PROJECT DEVELOPMENT TOOLS

- The State of Missouri offers a number of statutory tools for development assistance.
- This presentation will give an overview of some of the most commonly used development finance/assistance tools:
  - Tax Increment Finance
    - Statute reference
  - Chapter 353 Tax Abatement
    - Reference
  - Community Improvement District
    - Refe
  - Transportation Development District
    - Reference

Tax Increment Financing

- Concept
  - Incentive to overcome development challenges
  - Public/Private Partnership Tool
  - Enables an Area to fund its own revitalization
  - Incremental (New) taxes can be used to pay for certain eligible project costs

Tax Increment Financing

- TIF in DREAM Communities?
  - 17 of the 40 DREAM Communities have used TIF.
  - 6 TIF Districts for Downtown improvements (infrastructure, etc.)
  - The rest appear to be project-specific TIFs for retail development, industrial development, infrastructure improvements to newly annexed areas, etc.

Tax Increment Financing

- The TIF Process
  - The TIF Commission Established
    - Advisory body
  - Timing Requirements and Notifications
    - Letters to taxing districts
    - Notices of public hearings
  - Request for Proposals
  - TIF Commission "orientation"
  - TIF Commission Recommendation to City Governing Body

Tax Increment Financing

- TIF Terminology
  - Redevelopment Area
  - Redevelopment Project Area
  - Payments in Lieu of Taxes (PILOTs)
  - Economic Activity Taxes (EATs)
  - Special Allocation Fund

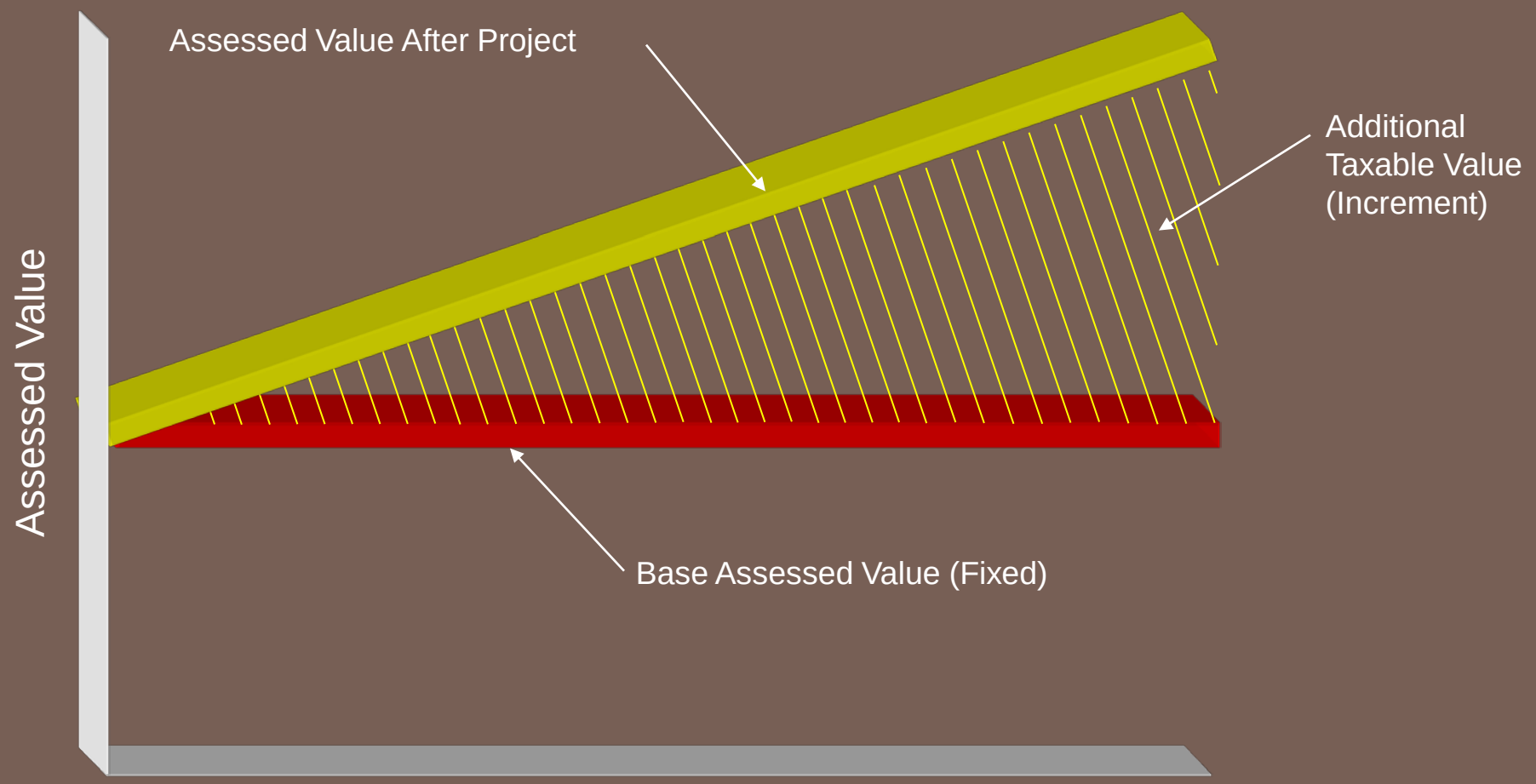
Tax Increment Financing

- TIF Documents
  - The Redevelopment Plan
    - Required findings:
      - Blighted Area
      - Conservation Area
      - Economic Development Area
    - "But for" Test
    - 23-Year Timeframe
    - Conformance with the Comprehensive Plan
    - Project must be approved within 10 years of TIF approval.
  - Cost/Benefit Analysis
    - Shows impact on taxing districts if the project is built or not built.

Tax Increment Financing

- TIF Financing
  - Sources (TIF Revenues)
    - 100% of Incremental Property Taxes (PILOTs)
    - 50% of incremental Economic Activity Taxes (EATs)
  - Uses
    - Financial Obligations (TIF Notes and TIF Bonds)
    - Pay-as-you-go

What is Tax Increment?



The Basics of Tax Increment Financing

- Statutory Basis For TIF

  - Rooted in Federal Urban Renewal Law;
  - In Various Forms in Nearly Every State;
  - One of Several Redevelopment Mechanisms Available to Municipalities (TIF, 353, Chapter 100, NID, CID, TDD);
  - Requires Establishment of Redevelopment Area (Blighted, Conservation, Economic Development)
  - Based on Premise That There is Public Benefit in Correcting "Blighted" Conditions;

The Basics of Tax Increment Financing

- Conservation Area Factors:

  - Threshold (50% of Structures 35 Years or Older)
  - Dilapidation;
  - Obsolescence;
  - Deterioration;
  - Illegal Use of Structures;
  - Structures Below Code;
  - Abandonment;
  - Excessive Vacancies;
  - Inadequate Utilities;
  - Deleterious Land Use;
  - Excessive Land Coverage;
  - Lack of Community Planning;
  - Depreciation of Physical Maintenance;
  - Overcrowding of Structures & Community Facilities;
  - Lack of Ventilation, Light, or Sanitary Facilities;

The Basics of Tax Increment Financing

- "Blighted" Area Factors:

  - Defective or Inadequate Street Layout;
  - Unsanitary or Unsafe Conditions;
  - Deterioration of Site Improvements;
  - Improper Subdivision or Obsolete Platting;
  - Existence of Conditions Which Endanger Life or Property by Fire or Other Causes (Flooding);
  - Constitutes an Economic or Social Liability or Menace to the Public Health, Safety, Morals, or Welfare

  (Note: For Any Area Entire Area Need Not Qualify.)

The Basics of Tax Increment Financing

- Economic Development Area Factors:

  - Does Not Meet Definition of "Blighted" or "Conservation" Area
  - Not Used Solely For Commercial Businesses Which Unfairly Compete In Local Economy;
  - Discourages Commerce/Industry From Moving To Another State;
  - Result In Increased Employment;
  - Preserve or Enhance the Tax Base;

    (Generally Limited To Public Improvements Due to Certain Provisions in State Constitution.)

The Basics of Tax Increment Financing

- How TIF Works:
  - Utilizes Incremental Real Property and Economic Activity Taxes (Generally Sales/Utility Taxes) Revenues;
  - Not All Taxes Captured (Personal Property, Commercial Surcharge, Some Sales Taxes);
  - TIF Can Last Up To 23 Years.

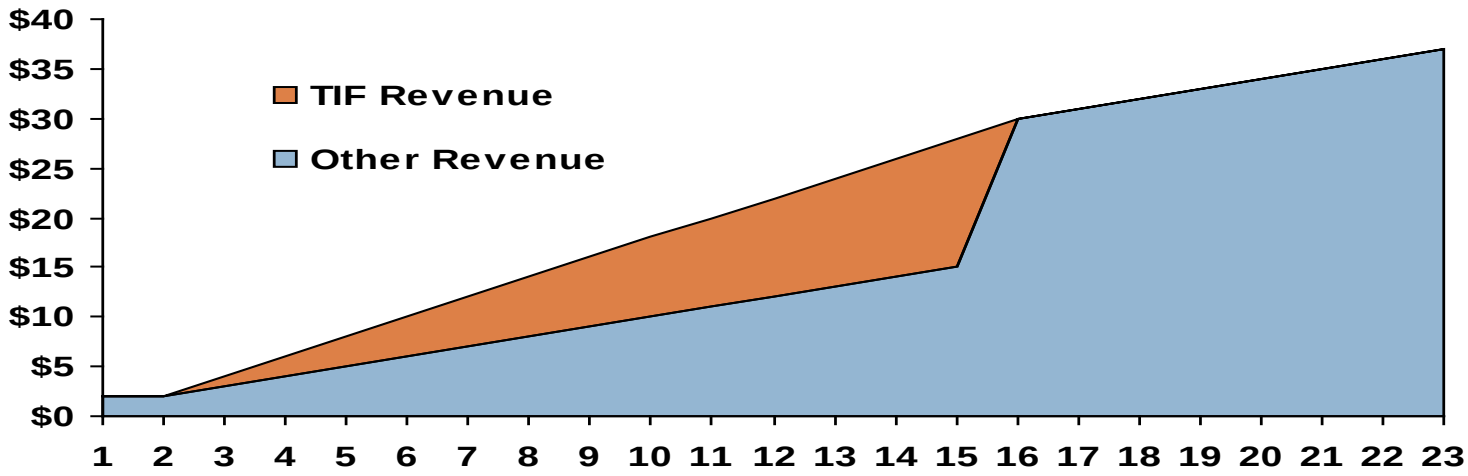
    (33 Years If Projects Are Not Adopted Until 10th Year)

The Basics of Tax Increment Financing

- How TIF Works:
  - All TIF-applicable taxes must be captured but not all must be used – many TIF programs "surplus" funds annually and send the monies back to the taxing districts;
  - A district does not have to be in place for the full 23-years

    (in fact most St. Louis area TIF projects have ended in 15 years or less);

Example below show a typical scenario for a 15-year TIF



The Basics of Tax Increment Financing

- How TIF Works:

  - All Real Property and Economic Activity Taxes from the base condition of the property at the time of the TIF continue to be paid to taxing districts;
  - New (incremental) taxes from redeveloped property are captured for repayment of certain project costs:

    100% of incremental real property taxes

    50% of economic activity taxes

The Basics of Tax Increment Financing

- How Established

1. City Forms TIF Commission (In St. Charles County Commission Made up of 6 City Members, 2 School District Members, 2 County Members, and 1 Member Who Represents Other Taxing Districts)*;

*(TIF Commission Acts in a Manner Similar To a P & Z Commission – Holds Public Hearing and Makes Recommendation on the Plan and Project);

The Basics of Tax Increment Financing

- How Established

2. City Prepares TIF Plan and Cost/Benefit Analysis;
3. Commission Holds Public Hearing (45 Day Notice of Taxing Districts);

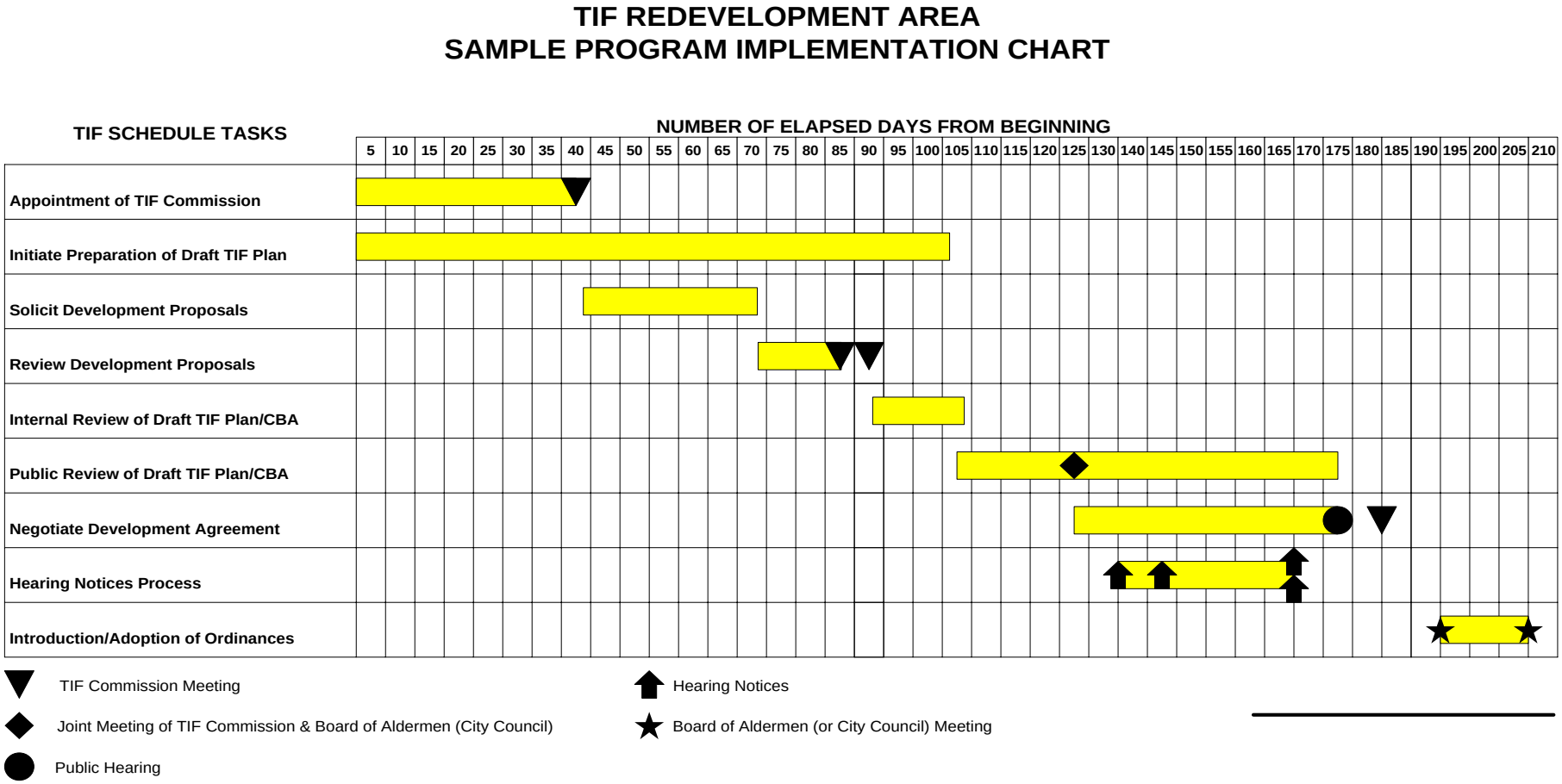
The Basics of Tax Increment Financing

- How Established

4. TIF Commission Makes Recommendation To the City Council/Board of Aldermen;
5. City Adopts Plan and Project by Ordinance (No Sooner Than 14 Days Following Close of Public Hearing).

The Basics of Tax Increment Financing

- Typical TIF Process Takes Approximately 6 Months To Complete.



The Basics of Tax Increment Financing

- Summary
  - City Forms TIF Commission;
  - Area Must Qualify (Blighted, Conservation, Economic Development Area);
  - Commission Holds Public Hearing;
  - Commission Makes Recommendation to the City;
  - City Adopts By Ordinance;
  - Process Takes Approximately 6 Months.

The Basics of Tax Increment Financing

- Summary

  - Difference between TIF and Tax Abatement is that in TIF all taxes are paid;
  - Developer must incur the cost of all improve- ments and is only repaid for TIF-eligible improvements if the project generates the incremental revenues;
  - The implementing city or county does not guarantee repayment with any other source of revenue.

Contact Information

- The entire Residential Demand Analysis is available from the City of St. Joseph.

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