



Best Practices for Considering & Delivering Development Incentives

Basis

- Granting development incentives of any type (TIF, CID, TDD, Tax Abatement, etc.) should be predicated on an established need.
- There should be a “but for” test even if the tool you are using doesn’t require it.
- Why does the project need the incentive?
- You are being asked to use tax revenues to support private development activities (and in some instances related public improvements) so there should be a demonstrated reason.

Basis

- The “need” is typically to offset extraordinary costs that make the project uncompetitive in the local real estate market or more costly than a competing location.
- These usually include:
 - Demolition
 - Environmental remediation,
 - Public infrastructure (roads, water, sewer),
 - Land acquisition (need to acquire existing improvements that have value but not to the project),
 - other factors).

“Best Practices” Concept

- The concept of “Best Practices” focuses primarily on the negotiation and management of the public-private partnership created via the granting of the incentive.
- Municipal entities should have established policies, procedures, and guidelines that are intended to make apparent and explicit, the information required and conditions that must be met, if a particular project or area is to receive incentives.

“Best Practices” Concept

- Whether the incentive is being requested by a developer for a specific project, or city staff or elected officials are suggesting an “area” designation (say for TIF or tax abatement), there should be:
 - A formal application that requests certain information;
 - A review entity with appropriate professional expertise to evaluate the application and make a formal recommendation to the elected body;
 - A formal written and verbal presentation of the findings of the review entity that creates a record.

Typical Evaluation Criterion

- A developer or city staff requesting public incentives for a project or area should demonstrate (in writing) the level of public benefit their project could provide to the City in terms of:
 - Amount of request vs. public revenues generated during the life of the incentive
 - Jobs created and/or retained, type and pay level of jobs
 - Saving an architecturally or historically important building
 - Putting vacant or underutilized property in productive use
 - Providing public infrastructure benefitting a wider area

Typical Evaluation Criterion

- Is the investment in the area or the project likely to have a positive spin-off effect on adjacent properties or areas where development/redevelopment is likely to occur without incentives?
- How does the project or area incentive serve to promote the city's community and economic development plans and goals?
- Does the project or area incentive program benefit (directly or indirectly) the other community public entities (schools, libraries, parks, etc.)?

Typical Evaluation Criterion

- Is the economic benefit likely to be long-term (retail development – especially national chains – has a history of moving on to the next concept)?
- What is the ratio of public to private investment (i.e. how much of the total project cost would the incentive constitute)?
- Has there been a demonstrated need for the incentive (i.e. a pro forma submitted by the developer or a city staff or consultant document that clearly shows a need for the amount requested)?

Typical Evaluation Criterion

- If the incentive request is developer-driven, what is the financial strength of that entity?
- Has there been demonstrated market potential for the development (retail, residential, spec office)?
- Is the private financing secured?
- Is there a request for up-front municipal financing (beware a developer project request that asks for city-backing via initial bond issue or other front financing that is to be repaid with incentive revenues)?

Examples of Criterion Application

Fenton, MO – Fenton Crossing & Gravois Bluffs - 1992



Examples of Criterion Application

Fenton, MO – Fenton Crossing & Gravois Bluffs



Examples of Criterion Application

Sunset Hills, MO – Sunset Plaza - 1990



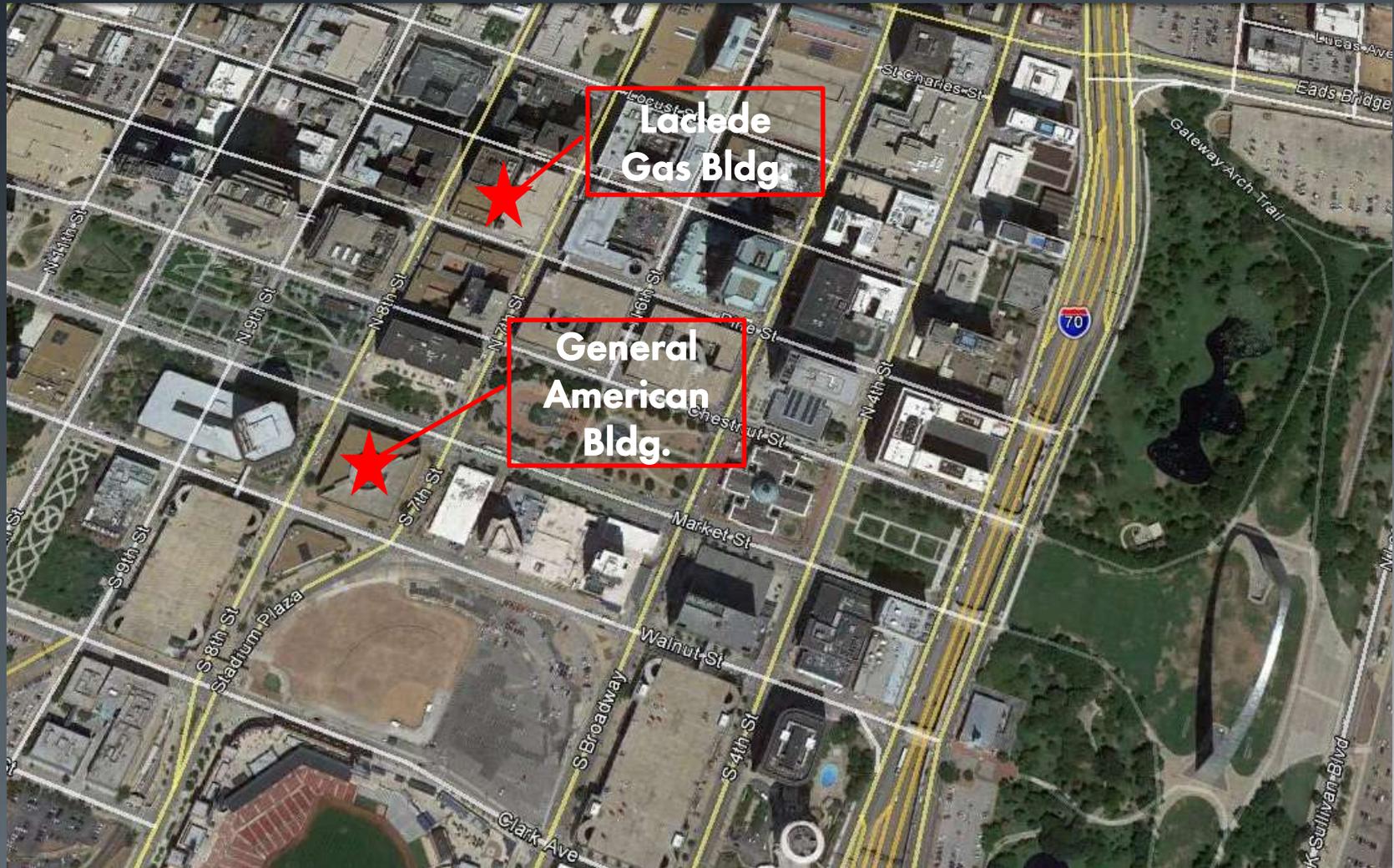
Examples of Criterion Application

Sunset Hills, MO – Sunset Plaza



Examples of Criterion Application

St. Louis, MO – Laclede Gas Headquarters



Policies & Procedures Considerations

- Develop an economic development incentive application document.
- Completion of the application should be required for both developer-driven and city-initiated projects.
- This forces a process of providing the information and answering the questions outlined above in writing.
- This provides public transparency and documents the reasoning for granting the assistance.

Policies & Procedures Considerations

- Be sure you've thought through the economic costs and benefits of the incentive(s) you are contemplating and have the info to back up your decisions.
- Recognize the public perceptions *and* public policy implications of what you are doing.