



**Work Session Agenda**  
**BOARD OF ALDERMEN**  
**CITY OF PARKVILLE, MISSOURI**  
October 1, 2019; 6:15 p.m.  
City Hall Board Room

**1. GENERAL AGENDA**

- A. Potential Chapter 353 Downtown Parkville Redevelopment Policy

## **CITY OF PARKVILLE Policy Report**

DATE: Wednesday, September 25, 2019

PREPARED BY:

Stephen Lachky  
Community Development Director

REVIEWED BY:

Joe Parente  
City Administrator

ISSUE:

Receive information and a presentation from staff regarding a potential Chapter 353 Downtown Parkville Redevelopment Policy.

BACKGROUND:

*Vision Downtown Parkville* was adopted by the Board of Aldermen on August 19, 2014, serves as a vision for downtown Parkville and is used to guide current and future decision-making, planning and community investment (see Attachment 2 by Reference). The plan builds consensus around a common vision, goals and objectives for the downtown. One of the principal goals of *Vision Downtown Parkville* is to strengthen the economic viability of the downtown area through recommended strategies, policies and plans for enhancing downtown. The plan includes guidelines for improvements to buildings that address the appearance and structural conditions of existing buildings and encourages the redevelopment of sites; and promotes the potential use of economic development incentives to encourage investment and redevelopment activity in downtown properties.

A number of buildings throughout downtown Parkville haven't been renovated, remodeled or improved, or properly maintained over time, and are often maintained to the bare minimum of the City's Property Maintenance Code. Other buildings have been altered in ways that don't contribute to the quaint, historic character of downtown. Chapter 353 economic development incentives offer an opportunity to preserve the downtown's unique character and appearance by providing a financial tool/mechanism (property tax abatement) for property owners to utilize.

On July 18, 2018 staff met with downtown Parkville property owners, merchants and representatives from the Main Street Parkville Association for discussion & feedback regarding a potential grant matching façade improvement program. The group felt providing Missouri Chapter 353 economic development incentives would be a more effective solution for improving the appearance of buildings in downtown Parkville than creating a grant matching program for façade improvements. On September 12, 2019 staff attended a meeting with downtown Parkville property owners and merchants to review the *Vision Downtown Parkville* plan, provide an update on ongoing capital improvement projects in the downtown, and seek feedback on current issues that future capital improvement projects could address. Consensus among all those in attendance was that a Chapter 353 Downtown Parkville Redevelopment Program would be beneficial to all property owners (see Attachment 2).

Staff has drafted the Downtown Parkville Redevelopment Policy with the notion of encouraging building improvements (see Attachment 3). It's important that structures, in both design and use, are improved/upgraded. Staff would evaluate redevelopment projects and consider financial incentives according to specific investment thresholds, which are modeled after tier levels utilized by other communities in the Kansas City region that have adopted similar Chapter 353 programs. Successful implementation of the program will result in a stronger downtown and overall stronger Parkville community, but ultimately success will be dependent upon private sector commitment to improve the condition and value of buildings throughout the downtown.

**BUDGET IMPACT:**

As this is a work session, there is no immediate budget impact at this time as this program is only being discussed. Should the City proceed with the designation of a project, there would be legal and consulting expenses related to establishing a Redevelopment Project. Once the project is developed, with the exception of application and permit fees collected, there is no immediate budget impact. Long-term impacts would be realized from changes in property taxes and sales taxes collected from the site and proposed development and impacts to the same for area properties and other businesses.

**ALTERNATIVES:**

1. Receive information and a presentation by staff.
2. Receive information and a presentation by staff, and provide input and direction to staff on the proposed program.
3. Postpone the item.

**POLICY:**

Chapter 353 is an economic development incentives program intended for redevelopment of blighted areas through abatement of real property taxes for a designated period of time. As provided by the Urban Redevelopment Corporations (URC) Law, set forth in Chapter 353 of the Missouri Revised Statutes (RSMo), all or some real property taxes, for up to 25 years, may be abated (100% abatement for years 1-10; and up to 50% abatement for years 11-25). In order to approve Chapter 353 economic development incentives, a public hearing must be held before the Board of Aldermen. After the public hearing, the Board adopts an ordinance finding the property blighted and granting the tax abatement to the URC subject to execution of a development contract. The public assistance incentives support redevelopment costs and promotes public health benefits derived from the project.

**STAFF RECOMMENDATION:**

There is no recommendation at this time. Based on comments & feedback received from downtown property owners, merchants and residents over the past few years, staff has drafted a Downtown Parkville Redevelopment Policy. If there's support from the Board of Aldermen from this work session, staff will formally present adoption of a Chapter 353 Downtown Parkville Redevelopment Program at a future date.

**SUGGESTED MOTION:**

As this is a work session, no motion is necessary.

**ATTACHMENTS:**

1. Chapter 353 Program Summary provided by Missouri Department of Economic Development (MoDED)
2. Chapter 353 Downtown Parkville Redevelopment Program (PowerPoint presentation prepared by Joe Parente)
3. DRAFT Downtown Parkville Redevelopment Plan Policy

**ADDITIONAL EXHIBITS BY REFERENCE:\***

1. Parkville Master Plan (<http://parkvillemo.gov/departments/community-development-department/master-plan/>)
2. Vision Downtown Parkville (<http://parkvillemo.gov/government/city-plans-studies/vision-downtown-parkville/>)

\*Printed copies of referenced materials may be provided on request. Original materials are available for viewing at Parkville City Hall.



# CHAPTER 353 TAX ABATEMENT

## MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

### PURPOSE

Chapter 353 Tax Abatement is an incentive that can be utilized by cities to encourage the redevelopment of blighted areas by providing real property tax abatement.

### AUTHORIZATION

Chapter 353 of the Revised Statutes of Missouri (the "Urban Redevelopment Corporation Law").

### ELIGIBLE AREAS

"Blighted areas" in Missouri.

### ELIGIBLE APPLICANTS

Tax abatement is only available to for-profit "Urban Redevelopment Corporations" organized pursuant to the Urban Redevelopment Corporations Law. The articles of association of Urban Redevelopment Corporations must be prepared in accordance with the general corporations laws of Missouri and must contain certain items set forth in Section 353.030, RSMo. of the Urban Redevelopment Corporations Law. There are also special requirements for life insurance companies operating as Urban Redevelopment Corporations. 353.040, RSMo.

### ELIGIBILITY CRITERIA

Tax abatement under the Urban Redevelopment Corporations Law is only extended to real property that has been found to be a "blighted area" by the city. For purpose of 353 tax abatement the term "blighted area" is defined as:

*That portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration, have become economic and social liabilities, and such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.*

353.020 (2), RSMo.

Real property may be property found to be blighted even though it contains improvements, which by themselves do not constitute blight. (*Maryland Plaza Redevelopment Corporation v. Greenberg*, 594S.W.2d 284 (1979).) Tax abatement may also be extended to a tract of real property, which by itself does not meet the definition of a blighted area if such tract is necessary to the redevelopment project

and the area on the whole constitutes a blighted area.

(*Parking systems, Inc. v. Kansas City Downtown Redevelopment Corporation*, 518 S.W.2d 1191974).

### PROGRAM BENEFITS/ELIGIBLE USES

Tax abatement is available for a period of 25 years, which begins to run when the Urban Redevelopment Corporation takes title to the property. During the first 10 years, the property is not subject to real property taxes except in the amount of real property taxes assessed on the land, exclusive of improvements, during the calendar year preceding the calendar year during which the Urban Redevelopment Corporation acquired title to the real property. 353.110.1, RSMo. If the property was tax exempt during such preceding calendar year, then the county assessor is required to assess the land, exclusive of improvements, immediately after the Urban Redevelopment Corporation takes title. During the next 15 years, the real property may be assessed up to 50% of its true value. 353.110.2, RSMo. This means that the city may approve a development plan, which provides full tax abatement for 25 years.

Payments in lieu of taxes (PILOTS) may be imposed on the Urban Redevelopment Corporation by contract with the city. PILOTS are paid on an annual basis to replace all or part of the real estate taxes, which are abated. The PILOTS must be allocated to each taxing district according to their proportionate share of ad valorem property taxes. 353.110.4, RSMo.

### APPLICATION/APPROVAL PROCEDURE

Urban Redevelopment Corporations have the power to operate one or more redevelopment projects; however such projects must be pursuant to a development plan which has been authorized by the city after holding a public hearing on the development plan. 353.060, RSMo. It may acquire property in its own name or in the name of nominees by gift, grant, lease, purchase, or otherwise. 353.130, RSMo. It may borrow funds and secure the repayment by mortgage. 353.150, RSMo.

Urban Redevelopment Corporations are required to maintain reserves for depreciation, obsolescence and the payment of taxes. 353.090, RSMo. The purpose of this requirement is to ensure that the redevelopment does not become blighted again.

## ***SPECIAL PROGRAM REQUIREMENTS***

The Urban Redevelopment Corporation must carefully plan the point in time at which it takes title to real property to ensure that it maximizes the benefits of 353 tax abatement. The 25 years starts to run as soon as the Urban Redevelopment Corporation takes title. Unless the current improvements on the real property have a significant assessed value, the Urban Redevelopment Corporation should not take title to the real property until the improvements to be made under the redevelopment project are completed. Until that time, title to the real property may be held by a related entity.

## ***CONTACT***

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# Chapter 353 Downtown Parkville Redevelopment Program

## Purpose

- ▶ Create an incentive for redevelopment of the Downtown area through abatement of increased real estate taxes for a designated period of time resulting from improvements to properties

## Chapter 353 Process

- ▶ City forms a Redevelopment Corporation
- ▶ Redevelopment Plan prepared
  - Redevelopment area boundary
  - Blight study
  - Policy goals and guidelines regarding abatement (qualifications for abatement, term, amount, etc.)
- ▶ Notice and public hearing on proposed Redevelopment Plan
- ▶ Board of Aldermen approves Redevelopment Plan by ordinance

## Individual Redevelopment Projects

- ▶ Building owner submits application with description of work & estimated costs
- ▶ City staff reviews for conformance with Redevelopment Plan
- ▶ Redevelopment Corporation Board of Directors reviews and makes a recommendation to the Board of Aldermen

## Chapter 353 Property Tax Abatement Benefit

- ▶ Redevelopment program: amount of increased taxes each year abated for a specific number of years or until of cost of renovations/improvements are recovered by the building owner, whichever occurs first
- ▶ The Redevelopment program has the authority to abate all taxes, including existing taxing levels. This is not being recommended.

## Example of Tax Abatement Benefits

- ▶ Building currently valued at \$100,000; annual real estate taxes = \$2,800
- ▶ Owner renovates/improves building; now valued at \$250,000; annual real estate taxes increase to \$7,800

## Example

Post-renovation taxes = \$7,800  
Less: Pre-renovation taxes = \$2,800  
Amount of abated taxes = \$5,000

- ▶ Owner retains abated taxes each year to reimburse cost of the renovation work
- ▶ Over a ten year period, the amount of abated taxes on the \$250,000 investment would be approximately \$50,000.

## Policy Issues

- ▶ Boundaries of redevelopment area
- ▶ Type of renovation work/improvements
- ▶ Term/length of abatement period
- ▶ Minimum investment threshold
- ▶ Percentage of taxes abated/PILOTS
- ▶ Commercial only; residential?
- ▶ Pilot Project? - 16 Main Street (Blight Determination and Redevelopment Corp. work completed).

## Potential Development Tiers

### Level A-1 - "Minimum Exterior"

The purpose of Level A is to attract market-stabilizing investments (market stabilization):

Investment Threshold	Minimum \$15,000 (excluding cost of acquisition)
Incentive Amount and Abatement Period:	Equal to cost of improvements or 100% abatement for 10 years, whichever occurs first.
% of Exterior Improvements	100% Exterior

### Level A-1 - "Minimum"

The purpose of Level A is to attract market-stabilizing investments (market stabilization):

Investment Threshold	Minimum \$25,000 (excluding cost of acquisition)
Incentive Amount and Abatement Period:	Equal to cost of improvements or 100% abatement for 10 years, whichever occurs first.
% of Exterior Improvements	50% Exterior

## Potential Development Tiers

### Level B

The purpose of Level B is to attract mid-market investments (market stimulating):

Investment Threshold	Minimum \$250,000
Incentive Amount and Abatement Period:	Equal to cost of improvements or 10 years 100% abatement + 2 years at 50% abatement, whichever occurs first
% of Exterior Improvements	50% exterior

## Potential Development Tiers

### Level C

The purpose of Level C is to attract sizable (market shifting) investments:

Investment Threshold	Minimum \$750,000 - Requires a "But for" economic analysis paid for by the applicant.
Incentive Amount and Abatement Period:	Equal to cost of improvements or 10 years 100% abatement + 5 years at 50% abatement, whichever occurs first
% of Exterior Improvements	50% exterior



## Chapter 353 Downtown Redevelopment Program

Questions?

# **City of Parkville, Missouri**

## **Downtown Parkville Redevelopment Plan Policy**

### **I. Program Statement**

One of the principal goals of the Vision Downtown Parkville Redevelopment Plan is to strengthen the economic viability of the downtown area through recommended strategies, policies and plans for enhancing Downtown. It includes guidelines for improvements to buildings that address the appearance and structural conditions of existing buildings. It promotes the potential use of financial incentives to encourage investment and redevelopment activity.

The ultimate success of downtown Parkville is dependent upon private sector commitment. It is up to the merchants, building owners, residents, professionals and investors to improve the value of their businesses or residences and the condition of their buildings.

The Chapter 353 Redevelopment incentive program is intended to stimulate improvements to downtown buildings by providing an innovative financing mechanism. It presents an opportunity to preserve our community's small town, historic and charming character, and to enhance and promote the unique atmosphere, which Parkville can provide. Successful implementation will result in a stronger downtown and a stronger Parkville community.

### **II. Appropriate Improvements**

A number of downtown buildings have not been properly maintained or altered in a manner that does not improve the appearance or the image of Parkville. In some cases, alteration is not consistent with the overall design of the structure itself. Such building treatments or lack of improvements/maintenance are in direct conflict with the need for a comprehensive, coordinated approach to improvements.

In 2014, the City adopted the Vision Downtown Parkville Plan. The plan contemplates the use of economic development incentives to provide seed monies for the encouragement of private investment in downtown properties. The proposed Downtown Redevelopment Plan Policy has been drafted with the notion of encouraging building improvements. It is important that structures, both in their design and use, are improved/upgraded. The incentive program would provide property tax abatement as a tool to encourage investment in downtown Parkville. A policy has been developed that establishes standards for qualifying for incentives. Accordingly, no tax abatement shall be granted unless, at a minimum, the proposed redevelopment project reflects a significant improvement as determined by the City.

### **III. Description of Program**

Pursuant to Chapter 353, RSMo, the City of Parkville, through an entity to be created called the Downtown Parkville Redevelopment Board (DPRD), has the ability to abate real property taxes for redevelopment projects. The amount and length of the tax abatement depends on which “level” applies to the project: A, B or C. The incentive amount and length varies with each level depending upon the investment amount.

**Level A**

The purpose of Level A is to attract market-stabilizing investments (market stabilization):

<b>Level A-1</b>	<b>“Minimum Exterior”</b>
Investment Threshold	Minimum \$15,000 (excluding cost of acquisition)
Incentive Amount and Abatement Period:	Equal to cost of improvements or 100% abatement for 10 years, whichever occurs first.
% of Exterior Improvements	100% Exterior

<b>Level A-2</b>	<b>“Minimum”</b>
Investment Threshold	Minimum \$25,000 (excluding cost of acquisition)
Incentive Amount and Abatement Period:	Equal to cost of improvements or 100% abatement for 10 years, whichever occurs first
% of Exterior Improvements	50% exterior

**Level B**

The purpose of Level B is to attract mid-market investments (market stimulating):

<b>Level B</b>	
Investment Threshold	Minimum \$250,000
Incentive Amount and Abatement Period:	Equal to cost of improvements or 10 years 100% abatement + 2 years at 50% abatement, whichever occurs first
% of Exterior Improvements	50% exterior

**Level C**

The purpose of Level C is to attract sizable (market shifting) investments:

<b>Level C</b>	
Investment Threshold	Minimum \$750,000 – Requires a “But for” economic analysis paid for by the applicant.
Incentive Amount and Abatement Period:	Equal to cost of improvements or 10 years 100% abatement + 5 years at 50% abatement, whichever occurs first
% of Exterior Improvements	50% exterior

*Determination of qualified investment threshold.* If the project involves new construction or rehabilitation of an existing structure, interior and exterior costs may count towards the investment range. The total project budget for the investment should look to allocate approximately 50% to exterior costs and 50% to interior costs, however these percentages may vary with the key consideration being both the exterior and interior must be brought up to desired standards, subject to the RRC Board’s review. The DPRD Board shall review the project budget and make a recommendation to the City Council for approval.

*Applicable/Non-applicable investment costs examples include, but are not limited to:*

*Applicable costs:*

- Exterior: Masonry work, paint, signs, awnings, materials, windows, doors, roof, gutters, downspouts, pavement (off-street), landscaping, lighting, ADA accessible, demolition, self-help labor, and contract labor
- Interior: Plumbing, electrical, structural alterations/reconstruction, paint, energy conservation (insulation, weather stripping, sealing, etc.), permanently attached fixtures, HVAC, ADA accessible, self-help labor, and contract labor

*Non-applicable costs:*

- Exterior: Inappropriate cleaning methods
- Interior: Furniture, appliances, inventory, display fixtures (unattached to wall), and decor

*Self-help labor.* Self-help labor must be approved before it occurs. City staff will coordinate with applicant to track and verify the amount that will be included as an applicable cost.

*Invoice documentation.* Invoices for all investment costs will be required to be submitted to City Staff after the redevelopment project is complete and before the tax abatement is finalized.

*Project density.* A redevelopment project shall generally relate to an individual land parcel, but treating multiple properties as if assembled may be appropriate depending upon the circumstances. This shall not generally apply to individual single family

residential structures, unless it is appropriate to treat a project involving multiple residential structures as a whole. Commercial projects may have one or more units per structure.

*Impact on School District.* Because new residential projects which qualify for Levels A or B have the potential to significantly generate students into the school district, affected parties shall confer with the school district to identify mitigating factors, such as entering into a PILOT Agreement, as may be appropriate given such a project's financial viability. For example, one new residential single family dwelling would not generally be expected to qualify at Levels A or B, and requiring a PILOT on this lower investment amount may render this Policy's abatement inconsequential as an incentive. However, a multiple family residential structure (e.g., attached housing, four-plex, etc.) may well qualify at Levels A or B and, given this higher investment amount, a PILOT Agreement would be appropriate.

*Future projects.* If a project occurs in the future on a property during its tax abatement time period, the future project will be allowed to apply for tax abatement. If the future project does not apply for or is not granted tax abatement, additional PILOTs will be required to be paid on the increase of assessed valuation relating to the future project.

“PILOT” refers to payments in lieu of taxes to be made to all taxing authorities whose property tax revenues are affected by the abatement on the same pro rata basis and in the same manner as the ad valorem property tax revenues received by each taxing authority from such property in the year such payments are due.

*But-for economic analysis* means that, with respect to a particular Redevelopment Project, the applicant would not reasonably be anticipated to undertake the Redevelopment Project without the tax abatement incentive, which may be evidenced by an applicant's affidavit attesting to this fact. The cost of any but-for economic analysis will be paid for by the applicant.

#### **IV. Eligible Property**

Redevelopment projects may be located on any parcel within the Redevelopment Area. See attached Exhibit A for the Redevelopment Area boundaries.

#### **V. Application process:**

Applications for the program will be accepted by the City Staff on behalf of DPRD. A \$250.00 filing fee to City of Parkville is required with the application for investment Level “A” or a filing fee of \$750.00 for investment Level “B” and “C”. If approval is not given for tax abatement for the project, the filing fee will be refunded.

The Application will first be reviewed by City Staff for a determination of whether the proposed Redevelopment Project is a suitable project. If the staff review determines that the proposed Redevelopment Project is suitable, the application will be considered by the

DPRD Board for recommendation to the City Council, including a recommendation as to the appropriate incentive level. The City Council shall then consider the DPRD recommendation. If the City Council favorably considers the application, it will adopt an ordinance approving the Redevelopment Project and authorizing the tax abatement. The property owner and DPRD will then enter into a Memorandum of Understanding setting forth program responsibilities and expectations and execute special warranty deeds conveying the property – albeit briefly – to DPRD and then back to the property owner, which then serves as the statutory trigger for the tax abatement.

The tax incentive is available for only those projects that have been approved by the Board of Aldermen before the project is started (excluding pilot projects undertaken prior to adoption of this Policy).

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Attachment "A" Program Guidelines

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Attachment "B"  
Program Application

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