

SMITHVILLE BOARD OF ALDERMAN

WORK SESSION

September 7, 2021, 5:30 p.m.
City Hall Council Chambers

Due to the COVID-19 pandemic this meeting was held via teleconference.

The meeting was streamed live on the city's FaceBook page.

1. Call to Order

Mayor Boley, present via Zoom, called the meeting to order at 5:33 p.m. A quorum of the Board was present via Zoom meeting: Steve Sarver, Marv Atkins, Kelly Kobylski, Dan Ulledahl, John Chevalier and Dan Hartman.

Staff present via Zoom: Cynthia Wagner, Anna Mitchell, Chuck Soules, Chief Lockridge, Matt Denton, Stephen Larson, Jack Hendrix, Linda Drummond.

Bruce Cramer called the Economic Development Committee meeting to order at 5:34 p.m. Committee members present via Zoom: Carol Noecker, Bruce Cramer, Cali Maxfield, Steve Langley, Robert Hedgecorth (representing Todd Schutz) and Tara Young. Alicia Neth joined at 5:35 p.m.

Others present via Zoom: Megan Miller and Sid Douglas, Gilmore and Bell, PC

2. Joint Work Session with Economic Development Committee

Megan Miller presented a PowerPoint called Economic Development 101 that gave a good overview of the different types of Economic Development incentives that a city can offer.

What is tax increment financing tax? Tax increment financing is a method of diverting taxes to pay for cost associated with building project. These consist of PILOTS (payment in lieu of taxes), generally 100% of PILOTS are captured into the TIF and consistent EATS (economic activity taxes). Under state statute, 50 percent of EATS are captured, these consists of sales taxes generated within the project. These monies are deposited into a special allocation fund, which is a fund that is set up under the TIF contract and is required statutorily. There is also the opportunity for surplus PILOTS or EATS, which is what a percentage of the captured PILOTS and EATS are returned back to the taxing jurisdictions. There are also capital contributions which is similar to what we do with the school district in the Marketplace, where a percentage of those revenues are returned back to a single taxing jurisdiction. Additionally, the ambulance and fire protection are entitled to reimbursement of at least 50%. Since 2014, no voter-approved tax increases that are not captured within a pre-existing redevelopment agreement can happen without taxing jurisdictions approval. So, the renewal of taxes is not subject to this. For sales taxes the entire increase returns to a taxing jurisdiction. Property taxes are a

little bit different it is the difference between the new levy rate and the maximum voter-approved levy rate at the time of the adoption.

Megan outlined the steps for the TIF plan.

How is a TIF plan approved?

- Plan prepared by City or filed by Developer with the City Clerk.
- Request for bid and proposals which happens at the same time.
- Mailed notice to taxing jurisdictions.
- Publication notice -twice in a local newspaper and a mailed notice to property owners.
- TIF Commission public hearing.
- TIF Commission makes a recommendation to the Governing Body whether the plan meets the statutory or whether they think it is appropriate for the city to offer a TIF
- The Governing Body pass an ordinance approving plan.
- Governing Body approves Redevelopment Project(s) by Ordinance to start TIF "clock".

The city has ten years from the approval of the TIF plan to start the TIF clock for each individual project. Once the clock is started it runs for 23 years. Sometimes a TIF can include multiple redevelopment projects and all of those can have different clocks started depending on when the ordinance was passed. The County is asked to certify base property taxes or the base sales taxes.

Designation of a Redevelopment Area

- Redevelopment Area must contain property that is classified as a "blighted area" or a "conservation area".

A blighted area is an area by reason of predominant unsanitary or unsafe conditions deterioration of sight improvements, the existence of conditions which endanger life or property by fire or other causes or any combination of those factors and constitutes economic or social liability or amendments to the public health, safety, or welfare and its present condition and use.

Just this year, the legislature approved, and it went into effect on August 28, language which removed defective or inadequate street layouts or improper subdivision or obsolete planning and constitutes a menace to public morals and a binding factor.

A conservation area is a little bit different. It is improved area within the boundaries of a redevelopment area located the territorial limits of the municipality in which 50% or more of the structures in that area have an age of 35 years or more. It is not yet a blighted area, but it is detrimental to the public health, safety or welfare and may become a blighted area because of either one or more of the following factors either dilapidated, dilapidated obsolescence, deterioration, legal use of individual structures, presence of structures below minimum code requirements,

excessive overcrowding or a lack of ventilation. Megan explained that it is a little bit easier of a standard to meet.

- TIF prohibited in all greenfield areas

Legislature this year also changed that TIF is now prohibited to all greenfield areas. A greenfield area is in a vacant unimproved or agricultural property that is located wholly outside the incorporated limits of the city and is substantially surrounded by properties zoned Ag.

What happens after a TIF plan is approved?

PILOTS and EATS are generated within the redevelopment area. Those monies flow into a special allocation fund, then it can either be a pay as you go, or the developer can have bonds and the money in the special allocation fund would pay off the debt service on the bonds.

- The city and the developer will execute a TIF contract.
- The special allocation fund will be created.
- The city will authorize TIF debt if it is applicable for that particular project.
- The developer will build the project.

At the same the City impose a TIF by ordinance for each redevelopment project area.

- The city will collect the PILOTS and EATS.
- The City (through trustee) disburses the funds from a Special Allocation Fund (SAF) to repay the TIF bonds or if there are not TIF bonds will repay the developer their reimbursement project cost.

In the case with the Marketplace TIF the PILOTS need to distribute the special location fund and then the city distributes that money back out either it stays in the special allocation fund or goes back out to the taxing jurisdictions.

What Can TIF Revenues Pay For? Redevelopment Project Costs

This is what is allowed by statute, some cities will limit these categories that can be reimbursed, some cities will only limit to use for public improvements other say they will not pay for land acquisition cost for any vertical construction.

- Land acquisition costs
- Demolition, clearing and grading land
- Costs to rehabilitate existing buildings
- Cost to construct public improvements
- Costs to construct private improvements; tenant construction allowance
- Costs of studies, surveys, plans and specifications
- Professional service costs
- Financing costs
- Relocation cost for displaced persons/businesses

What is the Redevelopment Area? What are Redevelopment Project Areas?



With the TIF there is Ongoing Compliance.

- Annual Report

Annual Report that is sent to the Missouri Department of Economic Development. It includes an update on the redevelopment areas and the redevelopment project areas and the amounts of the PILOTS that were generated.

- Five-year Hearing

Every five years a hearing is held on each redevelopment project area to determine if satisfactory progress is being made. It is generally done by a PowerPoint and given to the city.

Steve Langley noted that he was new to EDC, and asked if Smithville had utilized any TIFs recently that people would be familiar with?

Megan explained that Smithville has one, the Marketplace which was approved in 2017. She also noted that it has done well in terms of generating PILOTS and EATS based on what has been built so far.

What are Community Improvement Districts (CID)?

- A CID is a political subdivision with power to impose a sales tax, a special assessment or real property tax to fund public improvements and services.
- Created by a city or county following the submission of a petition.

As of August 28, of this year the legislature ruled that a CID will not exceed 27 years from the adoption of the ordinance. A CID originally could go on forever.

How is a CID Formed?

- A petition is filed with the municipality clerk.
- A public hearing is held within 45 days of receipt of a verified petition.

- After the public hearing, the municipality may adopt an ordinance approving the petition and creating the CID.

The petition is signed by property owners collectively owning at least 50 percent of the assessed valuation of real property within the CID and more than 50 percent per capita of all owners of real property within the CID. The petition will include a five-year plan, the service improvements to be provided, the estimate of the costs anticipating the sources of funds to pay for those costs, and the anticipated terms of those sources. Also, the maximum rate of taxes and special assessments among a few other things. A notice of the public hearing is published in the local newspaper and is also mailed.

How is a CID Governed?

- Governed by 5-30 directors, elected or appointed as approved by the district.
- Qualifications:
 1. At least 18 years old; and
 - 2a. An owner of real estate or a business operating in the CID; or
 - 2b. A registered voter residing in the CID; and
 3. Compliant with any other qualifications set out in the petition.

Beginning this year, the legislature approved a change to this, a CID with no registered voters within the boundaries of the district, at least one director must reside within the city, be a registered to vote and have no financial interest in any real property or business operating within the CID or is not a relative within the second degree of consanguinity to a real property or a business. They must be completely removed from the property or business located within the CID.

- Removal for cause by 2/3 vote of the Board of Director, with notice of removal given to all directors prior to action.

CID Funding Sources

- Special Assessment
- Real Property Taxes
- Sales Tax
- Fees, rents and charges for CID property or services
- Grants, gifts and donations
- Bonds

A sales tax is limited to one percent, there is no limit on the amount of property taxes and any bonds that are issued can be for no more than 20 years.

Financeable Public Services

- Prohibiting or restricting traffic and vendors on streets.
- Operating or contacting for the provision of music, news, child-care or parking facilities, and buses, mini-buses or modes of transportation.
- Leasing space for sidewalk café tables and chairs.

- Providing or contracting for the provision of security personnel, equipment or facilities for the protection of property and persons.
- Providing or contracting for cleaning, maintenance and other services to public and private property.
- Promoting tourism, recreational or cultural activities or special events.
- Promoting business activity, development and retention.
- Providing refuse collection and disposal services.
- Contracting for or conducting economic, planning, marketing or other studies.

Financeable Infrastructure Projects

- Pedestrian or shopping malls and plazas.
- Parks, lawn, trees and any other landscape.
- Convention centers, arenas, aquariums, aviaries and meeting facilities.
- Sidewalks, streets, alleys, bridges, ramps, tunnels, overpasses and underpasses, traffic signs and signals, utilities, drainage, water, storm and sewer systems and other site improvements. All of these must be public they cannot be private.
- Parking lots, garages or other facilities.
- Streetscape, lighting, benches or other seating furniture, trash receptacles.
- Marquees, awnings, canopies, walls barriers.
- Any other useful, necessary or desired improvement that is public.
- **Within a blighted area, CID can pay cost of demolishing, renovating and rehabilitating structures.**

Recently the legislature did change the definition of blighted area to match the definition in the TIF Act.

Adding or Removing Property

The Ability to add or remove property from a CID once it has been formed.

- Property may be added to a CID by ordinance after the following:
 - Board of Directors consents
 - Petition is filed and a public hearing is held.

The same petition requirement to start a CID are required for the addition of property but only as it relates to new area being added. It does not have to be for the entire CID itself.

- Property may be removed from a CID by ordinance after the following:
 - Written request of any real property owner.
 - Board of Directors consents.
 - Public hearing is held.
 - CID is able to meet their obligations without the revenues generated by the removed property.

Ongoing Compliance for a CID

- Annual Budget

- Must submit a proposed budget to the governing body of the municipality.
- CID must adopt the budget prior to the first day of the fiscal year.
- Annual Report
 - Within 120 days after the end of the fiscal year, the CID must submit an annual report to the municipality clerk and Missouri Department of Economic Development.

The report must include any services that were provided, any revenues that were collected and any expenditures that the CID made within that year and must include any copies of resolutions that were passed pertaining to the CID.

- Annual Audit
 - Within six months after the end of a fiscal year, the CID must submit an audit of their financials to the State Auditor.

Megan noted that Smithville does have one CID within the TIF at the Marketplace. She explained that it is common to see these economic development centers be layered with a CID on top of a TIF and occasionally a TDD as well.

Steve Langley asked if Smithville had a blighted area?

Megan said that the Marketplace was determined to be blighted as part of approval of the TIF plan. She also explained that it would be up to the Board of Alderman if another TIF was presented if the area in question would be designated as a blighted area or a Chapter 353 if it meets the statutory definition of a blight. A designed blighted area will only come in the equation after someone requests an incentive where that designation is required.

Mayor Boley noted that the Marketplace is the only blighted area we have now, but we do currently have developers discussing possibilities for incentives, which would require blight finding.

What are Transportation Development Districts (TDD)?

- A TDD is a political subdivision created to fund, promote, plan, design, construct, improve, maintain and operate one or more transportation related projects.

Megan noted that the project boundaries do not have to be within the boundaries of a TDD it only has to benefit the TDD.

TDD Projects

Bridges, Streets, Roads, Highways, Access Roads, Interchanges, Intersections, Signings, Rest Areas, Docks, Signalizations, Parking Lots, Bus Stops, Stations, Garages, Terminals, Shelters, Airport, Public Mass Transportation.

Megan noted that she has done a couple of TDD's for streets and interchanges. She explained that she has not seen TDD's for the others on the list, primarily they are used for interchanges, streets and bridges.

Sid Douglas added that they have seen TDD's used for parking garages also.

Creation of a TDD

- A TDD may be created by:
 - At least fifty registered voters within the proposed TDD; or
 - If there are no registered voters, the owners of all of the real property located within the proposed TDD; or
 - Governing body of any local transportation authority; or
 - Two or more local transportation authorities may adopt resolutions calling for the joint establishment and file a petition; or
 - At least fifty registered voters of two or more counties.

A local transportation authority is a municipality, county, highway commission, special road district, any local public authority or political subdivision that has jurisdiction over a bridge, street, highway, railroad, etc.

Once you have the petition, it is filed in the circuit court of the county in which a majority of the TDD is located.

Court holds a hearing and determine if it is not legally defective TDD and the proposed TDD method is not illegal or unconstitutional.

If the petition was filed by registered voters or a governing body the court will certify the question regarding TDD creation project development and proposed funding for voter approval.

If the petition was filed by owner of record of all the real property, court would declare the TDD organized and certifies the funding methods stated in the petition.

If the petition is filed pursuant to the resolutions of two or more local transportation authorities, the court verifies a single question regarding the TDD creation project development and proposed method of funding for voter approval.

If voter approval requested, election held, and a majority vote is required to approve the formation.

How is a TDD Governed?

- Governed by a Board of Directors
 - If formed by two or more LTA's (local transportation authorities) the Board consists of (1) the presiding officer and one person chosen by the governing body of the LTA or (2) the presiding officer of each LTA.

- If not formed by two or more LTA's, directors are chosen by the qualified voters within the TDD (registered voters or property owners).

Funding Sources for the TDD

Sales tax, special assessments, real property taxes, tolls or bonds.

The sales tax is limited to one percent it must be approved by qualified voters which are either the registered voters within the TDD or the property owners. If it is the property owners, they receive one vote per acre of ownership.

Real property taxes need a four-seventh majority of the voters and can not to exceed the annual rate of ten cents per \$100 of assessed valuation.

The bonds for the TDD are not to exceed 40 years.

Ongoing Compliance for the TDD

- The state auditor is required to audit each TDD at least once every three years.
- Annual report.

Megan noted that there are no current TDD in the City of Smithville.

Chapter 353 Tax Abatement

- Real property tax abatement is available within "blighted areas". The legislature has made the definition of blighted area in Chapter 353 to match the definition in the TIF Act.
- Must create an Urban Redevelopment Corporation.
- Once created, it has the power to operate a redevelopment project pursuant to a city approval plan.
- A tax abatement can be provided for up to 25 years.
 - The first ten years: up to 100% of the incremental increase in real property taxes on the land and up to 100% of the real property taxes on all improvements.
 - The next 15 years: Between 50% and 100% of the property taxes on all land and improvements.
 -

The owner will continue to pay base taxes on the land that it was the year before it was redeveloped corporation took title. Then the owner pays a PILOT for the base property taxes for the first 10 years then can also pay a PILOT for the next 15 years as well.

Chapter 353 is similar to the TIF, where an ambulance and fire protection district is able to be reimbursed from between 50 and 100 percent of their tax.

Megan noted that Chapter 353 does not have to be 100% for the first ten years. They have seen it in any manner of percentage of tax abatement.

- Form an Urban Redevelopment Corporation.
- Draft a Development Plan
- Hold a Public Hearing
- City must enact an Ordinance
 - Approving the Development Plan, provide for tax abatement and make blight finding.
- Company transfers title to Redevelopment Corporation to start abatement.
- Immediate title transfers back to the company.

Chapter 353 also gives the city the statutory authority to acquire the property through eminent domain and then the city can sell the property. If the city wants to use eminent domain, the proceedings begin first with the city starting that process and then it will enact the master plan via ordinance that the area is a redevelopment area.

Megan noted that there are no Chapter 353 in the City of Smithville.

Alicia Neth asked Megan to give examples of TDD and Chapter 353 in the Kansas City area so they could relate to them mentally?

Megan noted that in Harrisonville there is an interchange right by the Ford dealership where there is a new bridge, and it is a whole new interchange that is funded by a TDD that is still ongoing. They approved a sales tax to build the interchange.

Sid noted that there is a TDD in Platte County at Zona Rosa.

Megan said that another good example of a Chapter 353 is in the City of Blue Springs. They have a Master 353 over their downtown area, where the Redevelopment Corporation provides tax abatement to businesses that come in. They provide the tax abatement level based on how much money you are going to put into your business.

Sid noted that Belton is doing the same thing with the Chapter 353 as Blue Springs did in the downtown area to encourage and incentivize redevelopment to the building both residential and commercial.

Megan noted that she just did a Chapter 353 for the City of Lebanon for a residential subdivision, where they took a blighted property, and the property owners of the houses get the tax abatement.

Mayor Boley said that he believed the City of Belton had close to seventeen tax incentive districts there.

Megan added that in Belton they have what is called "Why Belton" where the Academy Sports Store is, that is an actual example of a TIF that has multiple redevelopment project areas that they did in phases.

Megan also noted that in Blue Spring, the Adams Dairy Parkway was a combination of a TIF, CDD and three TDD's, that was done with multiple economic development incentives that is doing really well.

Chapter 100 Tax Abatement

- City issues revenue bonds to finance the cost of:
 - Warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities which provide interstate commerce, industrial plants and commercial facilities, which can also include apartment complexes.
- With the Chapter 100 there is a real property tax abatement component from 0% to 100%,
- Personal property tax abatement component from 0% to 100%
- Sales tax exemption on construction materials the city can provide
- Sales tax exemption on equipment/machinery (if DED approves)

Megan explained that Chapter 100 are very common in the Kansas City area, particularly in industrial areas where Chapter 100 is just done during the construction period for two to three years for the sales tax exemption on construction material, then once it is built Chapter 100 get terminated.

- A Chapter 100 Plan and a cost benefit analysis is created and sent to all taxing jurisdictions.
- Negotiate Bond Documents and Development/Performance Agreement.
- The city holds a public hearing and passes an ordinance approving the Chapter 100 Plan and authorizing the issuance of bonds.

Megan explained the city is not obligated to pay those in any way. What is triggering the abatement is that the city is holding title to those properties during the length of the transaction so that the company can take advantage of the tax-exempt status of the city. The city will issue a tax-exempt certificate for the company to use for the purchase of construction materials.

- How the Chapter 100 Tax Abatement Works
 - Land is owned by a company and is transferred to the city removing it from its tax rolls.
 - Revenue Bonds are issued in an amount equal to the total value of the project.
 - The city leases the land and the project back to the company.
 - The city and the company agree to a schedule of payments in lieu of taxes (PILOTs) to set abatement level.
- Industrial Development Bonds:
 - May be issued for any "commercial" project
 - Payable from the lease revenues

- City's full faith and credit is not backing the bonds

Smithville does not currently have any Chapter 100.

What are Neighborhood Improvement Districts (NID)?

- A NID is an area benefited by public improvements and assessed to pay for that improvement.
- A NID is created either by an election or a petition of property owners.

Creation of a NID

- Election
 - A municipality may by resolution submit a question of NID creation to qualified voters residing within the NID at a general or special election.
- Petition
 - Signed by owners of record of at least two-thirds of all real property located within the NID
 - Submitted to the governing body of the municipality.

Remaining Formation Steps of a NID

- Preparation of plans and specifications.
- Preparation of preliminary assessments roll which is an order that assessments to be made against each parcel that is benefited.
- Hold a public hearing.
- Governing body orders improvements to be made.
- Construction of the project.
- Computation of final costs and assessments are computed.
- Assessment of final costs and notice of such to the property owners.

Megan noted that the property owners can either pay in full upfront for their entire portion of the project or it could be made in annual installments over the course of the bonds.

NID Bonds

- Municipalities may issue bonds to pay for all or part of the project costs.
- Principal and interest on the bonds are paid for through the special assessments collected.
- Limited to 20 years

Bonds are general obligation bonds and count against the issuer's debt limit
NID bonds are limited to twenty years.

Megan noted that Smithville does not currently have a NID, but she has done them in rural areas where there is a gravel road and small subdivision of house, about 15-20 come together sign a petition to pave the stretch of house on that road. The assessment then goes against their property. She said that most people do not pay upfront, but they make the annual payments over twenty years.

Reimbursement Agreements

- The municipality enters into an agreement with the property owner.
- The property owner funds cost of public improvements.
- The municipality reimburses the owner for the costs of those improvements from incremental sales or property taxes generated from the project.
- The obligation is from year to year and subject to annual appropriation. Other municipal funds are not used nor are revenues from other taxing jurisdictions. It is solely the incremental sales or property taxes that are generated.

Megan completed the presentation and asked for questions.

Alderman Hartman stated that he appreciated Megan going through all of this because as Smithville looks to future growth, it is important to understand these programs are incentives for developers. He said he realizes that there are pluses and minuses to all of them but at the end of the day, we need to make sure it is the best for the project. He asked that Megan give proven examples of some success stories for other communities using these incentives.

Megan noted that an example of Chapter 100 is in Riverside's industrial area, there is a huge industrial levy within the levy district that is done with a lot of Chapter 100 bonds. She explained that with each building that is built they have issued Chapter 100 bonds generally just for the construction materials using the sales tax exemption.

Megan explained that Adam's Dairy Parkway was a very good example of the use of multiple tax incentives that has done really well. She went on to say that in Lee's Summit, Summit Fair and Summit Woods were both CID's and TIF's that have done exceptionally well. In Blue Springs, the Chapter 353 in their downtown area continues to have businesses come in and utilize that incentive.

Sid added that another area of development that has done well is in Liberty on 152 Highway at the intersection of I-35. He explained that development was done with TIF's and CID's.

Megan explained that in going forward, the city needs to start thinking about what projects make sense for these types of incentives, what level of abatement, what internal rate of return for companies is the city comfortable with. She noted that the city's Economic Development Guide is really more of a toolbox guide. Does the city want to have a Comprehensive Economic Development Policy that would explain these incentives? Such as, this is what the city is looking for, what kind of abatement we are comfortable with for a project, what type of public improvement the city would offer. Megan noted that this would of course be up to the city's discretion and change can be made based on what is being offered. Restriction and agreements, job creation, maximum reimbursement cap, limits on the type of business used, such as they have to be tax generating businesses, can also be added to the policy.

Steven Langley said that one of the items in the EDC Strategic Plan was a hotel conference complex. He asked if we were to bring that type of complex into the city would we use one of more of these incentives?

Mayor Boley said it was a great question but in having talk to a lot of hotel developers, right now a hotel developer is not going to build without some kind of incentive especially with Smithville being so close to hotels by the airport. He noted that without the incentives what would keep them from building right over the border in Kansas City. Mayor Boley said that with that being part of the EDC Strategic Plan then the discussion of what level of incentives are we open to for a hotel. He also explained that currently we do not have enough hotel rooms to have a hotel/motel sales tax, which is also a benefit to a hotel because they would not have to charge the 13% tax on the overall room rate like the ones closer to the airport.

Steven Langley asked if the city had to give any incentives for the Herzog Foundation's building or for Eagle Heights Subdivision on Commercial Street?

Mayor Boley explained that the Herzog Foundation is a non-profit organization, so they do not pay property taxes. He also explained that it has been practice that the city does not do incentives on residential development.

Steven Langley noted that he had heard that Kozak's Laketown Grill was looking to relocate to a new location and asked if the city would work with a current business that is wanting to expand to a new location?

Mayor Boley explained that Kozak's site plan is approved by the Planning and Zoning Commission and by the Board of Alderman. He said Kozak's has not approached the city formally with any kind of development agreement. Mayor Boley explained that this is what this work session is for, so with future development, staff would have the guidelines to bring forward for review.

Alderman Hartman noted that it is important to understand that any of these incentives will help impact the overall economic development for the city.

Mayor Boley asked for thoughts on these incentives.

Bruce Cramer said he likes them.

Mayor Boley asked if there were any incentives he would be against?

Bruce Cramer said no.

Cali Maxfield said she thought everything sounded good and did not have anything to add.

Alicia Neth said she would not be against any of it, she said she would be willing to entertain anything that is brought to the city.

Carol Noecker said we need to make sure the lines of communication are open, and conversation are open before the city entertains anything going forward. She noted that she felt that there are some areas that could benefit but wondered if there are conversations being had with the city that has prompted this conversation. She noted that she thinks it is great that we are thinking forward about development. She continued that she would want to make sure that conversations are being held with everyone involved and how they will affect everyone involved.

Mayor Boley noted that he had brought this up in the past at School Board meetings, because it is a part of the Comprehensive Plan. He explained that it is part of EDC action plan to say where we stand on incentives. He said that we do have developers looking but we always have developers looking. Mayor Boley stated that we need to get a policy put in place.

Tara Young said that she was trying to absorb everything since it is all new to her. She asked what the next steps were for the Marketplace?

Mayor Boley explained that the clock for the Marketplace started in October of 2017, so their five-year will be coming up.

Megan said that the end of 2022 will start the fifth year.

Mayor Boley explained that the performance of the built businesses is on track. He said that we can not drill into those numbers because there are not enough built businesses.

Megan also added that in the beginning of the TIF it was contemplated that Heritage Tractor would be built within the boundaries of the TIF, which obviously it is not, so the projections that were originally written into the TIF plan including projections from Heritage Tractor. She explained that the Marketplace is built out with what was originally planned with the exception of Heritage Tractor. The lumber store is bigger than they originally expected when they contemplated the plan. There are other things coming down the pipe that will generate additional PILOTS and EATS and the developer has approached Gilmore and Bell to issue bonds on the Marketplace. As she presented PILOTS and EATS are generated within the redevelopment area. Those monies flow into a special allocation fund, then it can either be a pay as you go, or the developer can have bonds and the money in the special allocation fund would pay off the debt service on the bonds. She explained that it is common for projects to start out as pay as you go until the project is built out to support the sale of bonds. Now that the Marketplace is near completion the developer is asking for reimbursement. Megan noted that she just received their application for reimbursement project costs that we attached to the TIF plan. Whenever a developer wants to get paid from either the CID funds or the special allocation fund, they must make a reimbursement request. If they issue bonds instead of paying that over the course of time, they get the money back quicker, so they can move on to their next project. Megan explained that underneath the TIF contract, the city in

the developer entered into a TIF contract. In that TIF contract for the Marketplace TIF, the city in their sole discretion will act in good faith if the issuer wants to issue bonds but it is within the city's sole discretion if bonds are being issued. If the city does decide to issue bonds, they are not general obligations of the city. They are revenue bonds tied to the revenues generated within the TIF, those that special allocation fund, the PILOTS and the EATS that are generated. The city does issue the bonds but there are ways that the city of can negotiate to make sure that the debt service is covered if the TIF did not generate the amount of money that they needed. There are reserve funds and then additional backup as a business interruption fund. You can negotiate but the city's general fund obviously is not on the line to pay any bond debt service. Megan explained that currently under the TIF contract the city is obligated to reimburse the developer for allowable project cost, plus the interest accrued on those approved project costs. The interest rates that were agreed upon in the TIF contract is equal to prime rate as reported by The Wall Street Journal plus 1% up to a maximum of 6%. Currently prime rate plus 1% would be about 4.25% interest. Megan said that they obviously would not recommend bond issuance if the cost of doing the bond issue was not lower than what is contractually obligated under the TIF contract. There would be no deal unless there is cost savings to the city. She explained that the underwriter has verbally told them that right now interest rates are somewhere in the low threes and so this could translate obviously to cost savings for the city in a shorter life for the TIF. If issued the agreements made to pay the capital contributions School District, Fire District, Ambulance District, the administrative cost that are incurred would still be honored and paid. The bond issuance would still be subject to the maximum and cap that was agreed upon in the TIF contract.

Robert Hedgecorth explained that he did not want to speak on behalf of the Board of Education. He noted that what Megan gave was an overview of different triggers that can be used to fund different projects. He said that for the Marketplace there is a 60% tax abatement and that could have been negotiated at different levels. He stated that each project would be its own. Robert noted that Megan talked about the term blighted and that the Marketplace area was blighted, and he said it was just a bunch of trees and land, so how could that land be blighted? He went on to explain that there were a ton of rock on the land and to get utilities back there it was going to be a major investment for a developer which is why the TIF Commission deemed the area blighted. He said that the School District is not against all TIFs, and that Dr. Schutz has been honest and said that the downtown old hospital is probably the poster child for needing a TIF, it is just at what level. Is 23 years or 15 years, is it 20% abatement or is it 80% abatement, it all depends on the project and what the pro forma looks like and how those come out.

Mayor Boley noted that the city is 16 square miles, and the school district is about 100 square miles , so there are incentives outside of the City of Smithville that the school district has to deal with also.

Alderman Ulledahl noted it would be interesting to see what new would come in be it a CID or something like it. He said he can not see necessarily some of the others

such as the Neighborhood Improvement District but thinks it would be interesting to see what comes forth in the next five to ten years in regard to those types of programs being used for new projects and upgrading our current areas.

Mayor Boley noted that there might be the possibility of a NID in an area that does not have sewer and the residents want it. He asked Alderman Ulledahl if there would be anything he would be against with the incentives?

Alderman Ulledahl said that he would be against the higher percentages and taking too long to pay it back. He noted that he hoped we would be able to negotiate strongly to make sure that these would work out in our favor.

Alderman Sarver said he was not against any of the proposals that Megan presented. He noted that each one would have to be looked at on their own merit. He said that anything brought forward should be considered as long as it is a good situation for the city.

Alderman Kobylski said that she was all for looking at anything brought before the Board. She noted that they would have to negotiate it and put the city first to make sure that our citizens are taken care of. She said that this was a lot of information, and she was very impressed with the presentation tonight.

Alderman Chevalier said he would like to see any opportunity, whatever anyone wants to develop and presents to the Board.

Alderman Atkins said he was actually amazed that there were that many incentive programs available. He personally would like to see that they are all available for anyone that wants to grow in Smithville. Like the other Board members stated each incentive has its own merit and needs to be adjusted at that time.

Alderman Hartman said he believe the Board is open to looking at these incentives. He noted that the reason he is on the Board is because he loves the city and wants to see development and growth. He stated that he thinks all of these programs could be perfect for any developer that approaches the city. He just thinks that we have to be open to it.

Mayor Boley noted that he believes staff has the direction the Board would like to proceed with the policy. He said that maybe staff could pull something together from something that Megan and Sid have worked on in other cities, it would be a draft policy the Board can then redline as needed. He asked staff, Megan and Sid if that would work for them?

Cynthia said that staff could absolutely work on the policy from this direction from the Board. She also asked the Board if they had questions to please email Anna Mitchell, Assistant City Administrator, or herself and they could incorporate them in the information provided. Cynthia noted that her thought on the next steps would be working with Sid and Megan on other city policies to draft something to bring

forward to the Board but to take it to the Economic Development Committee first for their discussion and input.

Mayor Boley said he would like to take it to the Economic Development Committee first and then discuss it at the joint Board of Alderman/School Board meeting for the opportunity to redline if needed. He noted that once everyone has agreed to the policy we need to stick to our policy.

Cynthia asked that the Board provide direction on how to proceed with the request to issue bonds for the Marketplace.

Mayor Boley said it could be a topic for the Board retreat.

Cynthia clarified that staff needs the Board to provide direction on how to proceed with the issuance of the bonds for the Marketplace so Sid and Megan can provide response to the developer.

Mayor Boley said that if it makes financial sense then the Board needs to take a look at it.

Alderman Hartman agreed and added it needs to make sense and they need to do what is best for the city.

Alderman Sarver, Alderman Atkins, Alderman Ulledahl, Alderman Kobylski and Alderman Chevalier all agreed.

Mayor Boley asked what timeline they were looking at for the issuance of bonds for the Marketplace?

Sid said that they would like to get something done this calendar year if at all possible. He explained that it would take anywhere from 60-120 days to get something like that done. He explained that during that time you take the bonds to market and get closed. He stated that based on what he was hearing they would make sure they can document the savings over what is in the redevelopment agreement versus what they expect in the capital markets, how much shorter that puts the TIF before it is collapsed by accomplishing all of the reimbursements. Sid asked if the Board was comfortable that that is an appropriate decision?

Mayor Boley asked if they would go out for bond rating?

Sid explained that for a TIF deal it is unlikely that you would get a bond rating unless you had significant history. He said that there is some history that allows the underwriters, being they are proposing the alternative to market the bonds to investors that are looking for higher yields on investments besides general obligation bonds where the interest is low. This would not be a bond rating or looking at or evaluating the credit of the city.


Alicia Neth moved to adjourn the Economic Development Committee meeting. Bruce Cramer seconded the motion.

Ayes – 7, Noes – 0, motion carries. Economic Development Committee meeting adjourned at 6:48 p.m.

3. Adjourn

Alderman Sarver moved to adjourn. Alderman Kobylski seconded the motion.

Ayes – 6, Noes – 0, motion carries. Mayor Boley declared the Work Session adjourned at 6:49 p.m.


Linda Drummond, City Clerk
Damien Boley, Mayor