



**Work Session Agenda**  
**BOARD OF ALDERMEN**  
CITY OF PARKVILLE, MISSOURI  
November 21, 2017; 6:00 p.m.  
City Hall Board Room

**1. GENERAL AGENDA**

A. Tax Increment Financing Overview

## **OVERVIEW OF TAX INCREMENT FINANCING**

- I. Definition of TIF – what is it?
  - A. Economic development tool
  - B. Means to finance redevelopment of blighted, near blighted or economic development areas; purpose is to redevelop areas that are blighted, substandard, or economically underutilized
  - C. Increment captured:
    1. 100% of real property taxes
    2. 50% of local economic activity taxes (sales & utility taxes)

### ***Broad, General Overview of TIF***

- *In general, TIF is simply a method of providing incentives in order to enable a developer to redevelop property that is deemed to be blighted or on its way to becoming blighted ("near blight"; called a "conservation area" in the statute) under the statute.*
- *Here is how the process works in general:*
  - *Developer identifies property he/she wants to redevelop, needs public financial assistance, and believes that it fits the statutory requirements for blight or near blight*
  - *Developer then prepares an application or proposal to the City's TIF Commission to redevelop the property*
  - *Proposal outlines the basis for a blight or near blight designation*
    - *also specifies the "extraordinary" costs that the Developer will incur to cure the blight and make the redevelopment of the property financially feasible*
    - *proposal identifies the specific development proposed for the property and the expected tax revenues it will generate*
    - *further identifies what portion of the revenues will be captured in the special allocation fund to pay for the extraordinary costs incurred to cure the blighted conditions on the property*

- *under the statutes, the incremental increase in property taxes above the property taxes currently generated by the property are captured*
- *also capture 50% of the new economic activity taxes (EATS) generated from the property*
  - *sales taxes*
  - *utility taxes*
- *After receiving the developer's proposal, the TIF Commission will request proposals from any other interested parties to redevelop the property*
  - *typically will not receive any other proposals*
- *Public notices are given and the TIF Commission holds a public hearing on the proposed TIF Plan to redevelop the property and decides whether to recommend approval or denial to the Board of Aldermen*
- *Board of Aldermen then reviews the proposed TIF Plan and a proposed redevelopment agreement between the City and the Developer and, if it approves these documents, the plan is adopted and the Developer can proceed with constructing the development*

## II. Statutory Requirements

### A. Eligible areas for TIF

#### 1. Blighted area

*Statutory definition: an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use*

*Includes concepts such as "economic underutilization", lack of infrastructure, presence of subsurface rock or mining, etc.*

#### 2. Conservation area (near blight)

*Improved area where 50% or more of the structures are 35 years old or older and at least 3 of the statutorily identified blighting factors are present (dilapidation, abandonment, excessive vacancies, etc).*

*Generally area that may not be blighted but certainly is on its way to becoming blighted.*

3. Economic development area

*Seldom used; questions regarding constitutionality of this method*

B. Required standards that must be met

1. "But for" test

*Area "has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing."*

*Typically demonstrated by Developer showing that could not make a reasonable rate of return on his/her investment if have to bear all costs associated with redeveloping the property; must sign an affidavit to this effect*

2. Conformance with Comprehensive Plan

3. Project completed within 23 years

4. Relocation plan

*If any existing businesses or residents will be displaced by the project, must have a relocation assistance plan to show how this will be handled (payment of moving expenses, etc.)*

C. Eligible project elements

1. Costs "reasonably related and necessary" to implement plan

a. Public infrastructure

*Streets, water, sewer, storm drainage, etc.*

b. Private improvements

*Buildings, parking lots, landscaping, etc. (within redevelopment area)*

c. Capital contributions to taxing districts

*Costs of taxing districts for capital improvements that are found by the City to be necessary and to directly result from the redevelopment project (e.g., new school facilities, library facilities, etc.)*

2. Off-site improvements

*To public infrastructure outside redevelopment area if "essential to the preparation of the redevelopment area for use in accordance with a redevelopment plan"*

III. Mechanics of TIF

A. Procedural process

1. Establishment of TIF Commission

a. Membership

*11 members – 6 City appointees, 2 County, 2 School District, and 1 to represent all other affected taxing jurisdictions*

b. Powers

*Required by statute to hold a public hearing*

*Essentially a review and recommending body (like Planning Commission on land use matters); hold public hearing, review details of proposed TIF Plan, and make recommendations to the Board of Aldermen*

2. Funding Agreement

*City will require Developer to enter into a funding agreement with the City whereby Developer agrees to front the money for some or all of the costs the City expects to incur in processing, reviewing and considering the application. If project ultimately approved, Developer reimbursed for these costs out of TIF proceeds; if not, Developer does not get this money back*

3. Preparation of TIF Redevelopment Plan

*Often prepared by Developer (applicant) and submitted to City; ultimately, actual plan that is adopted is technically the City's TIF Redevelopment Plan*

*Plan includes:*

*General description of proposed development*

*Blight study*

*Objectives of plan (e.g., cure blighted conditions; provide needed services to City residents; provide additional employment, etc.)*

*Division of Redevelopment Area into Project Areas and proposed plans for (uses) and schedule for development of each phase of development, including public infrastructure to be constructed*

*Sources of funds and commitments for financing project costs; includes plans for any bonds to be issued*

*Project budget showing project expenses to be funded privately by Developer and publicly by TIF revenues*

*Cost-benefit analysis showing impact on taxing jurisdictions if project is built and not built*

*Whether condemnation is expected to be necessary*

*Relocation plan*

4. Notices for public hearings

*45 day certified mail notice to taxing jurisdictions; 2 newspaper publication notices; certified mail notices to property owner(s) in Redevelopment Area*

5. Requests for proposals

*Required by statute to seek proposals for others to implement the TIF Plan; as noted previously, seldom receive other proposals*

6. Public hearing at TIF Commission

*Developer presents proposed TIF Plan and Projects; City staff and consultants present analysis, comments, recommendations, etc.; public and taxing jurisdictions have opportunity to comment and/or provide information*

7. Findings and Recommendation by TIF Commission to Board of Aldermen

*TIF Commission must vote within 30 days of close of public hearing*

*If TIF Commission makes a recommendation in opposition to the proposed TIF Plan or Project, Board of Aldermen approval must be by 2/3 majority vote*

*Statute requires that Board of Aldermen find:*

*Area is blighted or conservation area as defined by statute*

*"But for" test is met*

*Proposed uses in TIF Plan are consistent with City's Comprehensive Plan*

*TIF Plan includes estimated dates for completion and retirement of any obligations (bonds) within 23 years from date project within the TIF Plan is approved*

*Relocation assistance plan*

*Cost-benefit analysis and finding that project is financially feasible*

*Project area does not include initial development or redevelopment of a gambling establishment*

8. Consideration by Board of Aldermen of Redevelopment Plan and Projects and Proposed Redevelopment Agreement

*Board considers recommendations from TIF Commission regarding proposed TIF Plan and Projects*

*Board also considers proposed Redevelopment Agreement between City and Developer. This agreement is essentially the*

*"glue" that holds the implementation of the TIF Plan and Projects together. It generally includes specifics such as:*

*What public and private improvements will be built, when they will be built, and how they will be built (tying together the TIF Plan and any zoning/site plan approvals)*

*How property will be assembled/acquired and when*

*Funding sources and uses of funds (Developer private equity and Developer construction loans; City TIF obligations (bonds) and when and upon what conditions they will be issued)*

*Development schedule*

*Developer's duties and City's duties and what has to occur before each party is obligated to perform its duties*

*Special requirements regarding design of the structures, landscaping, etc.; may also include right by City to approve tenant mix and limit relocations of existing businesses in the City to the Redevelopment Area*

*Process to be used by City in administering TIF revenues deposited in Special Allocation Fund*

*Requirements for Developer and tenants to document and report sales taxes collected monthly*

*Requirements that Developer form a Transportation Development District (TDD) or Community Improvement District (CID), impose an additional sales tax, and enter into cooperative agreement with the City regarding use of sales tax proceeds*

*What happens if property is sold or Developer sells controlling interest in his company and whether City has approval rights (if City doesn't approve, Developer may be able to go ahead but City may have right to terminate TIF assistance, etc.)*

*What happens if project is abandoned by Developer or terminated by City (and when City has right to terminate)*

*Other typical provisions generally found in contracts*



9. Board of Aldermen approval of Redevelopment Plan, Projects, and Redevelopment Agreement

*By ordinance within 14-90 days of close of TIF Commission public hearing*

B. Financing process

1. Payments In Lieu of Taxes (PILOTS)

- a. Method of calculation

*Establish the base year (current assessed value of property in Redevelopment Area in year TIF Projects included in Plan approved)*

*Each year during term of TIF (up to 23 years), as property is developed and reassessed to a higher value (which translates to higher property taxes paid), the increase in taxes over the base year is captured as PILOTS and deposited in Special Allocation Fund to pay project expenses*

2. Economic Activity Taxes (EATS)

- a. Method of calculation

*Establish base year (sales taxes generated on property in Redevelopment Area in calendar year prior to approval of the TIF Projects included in Plan)*

*Each year during term of TIF (up to 23 years), as sales taxes are generated within Redevelopment Area, 50% of the increase in these taxes over the base year is captured and deposited into Special Allocation Fund for project expenses*

*Exceptions: some sales taxes are specifically excluded from capture by TIF (hotel/motel taxes; Truman Sports Complex sales tax, etc.). In addition, after a project has been approved, voter approved increases in sales taxes (excluding renewal of expiring sales taxes) are excluded from capture by TIF*

- b. Relocation of existing businesses to Redevelopment Area

*Statute generally restricts capture of sales taxes if an existing business in the County relocates into the Redevelopment Area within 1 year and Board of Aldermen makes finding that relocation is a direct beneficiary of TIF; restriction is to make the base year the sales taxes generated at previous location within the County rather than using as base year sales taxes generated within Redevelopment Area*

3. Emergency Services Districts

*Emergency services districts (fire districts, ambulance districts) are entitled to reimbursement from the Special Allocation Fund of at least 50% and not more than 100% of the district's tax increment (PILOTS and EATS) generated by the project*

4. Special Allocation Fund

*Fund managed by City into which PILOTS and EATS are deposited and these revenues are disbursed by the City to pay project costs*

5. Financing approach

a. Bonds

Not tied to City's full faith and credit

*Revenue bonds only; repaid by revenues captured by TIF and deposited into Special Allocation Fund*

b. "Pay as you go"

*Approach where Developer funds all project costs up front from private equity or loan and then gets reimbursed by City from TIF Special Allocation Fund as moneys are available for reimbursement*

6. Surplus funds

*If City ends up with more money in Special Allocation Fund than it needs to pay bond debt service, City can use these surplus funds to pay off bonds sooner or can choose to distribute them back out to the taxing jurisdictions (must be distributed back out in a*

*manner proportional to how taxing jurisdictions would have received them; i.e., can't just pick a taxing jurisdiction and give them everything and others nothing)*

#### IV. City Staff/Consultant Role and Tasks

- A. "Due diligence" review of issues such as Developer's:
  - 1. conformance with adopted City policies and other applicable rules/regulations
  - 2. estimated costs for development/construction
  - 3. projected sales and the associated tax revenues to be generated (from both sales and property taxes)
  - 4. property acquisition price
  - 5. traffic projections and proposed improvements
  - 6. quality of development standards (materials, design, and proposed tenants) for the project
  - 7. proposed debt issuance process and structure (if applicable)
  - 8. pro forma and projected rate of return with and without TIF
- B. Ensure that all applicable TIF statutory procedures have been met
- C. Prepare comprehensive recommendation to TIF Commission and Board of Aldermen regarding proposed TIF Plan and Projects

#### V. Ethical Considerations

- A. Conflicts of Interest
  - 1. State statutes generally prohibit elected and appointed officials of local governments from participating directly or indirectly in an action that would result in a direct financial benefit or gain to the official, spouse, or dependent children
  - 2. Includes accepting payment for actions and attempting to influence decisions or participating directly or indirectly in a decision when it may result in a direct financial gain
  - 3. Penalty under state law: class B misdemeanor

4. Recommendation: if you think you might have a conflict of interest but are not sure, take the safe route and ask the City's legal counsel for guidance

5. TIF statute specific conflict provision (§99.820.1(13) RSMo):

“If any member of the governing body of the municipality, a member of a commission established pursuant to subsection 2 or 3 of this section, or an employee or consultant of the municipality, involved in the planning and preparation of a redevelopment plan, or redevelopment project for a redevelopment area or proposed redevelopment area, owns or controls an interest, direct or indirect, in any property included in any redevelopment area, or proposed redevelopment area, which property is designated to be acquired or improved pursuant to a redevelopment project, he or she shall disclose the same in writing to the clerk of the municipality, and shall also so disclose the dates, terms, and conditions of any disposition of any such interest, which disclosures shall be acknowledged by the governing body of the municipality and entered upon the minutes books of the governing body of the municipality. If an individual holds such an interest, then that individual shall refrain from any further official involvement in regard to such redevelopment plan, redevelopment project or redevelopment area, from voting on any matter pertaining to such redevelopment plan, redevelopment project or redevelopment area, or communicating with other members concerning any matter pertaining to that redevelopment plan, redevelopment project or redevelopment area. Furthermore, no such member or employee shall acquire any interest, direct or indirect, in any property in a redevelopment area or proposed redevelopment area after either (a) such individual obtains knowledge of such plan or project, or (b) first public notice of such plan, project or area pursuant to section 99.830, whichever first occurs;”