding sources including developer equity substantial?

Projects which leverage substantial other public/private investment would be considered more favorable if such funding enhances the project and its feasibility.

2. Is the developer a good community partner with a track record of excellence? The use of incentives for a proposed project in which the developer has a consistent poor track record should not be considered.
3. Will the proposed development provide additional funding or security for existing public investments or outstanding general obligations?
4. Is the proposed development located within an area which has been identified as a priority for development or adjacent to existing major nodes of development or will it connect existing areas of development? It would be substantially less desirable to use public incentives for a proposed project which is in remote proximity to other development because remote development generally results in a greater drain on public resources because there are fewer economies of scale in the delivery of public services. In the cases of remote development, incentives should only be used if there is an overwhelming public interest to be served and/or the net public revenues generated are significant.
5. Will the proposed development provide sufficient public infrastructure to support its development, upgrade existing infrastructure, and/or serve other existing or future development?
6. Will the proposed development generate net public revenues, sooner rather than later? Projects that generate public revenues or provide public benefits within a short period of time are more favorable than those that will not result in net public revenues or benefits

for long periods of time. Projects that generate a relatively substantial public return compared to the public incentive granted will be viewed more favorably.

7. What, if any, public opportunity costs would result from the proposed development or use of the proposed incentive? In other words, does this development or the use of this incentive prevent the community from seeking or realizing any other opportunities?
8. Will the proposed development be a catalyst to other desired private development?
9. Will the proposed development generate desired jobs for Parkville residents or potential future residents?
10. Is there any financial risk to the City? If so, is the risk minimal relative to the anticipated public benefits and have steps been taken to minimize the risk as much as feasibly possible, such as private collateral?
11. For redevelopment projects, will the redevelopment result in the property being brought up to current building and/or zoning codes? All redevelopment projects that receive public incentives should be brought up to current building codes where physically feasible, with some reasonable exceptions related to historic rehabilitation.
12. Does the proposed project include public improvements or other enhancements that serve the public at large and at a substantially lower cost than might otherwise be the case?

A positive answer to the foregoing questions/factors for consideration should not be considered to be a condition precedent to the use of any one tool, but should be considered in evaluating the overall benefit and potential impact of the proposed development.

DEVELOPMENT AGREEMENTS

The use of incentives gives the City a unique ability to achieve the type of development it desires through contract that cannot be achieved through zoning or building codes. Incentives should be used to leverage and attract desired development. To that end and as appropriate given the type and amount of incentive at issue, the City should require that the developer enter into a development agreement which clearly defines the project to be undertaken and any conditions to be met before the incentive is released or as a condition to the continuation of the grant of the incentive.

CASE-BY-CASE REVIEW

This EDI Policy is merely a guideline to follow in reviewing the use of public incentives for proposed projects. Each project must be viewed on its own merits under the market and public conditions that exist at the time of the request.