

	<div>STAFF</div> <div>REPORT</div>
<b>Date:</b>	July 18, 2023
<b>Prepared By:</b>	Stephen Larson, Finance Director
<b>Subject:</b>	TIF Marketplace 5 Year Report

The Smithville Marketplace TIF (Tax Increment Financing) Plan was adopted by the Board of Aldermen on August 1, 2017 (Ordinance #2969-17). The plan identified a geographical area of approximately 66.3 acres located between Cliff Drive and U.S. Highway 169 (commonly known as the Smithville Commons site). Per the history of the area in the TIF Plan, the site was developed commercially in 2009 as a large-scale multi-tenant retail site but by 2011, the development still did not have any occupants. In 2014, the redevelopment area was foreclosed upon.

The Smithville Marketplace currently includes the following eight businesses:

- Scooter's Drive Thru Coffee
- Porter's Ace Hardware
- Taco Bell
- Burger King
- Cosentino's Price Chopper
- Domino's Pizza
- Jimmy John's
- Dentistry at Smithville Marketplace

The TIF Plan included a listing of the expected businesses which would comprise the Marketplace. This included a grocery store, a tractor and farm supply store, a hardware store and other smaller pad sites (such as a fast-food restaurant, a coffee shop, etc.). Currently, the only store not operating in the Marketplace TIF, in this initial projection, is a tractor and farm supply store.

In addition, the plan featured specific projections for assessed valuation, PILOTs (Payment in Lieu of Taxes), and EATs (Economic Activity Taxes). This report will compare TIF projections to actual activity in the effort to indicate the satisfactory progress of the development.

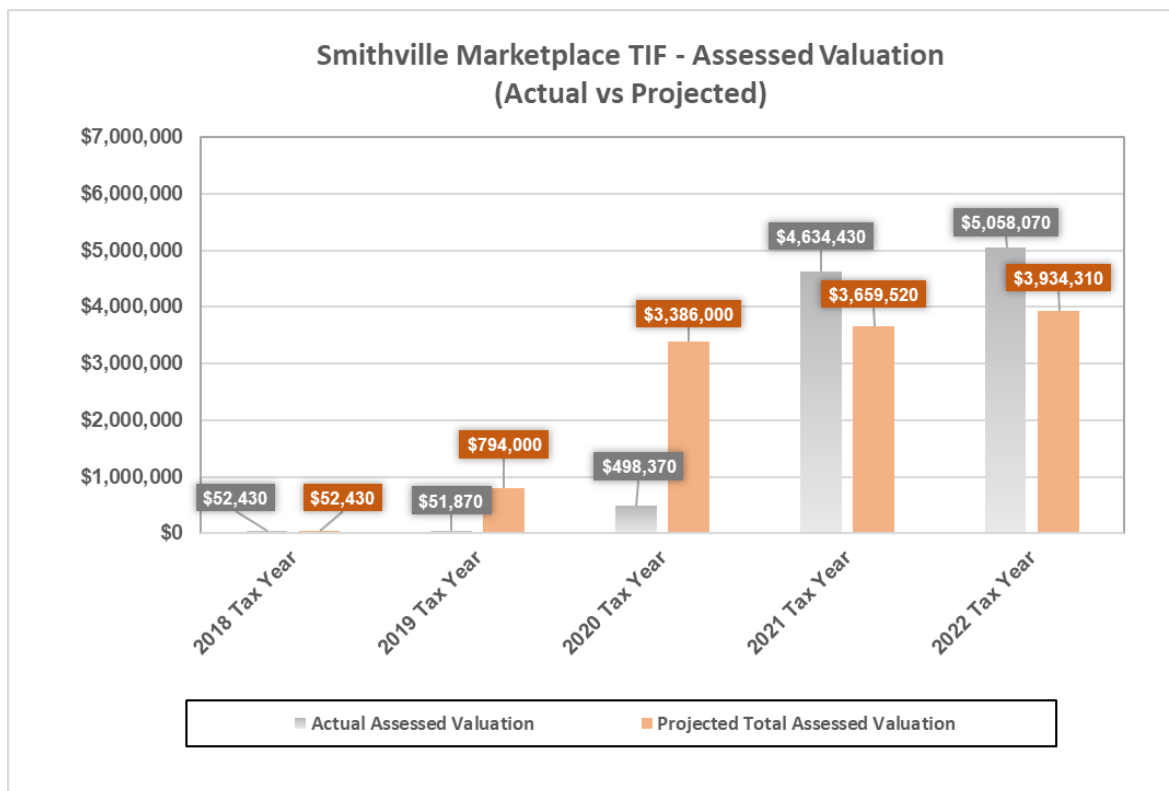
## Issuance of Tax Increment Revenue Bonds

On May 17, 2022, the Board of Aldermen passed Bill No. 2937-22 which authorized the issuance of the City's Tax Increment Revenue Bonds (Smithville Commons Project), Series 2022, which consisted of the Series 2022A and Series 2022B bonds in the total amount of \$8,050,000. These proceeds provided immediate funding to the developer to pay reimbursable project costs.

In turn, it is the City's duty each month to disburse TIF EATs and CID Sales Tax to UMB each month via check. In addition to these revenues, each year, after the City provides the PILOT reimbursement to the taxing jurisdictions, the City disburses the remaining funds to UMB. These revenues are disbursed into designated accounts to pay principal and interest on the debt service for the tax increment revenue bonds.

## Assessed Valuation Trends - Actual vs. Projected

The TIF Plan outlined projected assessed valuation for the Marketplace. Although the projected AV in Tax Year 2020 was not achieved, the AV for Tax Year 2021 and Tax Year 2022 was achieved. The variances in the projected AV and actual AV are caused by the timelines in opening major businesses (i.e., grocery and hardware stores) within the redevelopment area. Given the TIF plan projections, the total assessed valuation



was expected to increase to \$5.9 million by Tax Year 2040. Currently, actual assessed valuation is tracking well against these AV projections. In fact, Finance staff recently received preliminary AV estimates from Clay County and the preliminary valuation for the Marketplace TIF is \$6,075,540 which eclipses the Plan's projection. Staff will continue to monitor these projections going forward as new businesses are added to the tax rolls. The assessed valuation helps develop the basis for PILOT monies distributed to the taxing jurisdictions, which will be discussed next in this staff report.

## **TIF Property Tax and PILOTS**

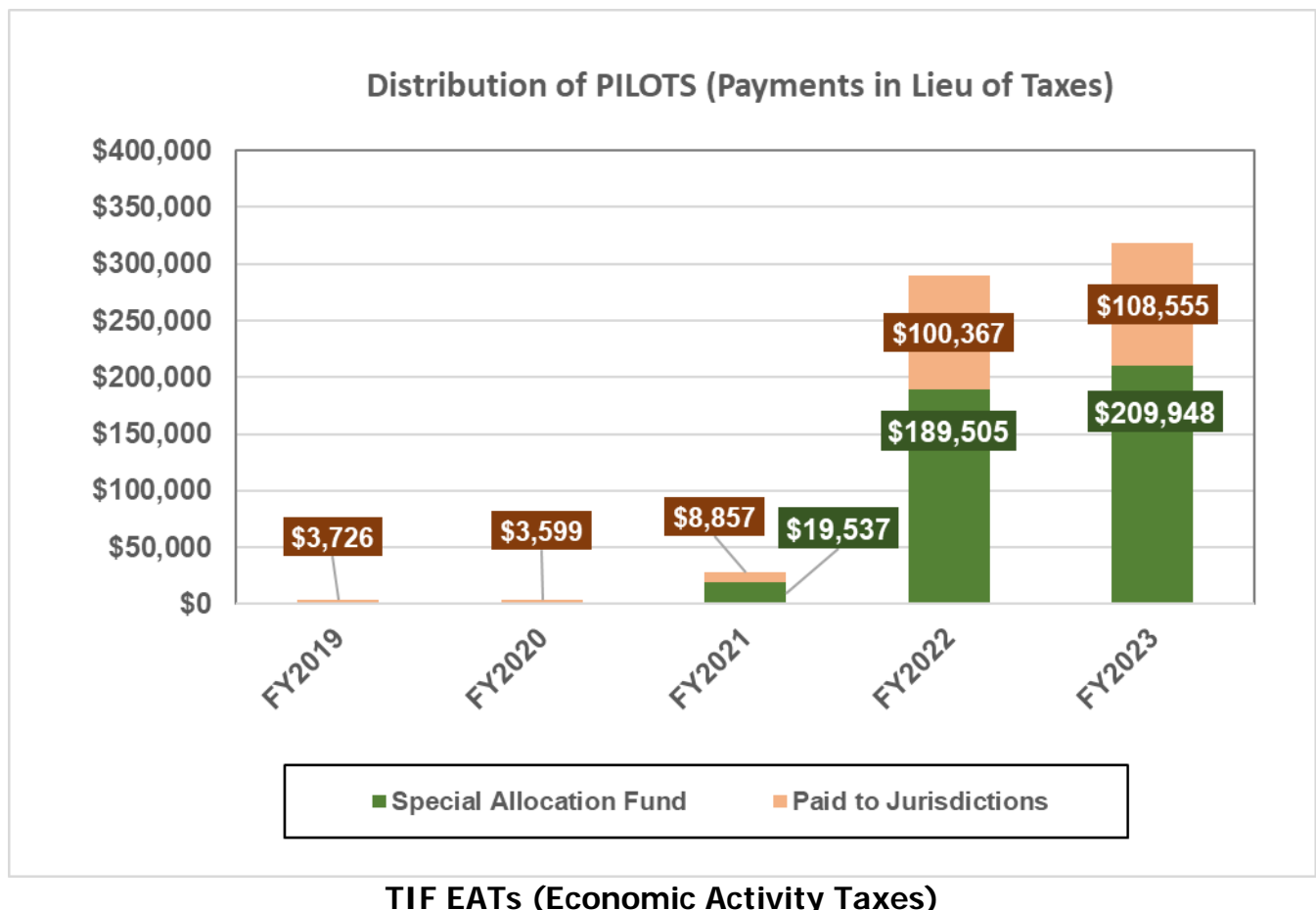
The TIF Plan specifies revenues from real property taxes in the TIF will be used for the reimbursement of project costs. As assessed valuation increases, the amount of property tax levied within the Marketplace will also grow. This "increment" growth over the base property tax provides revenues to pay for project costs. The amounts of property tax generated with the incremental increase is subject to a breakout designating the amount the TIF receives and the amount each taxing authority receives. Clay County distributes the property tax generated for the Marketplace redevelopment area to the City of Smithville. It is the City's job to distribute the appropriate amount into the TIF (into the Special Allocation Fund) and distribute the appropriate amount to the taxing jurisdictions based upon the percentages established in the TIF Plan. This breakout is outlined in the TIF Plan/Agreement and is listed here for your convenience.

<b>Taxing Authority</b>	<b>Increment Subject to TIF</b>	<b>Increment Not Subject to TIF</b>
City of Smithville	100%	0%
State of Missouri	0%	100%
Smithville School District	60%	40%
Smithville Area Fire Protection District	25%	75%
Northland Regional Ambulance District	25%	75%
Mid Continent Library District	100%	0%
County Services - General)	77.13%	22.87%
County – Handicap	100%	0%
County – Health	100%	0%
County – Mental Health	100%	0%

Each year, the City produces and sends letters to the taxing jurisdictions which explain the breakdown of the increment amount subject to the TIF and the increment amount

not subject to the TIF. This process becomes the basis for how much each of the jurisdictions above will receive in PILOT reimbursement. Each letter indicates the payment due to the taxing authorities and includes the check, and these distributions have typically been sent in February after the City received the TIF property tax distribution from Clay County for the Marketplace.

The amounts paid to the taxing authorities are illustrated in the chart below. In FY2019 and FY2020, taxing authorities only received property tax which was derived from the base assessed valuation (\$52,430). In FY2021 (Tax Year 2020), new businesses started to open in the Marketplace and these businesses went onto the tax rolls. This produced a tax increment which was routed to the taxing jurisdictions and the Special Allocation Fund. In FY2021 (Tax Year 2020), more businesses went onto the tax rolls and the distribution of funds increased, and in FY2022 (Tax Year 2021) and FY2023 (Tax Year 2022), those PILOTs further increased as the assessed valuation rose.



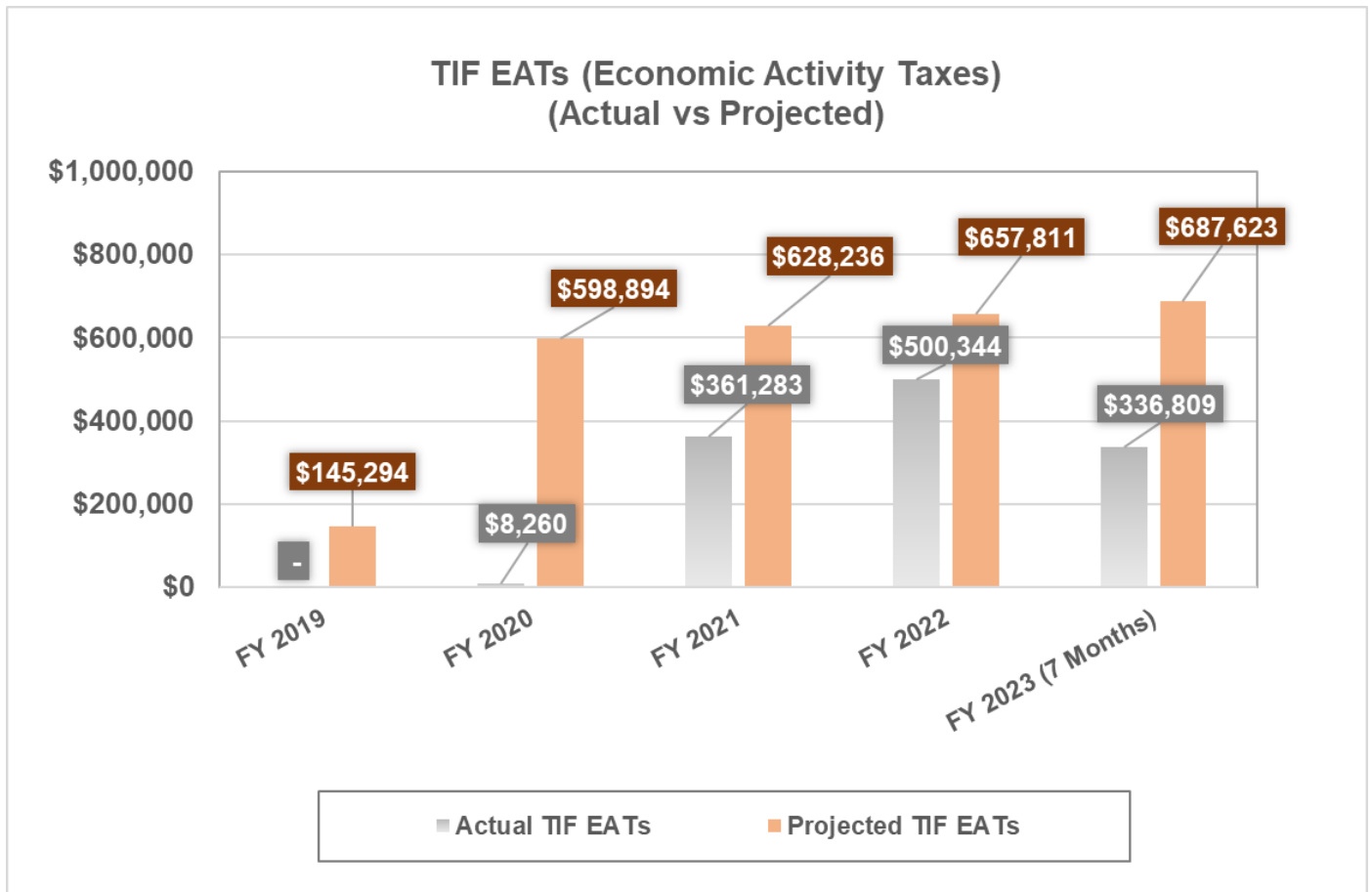
The TIF Plan specifies that a portion of sales taxes will be utilized for the reimbursement of project costs. For purchases made at businesses located within the Marketplace TIF, the Special Allocation Fund receives 50% (half) of these sales taxes, otherwise known as EATs (Economic Activity Taxes). This stipulation applies for all taxing jurisdictions (as seen in the table below) except for the State of Missouri. For each applicable taxing authority, the sales taxes enacted at the time of the creation of Marketplace TIF are all subject to being diverted into the Special Allocation Fund.

Authority	Effective Rate at Time of TIF Enactment	Rate Diverted to TIF (Half of Enacted Rate)
State of Missouri	4.225%	No Sales Tax Diverted
Smithville Area Fire Protection District	0.500%	0.250% (Half)
City of Smithville	1.500%	0.750% (Half)
Clay County	0.875%	0.4375% (Half)
Kansas City Zoological District	0.125%	0.0625% (Half)

When the TIF was created, the City of Smithville's total sales tax rate was 1.500%. Staff coordinates monthly journal entries and pulls 50% of EATs from Marketplace businesses from the 1.00% City Sales Tax and 0.500% Transportation Sales Tax. Staff also coordinates the receipting of EATs revenue from the Smithville Area Fire Protection District, Clay County, and the Kansas City Zoological District. Quarterly invoices are sent to the taxing authority and monies are received and receipted into the EATs line items designated for each authority within the Special Allocation Fund.

Actual TIF EATs compared to the TIF Plan projected TIF EATs are shown in the graph below. Keep in mind that these EATs projections included the assumption of *opening a tractor and farm supply store*, which did not open in the redevelopment area. Delays in timelines of opening Marketplace businesses also factored into the actual collections vs projections in both 2019 and 2020.

The amount of TIF EATs collected continues to grow as businesses open and flourish within the Marketplace TIF. Growth occurred from FY2021 to FY2022, and further growth is projected to occur in FY2023 as all businesses are now reporting sales tax.

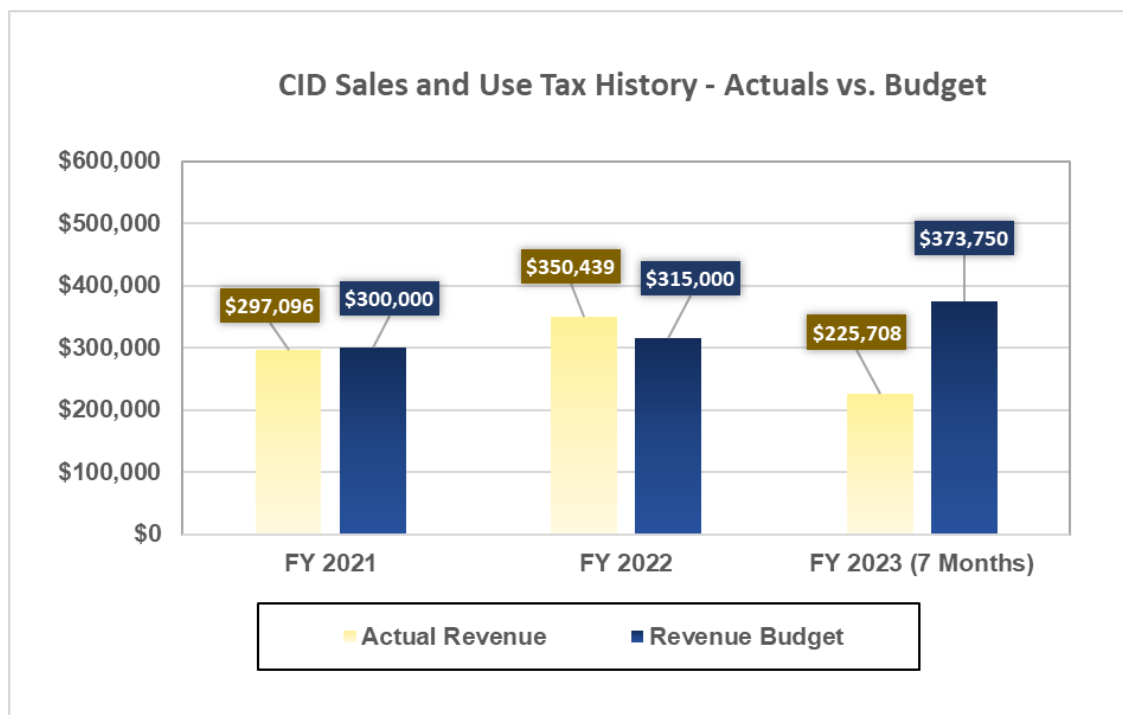


Inflation has certainly impacted the cost of goods and services, but growth in the local Smithville economy, particularly in this Marketplace TIF, has also driven increased sales taxes.

### **Smithville Commons Community Improvement District**

On August 1, 2017, the Board of Aldermen also adopted Ordinance No. 2974-17 which approved a petition for and established the Smithville Commons Community Improvement District (CID). The total applicable sales tax rate in the CID is 9.475%,

which is 1.000% higher than the rate (8.475%) for all other businesses in the City of Smithville.



CID Sales & Use tax has continued to grow over the past two years, as indicated by the growth in the yellow bars shown above. Through 7 months of fiscal activity in FY2023, the City has received \$225,708 in CID Sales & Use Tax, and given this figure, staff are expecting the sales tax to come in at the budgeted amount by year end. There is a 3.00% growth assumption for the CID sales tax that correlates with inflation, increases in City population, the establishment of new businesses are within the CID redevelopment area.

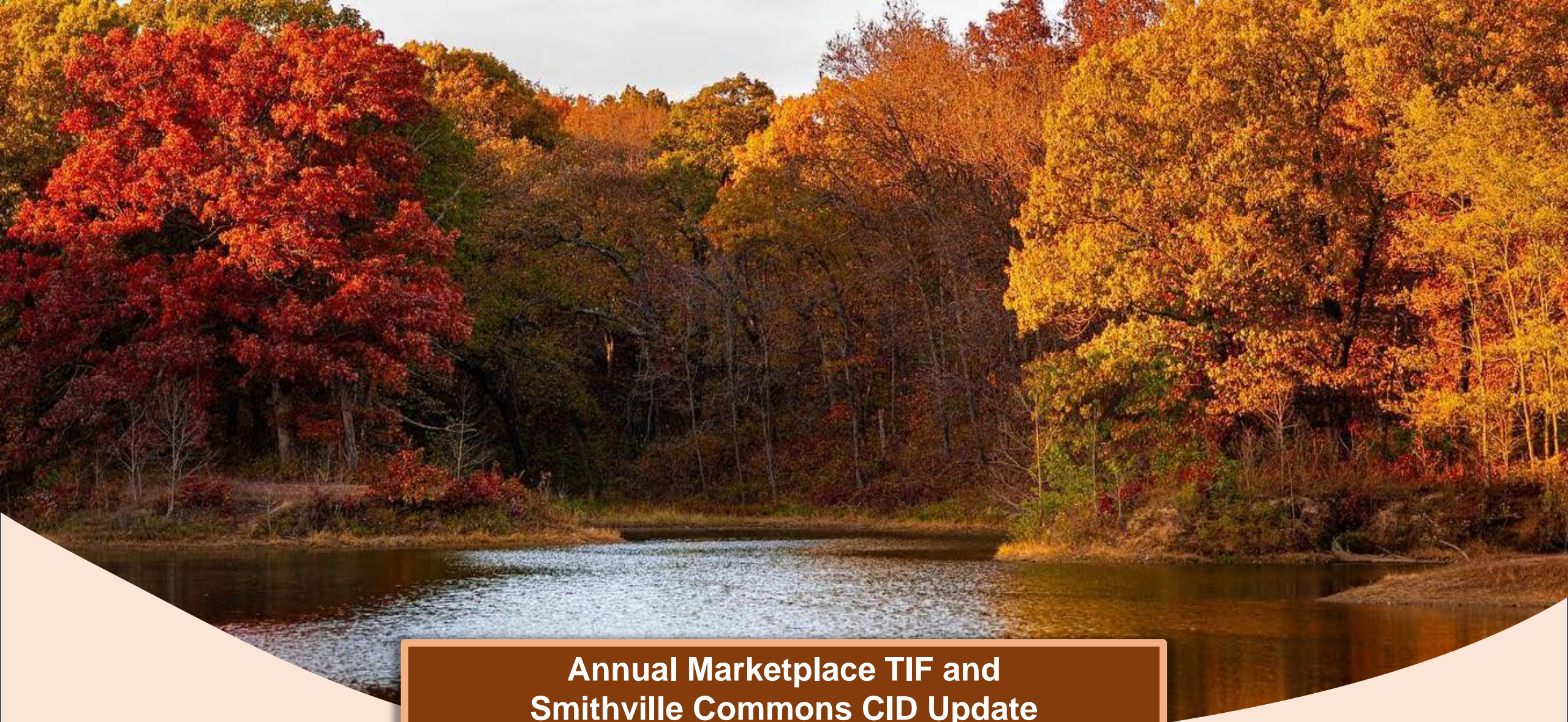
### **Conclusion of Annual Marketplace TIF Review**

Overall, the Smithville Marketplace TIF is making satisfactory progress under the proposed time schedules contained in the approved plan for the completion of the project. Staff has drawn the following conclusions for performance of the TIF thus far:

- Modern and attractive businesses have opened in the redevelopment area, which has increased Smithville's commercial presence. This is reflected in the rising share of commercial assessed valuation as a percentage of all City assessed valuation.

- The assessed valuation is tracking well above TIF Plan projections after delays in opening businesses.
- Given the status of the redevelopment area and the businesses located in the area, sales tax performance is meeting expectations. Economic Activity Taxes (EATs) are being collected from both the City and the other applicable taxing authorities and are being distributed into the Special Allocation Fund.
- CID Sales Tax performed well in the first and second fiscal years and staff notices growth in the CID sales tax revenues in the third fiscal year as new businesses have been established in the redevelopment area.
- While planned businesses were not constructed in the anticipated timeframe, the project concept plan has been completed (Grocery Store, Hardware Store, Pad Sites).

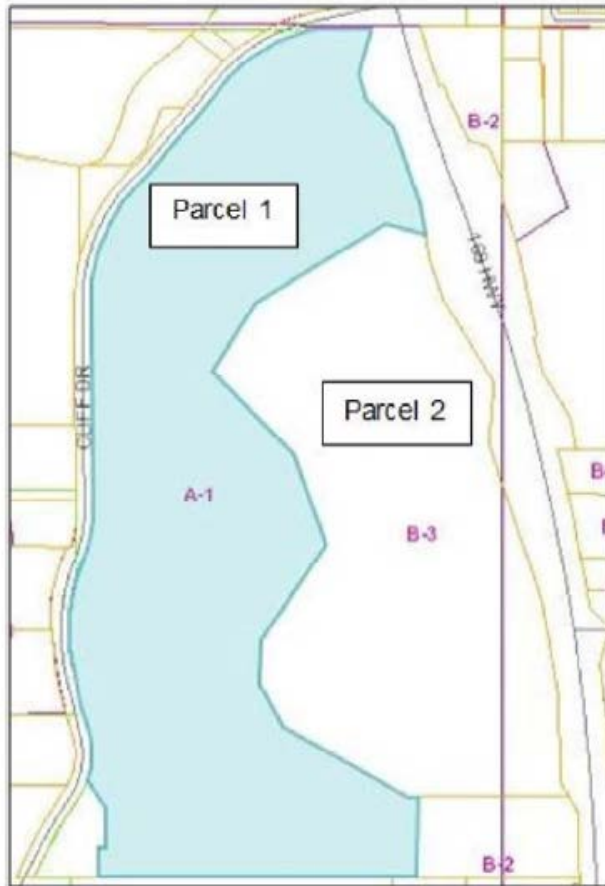




**Annual Marketplace TIF and  
Smithville Commons CID Update  
Board of Aldermen Work Session  
June 18, 2023**



# Smithville Marketplace TIF District Overview



- The Smithville Marketplace TIF Plan was adopted by the Board of Aldermen (Ordinance #2969-17) on **August 1, 2017**.
- The plan identified a redevelopment area of approximately 66.3 acres located between Cliff Drive and U.S. Highway 169.
- Previously, this site was commercially developed in 2009 as a large-scale multi-tenant retail site. Unfortunately, by 2011, the development did not have occupants and was foreclosed upon.
- The Smithville Marketplace TIF Plan included *specific projections* on estimated Assessed Valuation, estimated PILOTs, and estimated Economic Activity Taxes (EATS) based upon the types of businesses planned in the redevelopment area. A tractor and supply store, which was initially planned for the TIF, *is not located in the TIF redevelopment area*.

# Smithville Marketplace TIF Active & Future Businesses



*Scooter's Drive-Thru Coffee*



*Taco Bell*



*Domino's Pizza*



*Cosentino's Price Chopper*



*Porter's Ace Hardware Store*



*Burger King*

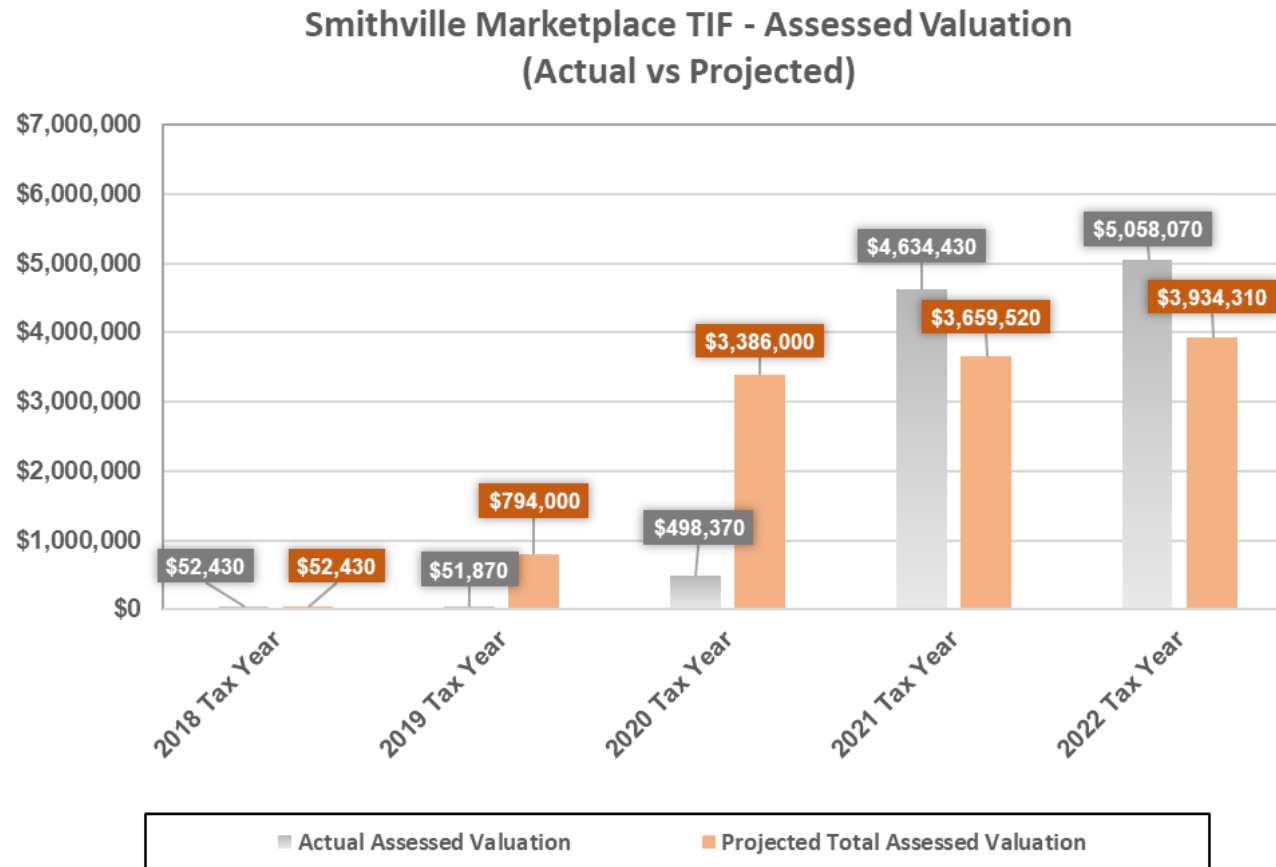


*Jimmy John's*



*Dentistry at Marketplace*

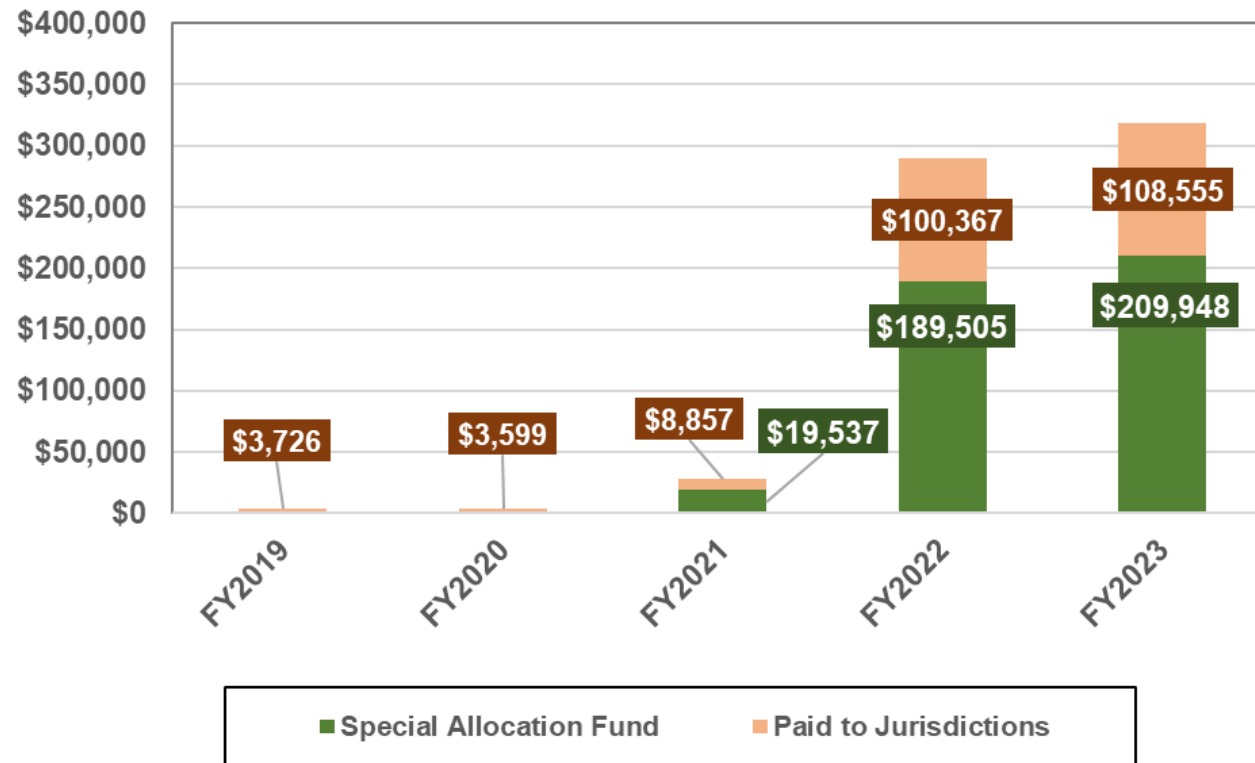
# Smithville Marketplace TIF Assessed Valuation (Actual vs Projected)



- The projected total assessed valuation figures were established by the developer in the TIF Plan.
- Preliminary assessed valuation figures provided by Clay County indicated a total value of \$6,075,540 for Tax Year 2023, which would *eclipse the projection for 2040 established in the TIF Plan.*

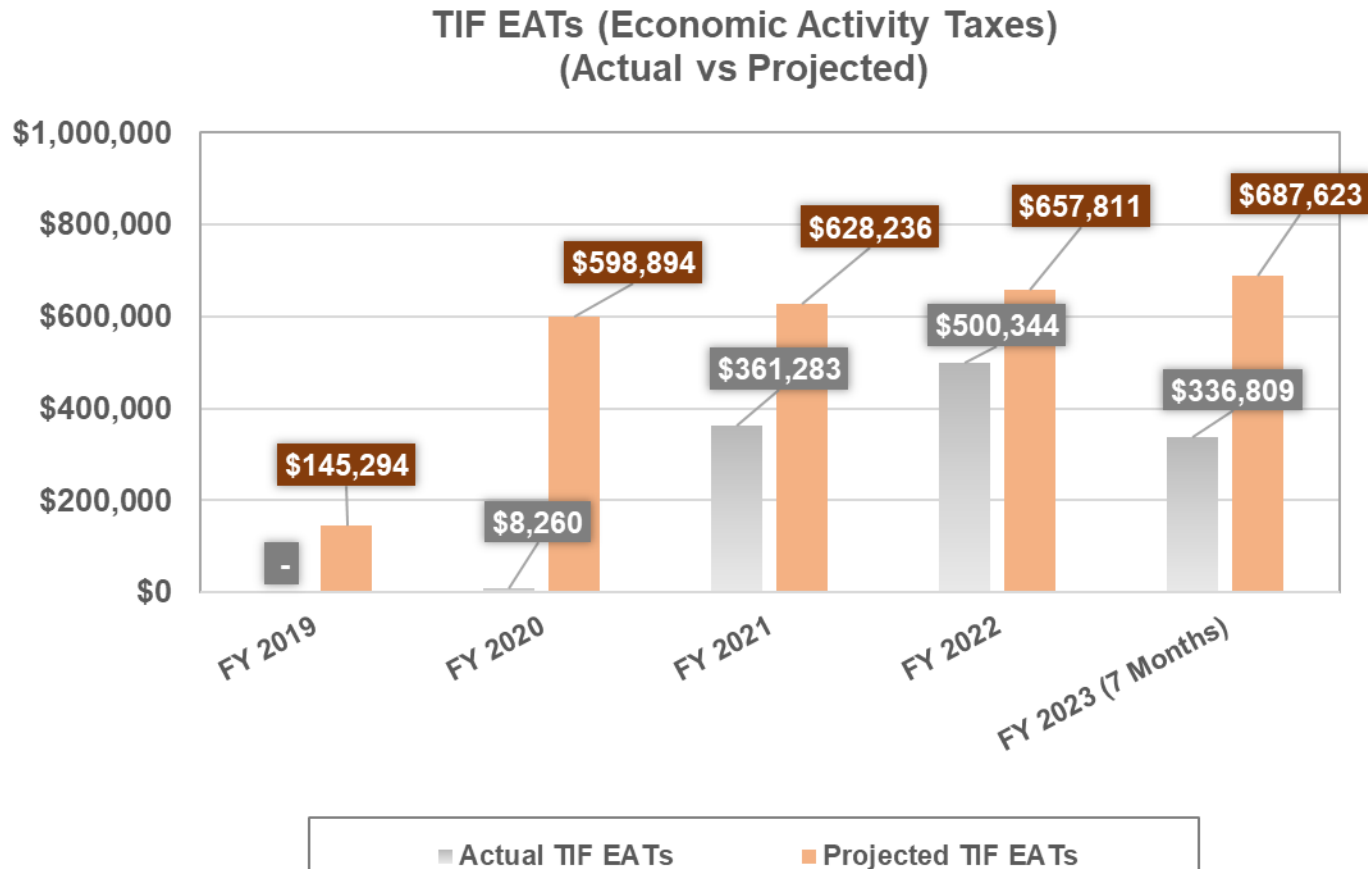
# PILOTS (Payments in Lieu of Taxes) Collected

Distribution of PILOTS (Payments in Lieu of Taxes)



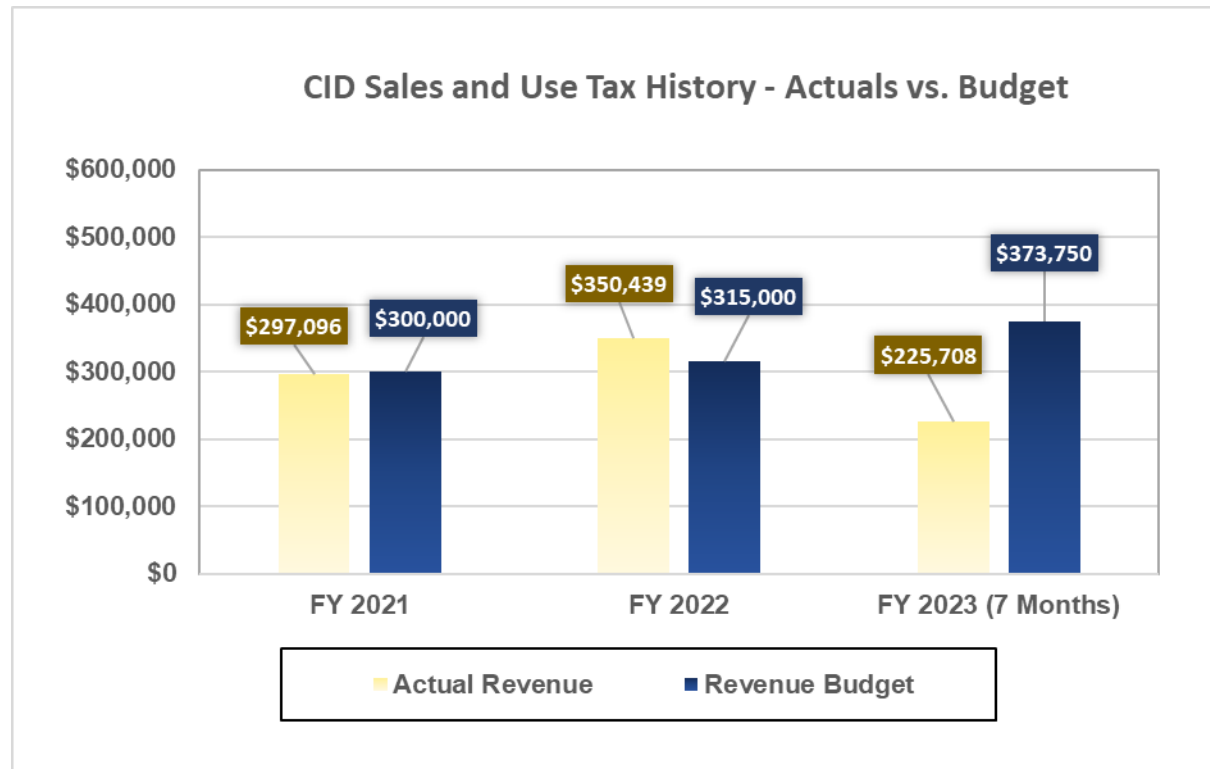
- Tax Year 2018 & 2019 AV: \$52,430 & \$51,870. Jurisdictions received the base property tax in **FY2019** and **FY2020**.
- Tax Year 2020 AV: \$498,370. This growth in AV became the basis for the property tax increment in **FY2021**
- Tax Year 2021 AV: \$4,634,430. This became the basis for the property tax increment in **FY2022**
- Tax Year 2022 AV: \$5,058,070. This became the basis for the property tax increment in **FY2023**.
- Jurisdictions receive the base property tax amount plus the tax increment amount based upon the “subject to TIF percentages” outlined in the TIF Plan.

# EATs (Economic Activity Taxes) Collections (Actual vs Projected)



- ❑ The projected Economic Activity Taxes figures were established by the developer in the TIF Plan.
- ❑ EATs are trending upwards as businesses have opened in the Marketplace.

# CID (Community Improvement District) 1% CID Sales & Use Tax Collected





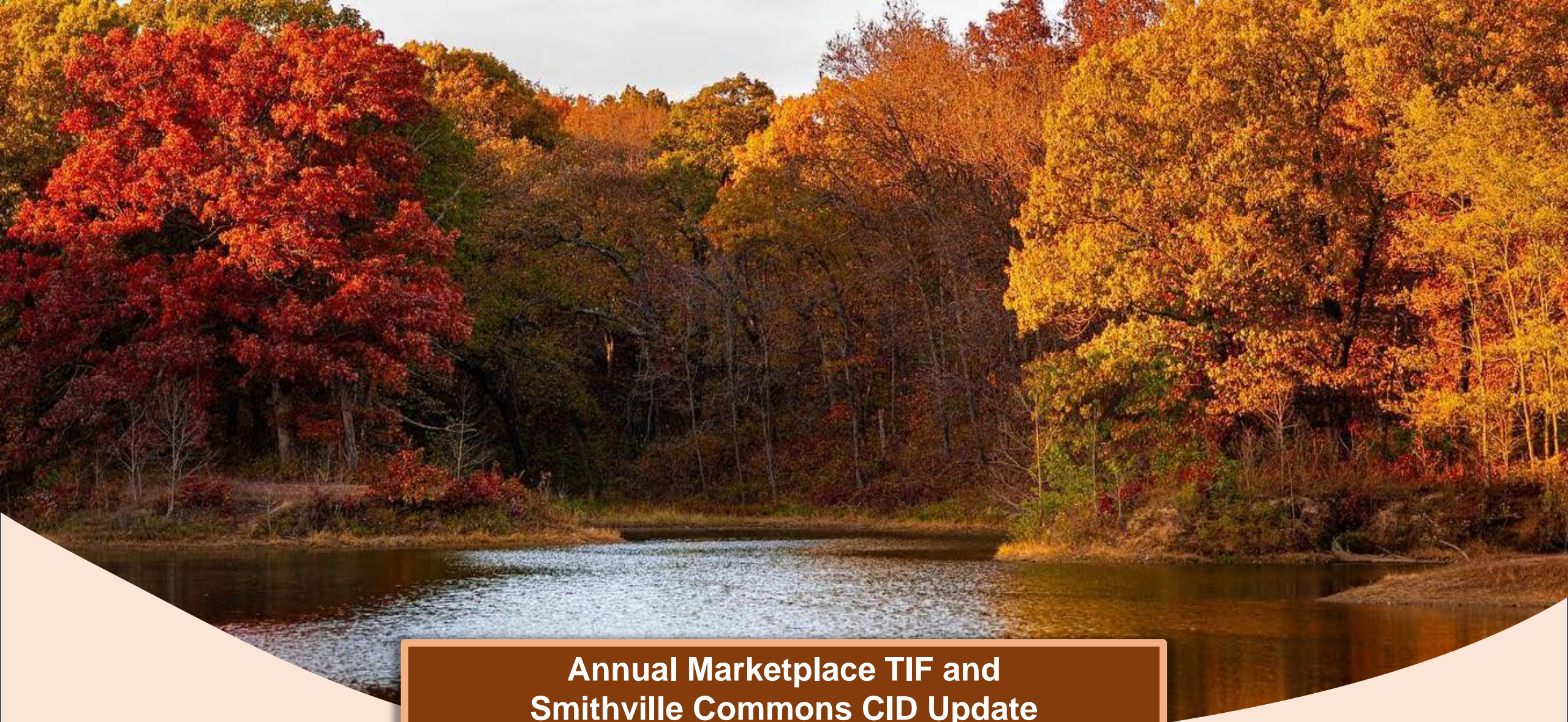
# Annual Report - Conclusion



*Construction of Porter's Ace Hardware Store*

- Modern and attractive businesses have opened in the redevelopment area which has increased Smithville's commercial presence.
- Assessed valuation is tracking above the TIF Plan projections after initial delays in opening businesses.
- Given the current status of the redevelopment area and the businesses located in the area, sales tax performance is meeting expectations. Economic Activity Taxes (EATs) are being collected from both the City and the other applicable taxing authorities and are being distributed into the Special Allocation Fund.
- CID Sales Tax performed well in the first fiscal year and staff is noting growth in the CID sales tax revenues in the second fiscal year as new businesses have opened in the redevelopment area.
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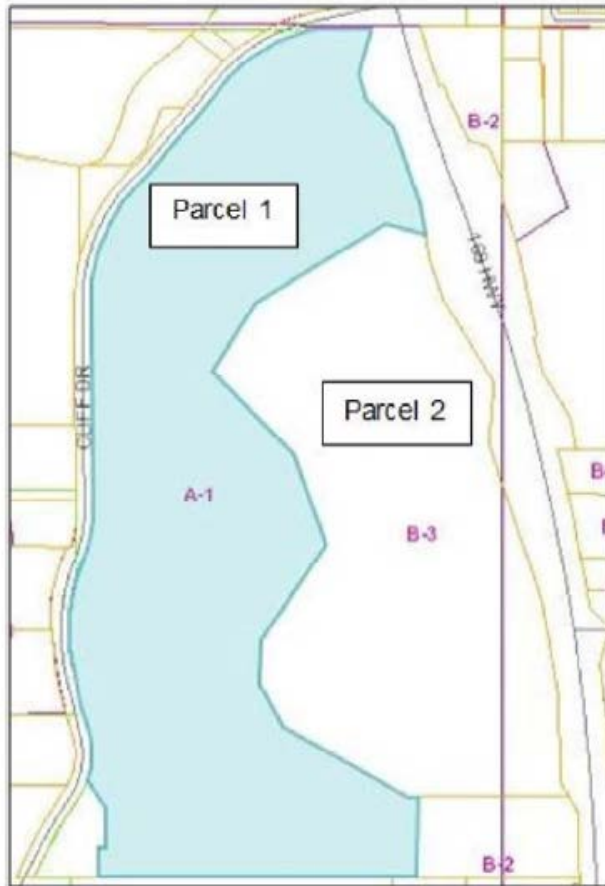




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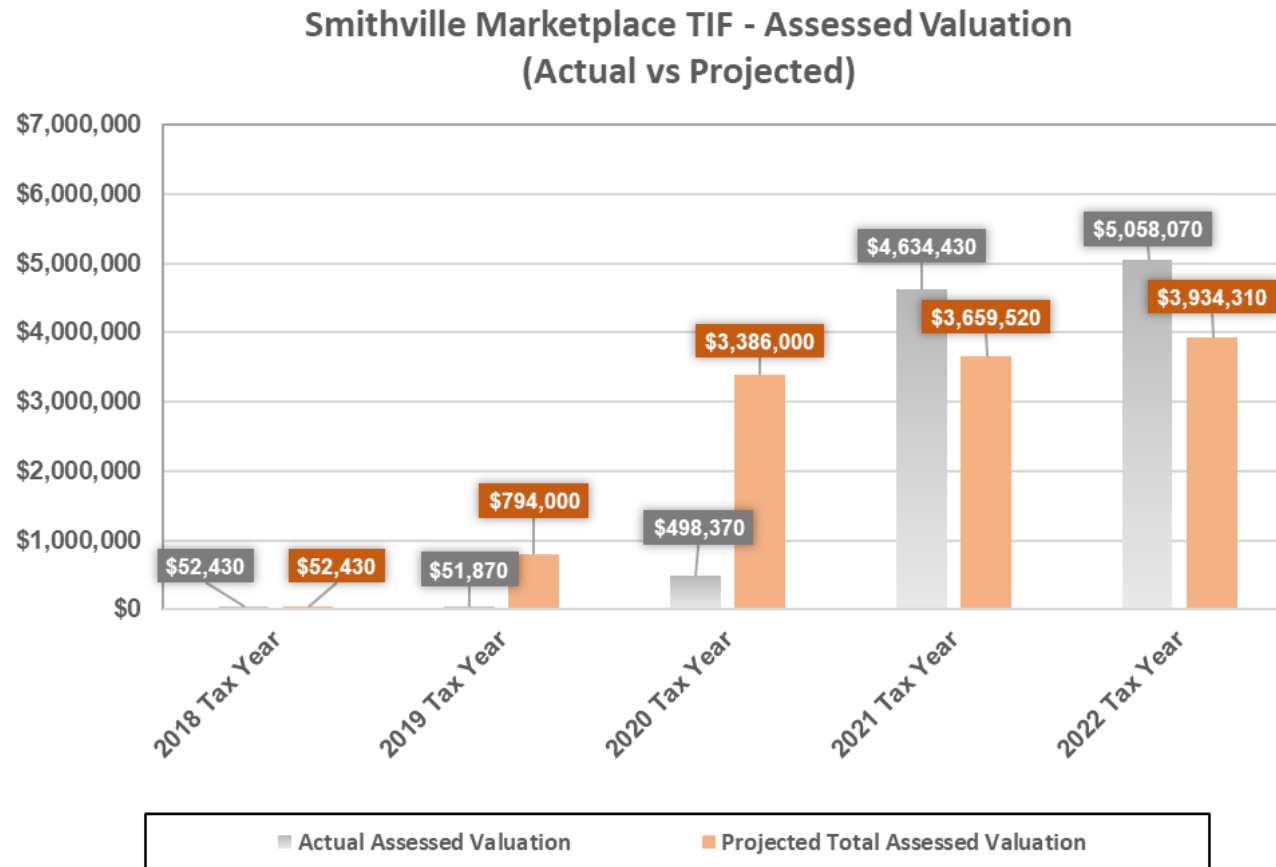


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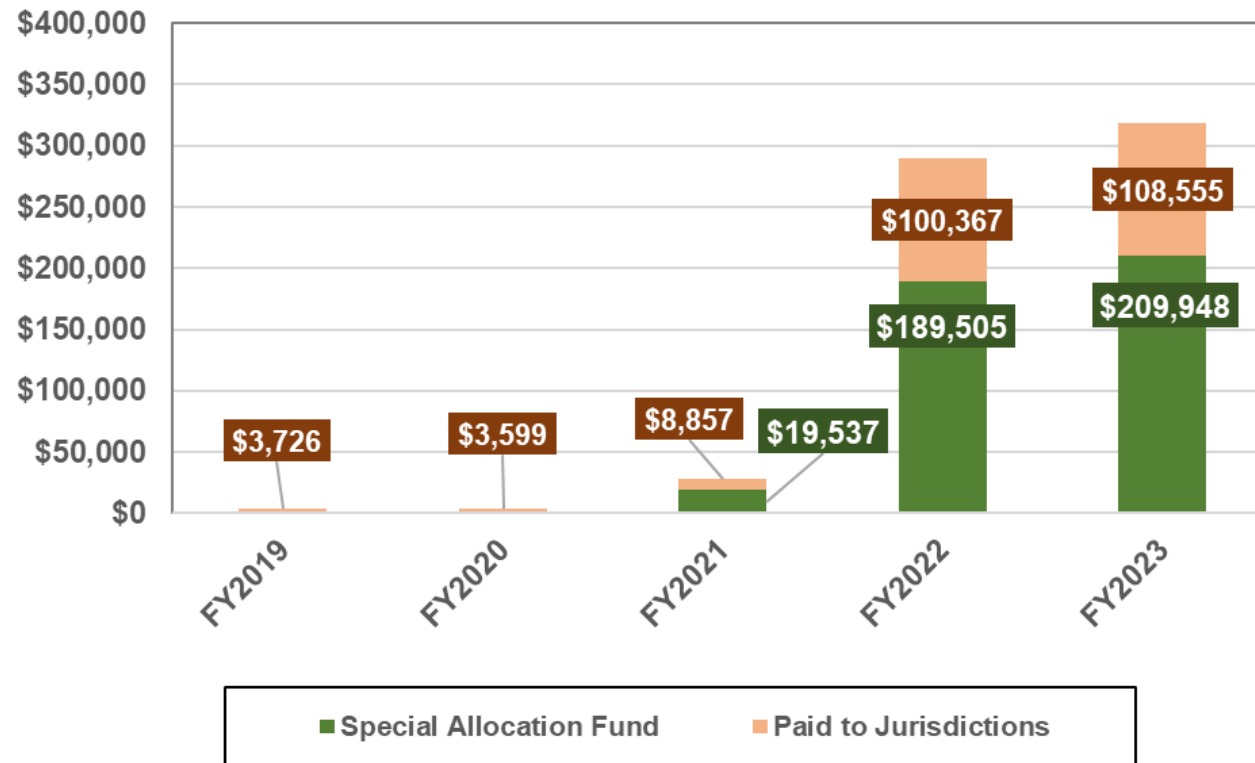
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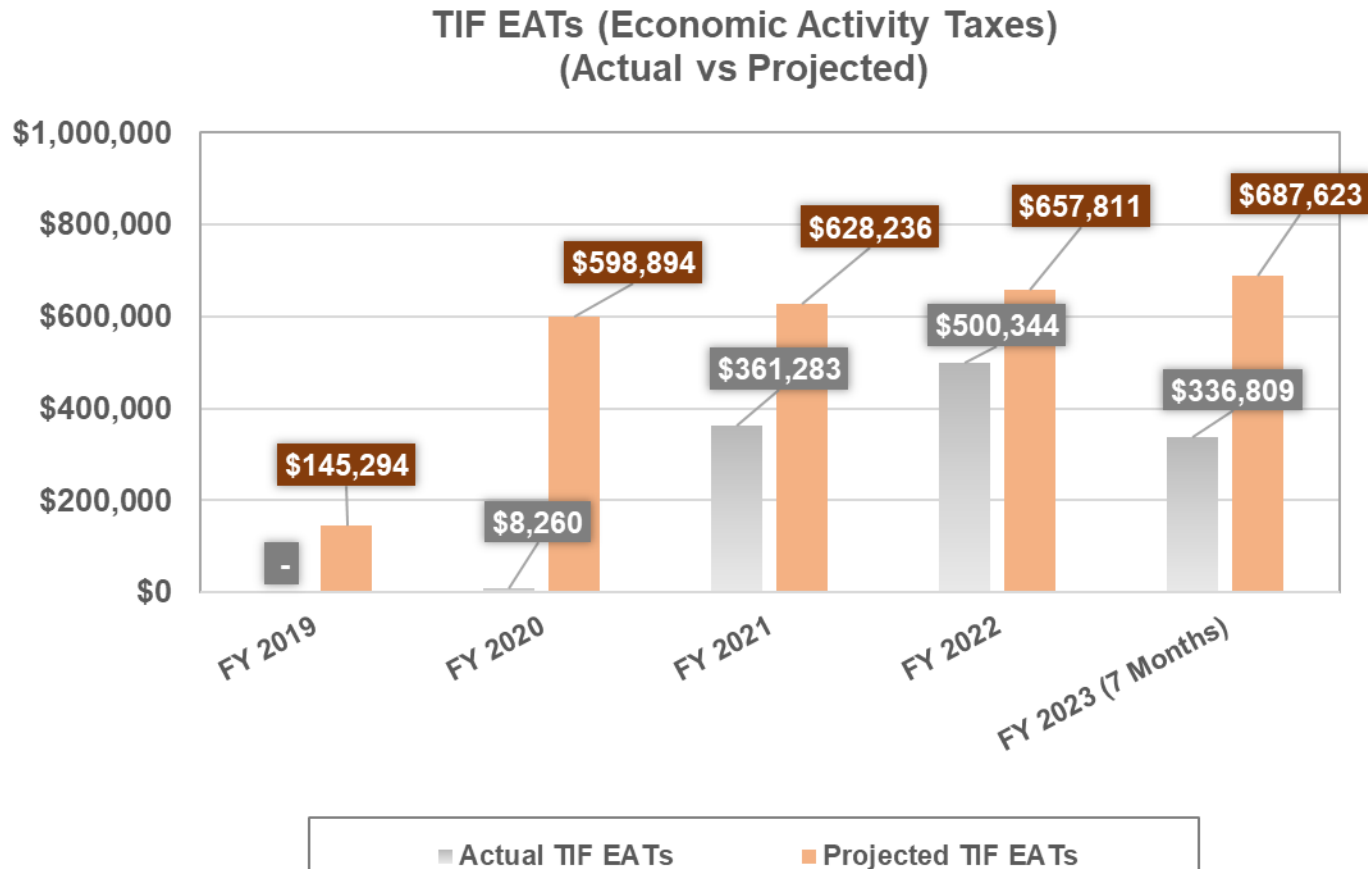
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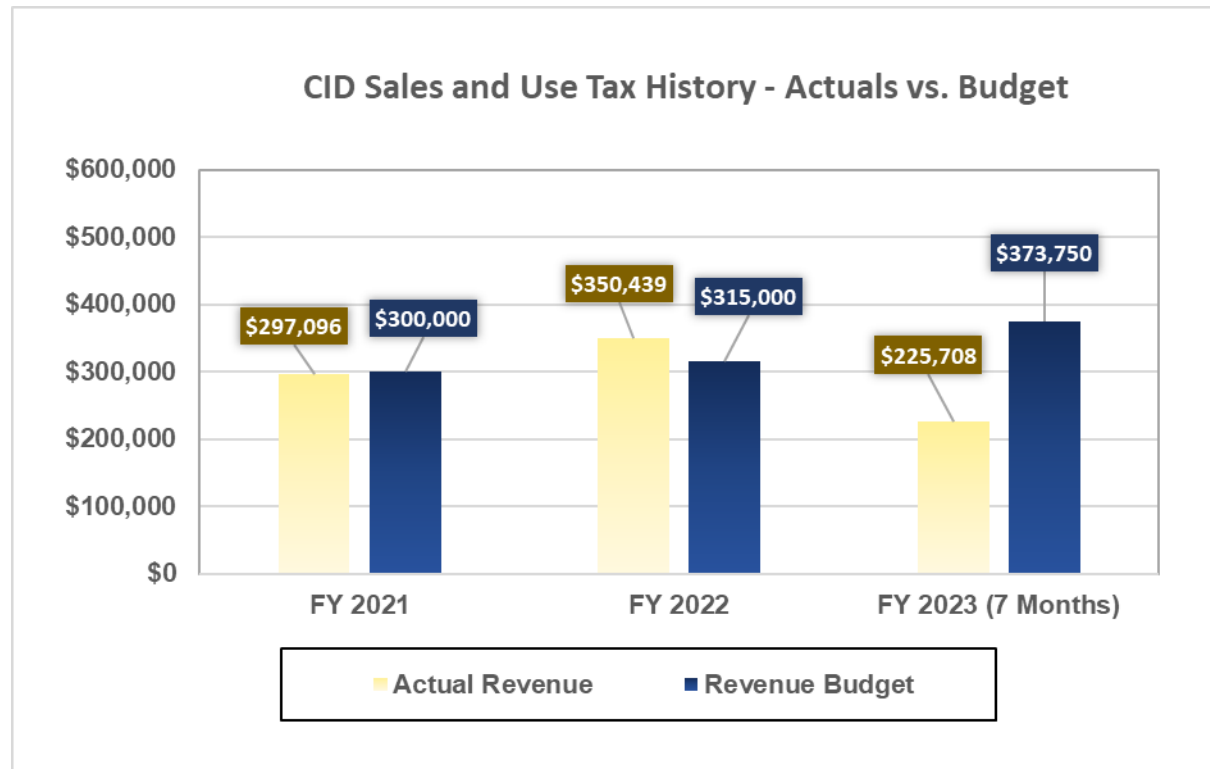
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