

**SMITHVILLE BOARD OF ALDERMEN
REGULAR SESSION**

August 1, 2023 7:00 p.m.
City Hall Council Chambers and Via Videoconference

1. Call to Order

Mayor Boley present via Zoom, called the meeting to order at 7:00 p.m. A quorum of the Board was present: Melissa Wilson, Leeah Shipley, Marv Atkins, Ronald Russell, Dan Ulledahl and Dan Hartman.

Staff present: Cynthia Wagner, Gina Pate, Chief Jason Lockridge, Linda Drummond and Megan Miller, Gilmore Bell.

2. Pledge of Allegiance lead by Alderman Atkins

ORDINANCES & RESOLUTIONS

3. Bill No. 2996-23, 110 Smithville TIF Plan and Redevelopment Agreement – 2nd Reading

Alderman Ulledahl moved to approve Bill No. 2996-23, authorizing and directing the Mayor to approve the 110 Smithville Tax Increment Financing Plan, establish the Redevelopment Area, designate the Redevelopment Area as blighted, making other findings, designating 110 Smithville, LLC as the developer of record and authorizing the City to enter into a TIF Redevelopment Agreement between the City and 110 Smithville, LLC. 2nd reading by title only. Alderman Hartman seconded the motion.

Cynthia Wagner, City Administrator, clarified a few items which have been discussed over the last several months. The TIF Redevelopment Plan is a document that was reviewed by the TIF Commission this spring and it outlines the details of the project. The Redevelopment Plan includes statutorily required information regarding TIF. The Redevelopment Agreement is a contract between the city and the developer outlining the details regarding implementation of the plan including the maximum amounts of reimbursable project costs that the developer can receive. Cynthia reiterated again that this is a contract outlining the requirements and responsibilities of each party. She explained that this evening there are two Bills before the Board, Bill No. 2996-23 approves the TIF documents, both the plan and the Redevelopment Agreement, while Bill No. 2997-23 activates the collection of TIF revenues within the project area. The TIF Commission reviewed the plan, and the city has been in negotiations with the developer on the elements of the Redevelopment Agreement. Cynthia noted that Megan Miller of Gilmore and Bell is here this evening to go through information relating to the Redevelopment Agreement.

Megan Miller, Gilmore and Bell, the City's Economic Development Council, clarified a couple of things about this TIF. Per the Redevelopment Agreement the TIF is capped at \$1,115,031 total plus interest at a capped rate. That interest could fluctuate lower than the cap rate and that rate will reset annually. She explained that annually the interest rate will be set, and it could fluctuate lower than the capped rate. The cap is the maximum.

Megan explained that after a meeting with the School District at the end of June, we have included further clarification language that states regardless of the amount of TIF revenues that flow into the special allocation fund, the developer is limited to the reimbursable project cost cap subject to the provisions of the Redevelopment Agreement. Unless there is a capital contribution pursuant to the statute, the City cannot single out a single taxing jurisdiction to be limited to a certain amount of revenues. That is a statutory provision that limits this happening in that capacity. The current reimbursable project costs are as follows: money going to a private land purchase, demolition and infrastructure, and initial commercial tenant hard construction costs. Pursuant to the Redevelopment Agreement the developer will have to apply for these reimbursable project costs. The application is attached to the back of the agreement. Megan explained that she and City staff will review that application which will consist of invoices and checks, to ensure that items the developers are requesting reimbursement for fall within the categories provided in the project budget. Gilmore and Bell negotiated for the City the amounts of reimbursement must fit within the amounts provided in that project budget. It cannot exceed the amount for any single line item. For example if the demolition line is \$480,000 if demolition comes in at \$500,000 they only receives \$480,000. It is limited to that maximum amount in the project budget. If it comes in at \$300,000 the developer only receives \$300,000. They cannot move that additional \$180,000 to any other line item it has to stay for that particular line item within the project budget. If the reimbursement application is approved the developer will then receive money as it is generated within the TIF from an account called the special allocation fund that is held by the City. The statute requires the developer to show the amounts of PILOTs (Payment-In-Lieu-Of-Tax) and EATs (Economic Activity Taxes) that can be captured from within the TIF, the costs to the taxing jurisdictions which is **what you see in the CBA attached to the TIF plan.**

The Redevelopment Agreement is the contract between the City and the developer that provides how this TIF Plan is implemented and where the capped reimbursable projects costs are set. That amount is approximately \$1.1 million. **Megan explained that the approximately \$3.8 million shown in Exhibit D of the TIF Plan was the potential revenues that the TIF could generate if there was not a cap in place.** As Megan previously stated, a cap that limits what revenues can flow and how much revenues can flow to the developer has been negotiated.

Megan reiterated that the TIF Plan is what is required by statute, and it provides all the statutory requirements we have to have. The Redevelopment Agreement implements it. It kind of has the nuts and bolts of the project. She also noted certain claw backs that were negotiated into the Redevelopment Agreement; the project must be substantially completed within three years or the TIF is terminated. There is a requirement that any business within the commercial space must be a sales tax generator. Megan noted that statute allows for 23-year TIFs, and we have limited this to a maximum of 20 years. Once the TIF is done, either at the 20 years or at if it pays off earlier, or when the developer has either received all of their reimbursable project costs up to the capped amount plus the capped interest or we have hit the maximum term, the TIF gets terminated. At that time the remaining money in the special allocation fund, beyond what is owed to the developer, is then distributed pro rata back to the taxing jurisdictions and the City passes an Ordinance to terminate the TIF. She noted that it is a pretty simplistic process to terminate the TIF.

Alderman Russell asked what the capped interest rate was.

Megan explained that the interest rate was negotiated at prime plus one with a cap at 8.25%. So, 8.25% is the maximum rate the interest can be, but it can fluctuate below that.

Public comment:

Dr. Mark Maus, 16731 Riverview Road, Smithville School District Superintendant, spoke to the Board about their concerns regarding the 110 Smithville TIF proposal. He noted that the School District agrees the former hospital is distressed and there needs to be new development in that location. He said that they were excited there was interest in developing that area. He noted that their concerns were about the incentives provided. Dr. Maus explained that it was their understanding that the June 14 revisions for the 110 Smithville TIF were still the TIF plan. He asked if there had been changes please let them know. He noted that they have asked for clarification on the \$1.2 million which he believes the attorney for Gilmore Bell has tried to share. They still have concerns about the \$3.8 million available regarding this TIF. Dr. Maus noted that in December the School Board passed resolution regarding TIF and in 2020 the City of Smithville adopted policy language and had specific regarding TIFs. He said that the 110 Smithville TIF proposal does not meet either of these organizations policies or resolutions. He explained that the district's resolution calls for a maximum 50% tax abatement, not supporting residential projects and a 10-year cap on commercial and retail projects. He said that the City of Smithville's policy language was similar with minor differences. It remains the consistent 50% cap and 15 years instead of 10 years on length and discourages residential for TIF assistance and any mixed-use property, which this is. The 110 Smithville TIF proposal is 88% residential, is 20-year length and is it 70% abatement of property taxes. The School District is funded at 60% relying on local property taxes and the state has kept their funding relatively flat over the last several years. The local community continues to be relied upon to fund our schools. He noted that repeatedly it had been shared with him that this project is the exception. He said that since the adoption of the policy manual this is the only TIF brought forth and exceptions were found on length, residential being the primary part of the TIF and the percentage amount of the property taxes. It had also been shared that this may not be in place for the full 20 years. He said that that very few TIFs end early. The 110 Smithville TIF defers property taxes that would benefit all jurisdictions and puts additional burden on the Smithville taxpayers.

Jeff Bloemker, 1404 NE 182nd Terrace, School Board President, spoke to the Board to reiterate the position of the School Board. He said to be clear he and the district remain opposed to any residential TIFs. He noted that they have continuously shared that residential TIFs place and extraordinary burden on the School District. This would also add students to their rolls at the cost of \$11,020 per student. Mr. Bloemker said that adding additional students to the district through residential property while capturing the very tax dollars designed to fund those children's education puts the School District in a bad spot. He noted that when he spoke with the Board last knowing that this is indeed a community priority and shared that a total contribution from the District of approximately \$1.2 million is something they could live with and still complete our mission. Furthermore, they ask that the City work to limit the contribution of the blight remediation and commercial aspects of this project. He acknowledged that the City had worked to meet both those asks. They have concerns that this package is currently structured and still speaks of a cap plus interest, but the project plan also projects that the payments and incidental sales tax captured will total the \$3.8 million reference to appendix. Mr. Bloemker noted that they had asked privately and publicly for that clarification of that \$1.1 million. He said that in failing that clarification at least delay the latest vote until they could receive the information

that they asked for during their freedom of information request. Since they have not received that information as it currently is in process, it appears that the Board are indeed headed to a vote this evening. Mr. Bloemker noted that he was asking each member of the Board individually to affirm as they vote tonight they believe that this project is indeed capped at that \$1,115,031 plus interest amount. He explained that the School District needed that as exhibit A in any future lawsuit, should it go forward.

Carol Dawkins, 202 Highland Drive, explained to the Board that she had brought more signatures against the TIF and were up to about 156 signatures so far. She noted that she wanted to make the Board aware of that and to include those in their decision.

Deborah Garrison, 161 E First Street, spoke to the Board about how come no one is listening to them. She asked why the City was giving away city parking. She noted there not adequate sidewalks. She also noted that she would be campaigning against the Board members that would be running again.

Ali McClain, 1004 Coneflower, spoke to the Board about being at a crossroads and all that is left is to turn down a residential TIF. She said that a residential TIF is not economic development and to ask any County Commissioner in the state of Missouri. She asked that the Board do the right thing and vote down the TIF. She said to vote no on the TIF and put the people before the money. It was time to do the right thing to do what is right for the people and the public schools.

James McClain, 1004 Coneflower, said that the Board was elected to represent the people and for the most part did not think that was happening. He said that people are supposed to trust elected officials to represent them. He said that American should take responsibility of their freedom and get involved. He said that he thought the decision for the TIF was a done deal and it did not matter what these people said.

Debra Dotson, 2004 NE 196th Place, read an email that she sent to the Board of Aldermen. *For months, a small, but very vocal group has continually bashed our lovely town.*

**Elected officials and city staff are publicly harassed, mistreated and maligned.*

**Ugly innuendo and rumors are frivolously tossed like feathers in the wind.*

**Some Seniors now believe the City is trying to get rid of them. Force them out of the Senior Center.*

**Local developers and business owners are portrayed as greedy, selfish and corrupt.*

I've asked people..."Where are you getting this nonsense?" It's always "They said..."

"They"...are misleading people and creating chaos instead of bringing the community together in a positive way.

"They"...have deliberately tried to divide and drive a wedge between Taxpayers. Seniors, young adults and families.

Taxpayers are being manipulated by fear. The sky is falling! The City must be stopped!

We are better than that! Smithville is better than that and we must stop this malicious nonsense.

Here's a News Flash – The same tired political rhetoric was used during the Market Place TIF. Now we have a wonderful new grocery store serving our area.

The sky...did not fall.

This important project is an expression of people's vision for downtown. An attractive, modern live-work-play walkable environment.

The project adheres to the Comprehensive Plan. The blueprint for moving this city forward based on the input of numerous Smithville Citizens.

The TIF Commission...an ethical, law-abiding highly respected group of leaders... approved it by a large majority.

The local developer has given untold amounts of goodwill and support to this community and has come forward with a solid solution.

Please do not let political rhetoric divide our town. The sky is not falling. Please approve the TIF project so that we can move forward to the future this community envisioned together.

Pat Luce, 300 Maple Lane, present via Zoom, spoke to the Board about being in favor of the TIF. She noted that the old hospital had outlived its purpose. She was glad someone wanted to transform that property. She noted that the property had changed hands many times and yet no one had developed it. Ms. Luce went on to say that the TIF Commission voted nine to two for the TIF. She said that it would be a benefit to our community and to vote yes and move forward.

Board discussion.

Mayor Boley asked Megan to address the School's question on the cap.

Megan explained that the \$3.8 million that is in exhibit D of the TIF plan is what could be generated, those are projections. She clarified that these projections are what the developer has brought forward after working with the county assessor's office and experience thinking that this is what the TIF could generate. It is just a projection. The TIF plan from June 14 states that it is only a projection.

Megan explained that the Redevelopment Agreement which has been negotiated until about two weeks ago has the cap's number in it and what will be used to implement it. She referred to:

Section 3.01. Limitation on Reimbursement to Developer. Regardless of the total amount of Reimbursable Project Costs requested by Developer or certified by the City in accordance with this Article, the City's obligation to reimburse Developer from TIF Revenues shall not exceed the Reimbursable Project Costs Cap, except that reimbursement of reimbursable interest under Section 3.02.B, Developer payments under the Funding Agreement, and Advanced Funds, shall, notwithstanding anything in this Agreement to the contrary, not count toward the Reimbursable Project Costs Cap. "Reimbursable Project Costs Cap" means One Million One Hundred Fifteen Thousand Thirty-One Dollars (\$1,115,031). Regardless of the amount of TIF Revenues in the Special Allocation Fund, the Developer shall be limited to the Reimbursable Project Costs Cap, subject to the provisions provided within this Section.

Megan explained that it also states that there is a capped interest rate, but we cannot project what that is going to be. The capped interest rate comes into effect when the developer submits the reimbursable project application for whatever amount may be but cannot exceed the \$1.1 million. Interest will be generated on that outstanding balance. Until money starts flowing into the special allocation fund from the PILOTS and EATS that are generated within the TIF and then that starts paying down. Megan explained that interest is only generated on that capped amount, and it is not compounded. The money generated will pay off the interest first and then will go toward the principal amount.

Mayor Boley asked if it was correct that the \$1.1 million is across all jurisdictions.

Megan explained that the \$1.1 million is not just one taxing jurisdiction. It is the total of the reimbursable project cost cap and all TIF revenues go towards that cap. It captures PILOTs and EATs from all taxing jurisdictions will go to paying that cap not just a single taxing jurisdiction.

Mayor Boley noted that the interest rate does have a cap of 8.25%.

Alderman Atkins asked what we had in place to make sure that the cap is in place and not exceeded it.

Megan explained that the City will set up a special allocation fund for the TIF. The developer will have to provide an application that will be checked by herself and by the City. They will make sure that the only thing that is being reimbursed are the things that are provided for in the project budget. The City will keep track of what monies flow to the developer, what the interest is generating and keep track of when that is paid off that will be noted and then we end of the TIF.

Alderman Atkins asked if it would be public record.

Megan explained that this will all be public record.

Alderman Russell asked for clarification on the 8.25% interest rate or lower, what it is on and when it is paid out.

Megan explained that the 8.25% capped interest rate is just generated on the \$1.115 million reimbursable project cost cap. It starts generating when a reimbursable project cost application is approved. The interest will generate on that amount and then once money begins flowing from the TIF from the PILOTS in the EATS it will begin to pay down interest first and then will pay off principal.

Mayor Boley noted that the interest rate is based on prime plus one.

Megan explained that the interest rate is prime plus one with a cap of 8.25% which will reset annually. If interest rate goes down and prime becomes four percent then the interest rate for that year is five percent until it regenerates the next year. It has the capacity to go down, but it cannot go above 8.25%.

Alderman Russell asked for clarification on the transfer agreement in exhibit G. He said that the land that the City owns he thought was subject to an RFP and a proposal that someone could bid on that property instead of it being transferred. He said he did not understand that the agreement was that the City was transferring the property.

Megan explained that the transferring agreement is there in case the developer at some point in time decides to transfer the property that he owns. There has been no formal agreement with the City owned property. That is still subject to City processes and has to go through the RFQ process. If that property is sold to the developer and also what the developer currently owns they do have the option to transfer that property subject to the transfer agreement.

Alderman Russell asked concerning the City owned property and the amount of \$23,243. He asked where that dollar amount came from.

Megan explained that dollar amount has no bearing on the TIF. She said just because it is in the budget and does not mean that is what the City will sell the property for.

Alderman Russell asked if the amount went up from the \$23,243 would it affect the agreement.

Megan explained that it would only affect the overall dollar amount the developer is spending, but not the reimbursement project cost. She noted that the City negotiated that they did not want any reimbursable cost going to pay for City property.

Alderman Russell asked about the parking being sufficient per City code. He said he did not see the code that it was referencing. He said that he researched different internet sites for what was adequate parking per unit and the equation for developers is 1.6 to 1.8 parking spaces per unit. He said that works out to be 136 to 153 additional parking spaces.

Cynthia explained that this agreement relates only to the financing related to this development. If this is approved, this development will still have to go through the development review process and through the Planning and Zoning Commission. Parking will be part of that review process.

Alderman Russell said that parking is still an issue and so is the funding for the School District. He also asked about the 7.5% interest rate in the plan.

Megan explained that rate is what the developer assumed the interest rate would be, it is just an approximation for that projection. She said that the capped interest rate we have now is the Wall Street Journal prime rate of 8.25%. She explained that a lot of the interest rate discussion was driven by their lender and also made sure the City was not paying an astronomical interest rate. Megan also explained that the City by statute is capped at 10%.

Alderman Russell said that the difference between the 7.5% and 8.25% is approximately \$100,000. He made the point that \$100,000 is still taxpayer's money. Alderman Russell noted that the property owner has done a lot for the community, but he also knew what he bought when he bought it. He believes the taxpayers should not have to pay for it.

Alderman Hartman went over a few of the reimbursable cost.

\$480,000 for demolition

\$450,000 for site work and infrastructure

\$154,121 for private land purchase – not the purchase of land from the City

\$30,910 for initial commercial tenant

Alderman Hartman noted that if the demolition comes in at a cost of \$450,000 that is all they will receive for demolition. He also noted that no one knows what the costs will be they are just approximations. Alderman Hartman reiterated that the City land will go out for a Request for Proposal (RFP).

Megan explained that the sell of City land will go through the City's processes and the developer is aware of that.

Alderman Hartman asked about a traffic study.

Megan explained that a traffic study had not been done. She noted that a traffic study is not required for this plan a blight study is. It is required by statute to be done by a third party and it meets the statutory requirement for blight.

Mayor Boley noted that one of the questions that keeps coming up is, what is the cap on the total amount of interest. He asked that since this has reimbursables that are determined it is an unpredicted schedule it is hard to tell what the interest is going to be from year to year.

Megan explained that it is hard to predict exactly what the interest is going to generate because it fluctuates and that rate resets annually but cannot go above the 8.25%. She said that we cannot anticipate what the interest is going to generate. There are a lot of factors such as; when they apply for the reimbursement cost, when will the TIF start generating money, when will we start capturing revenues. All of these things play into it. Megan explained that this is a pay as you go TIF. The developer is reimbursed as the money flows into the allocation fund.

By roll call vote.

Alderman Hartman – Aye, Alderman Shipley – Aye, Alderman Atkins – Aye,
Alderman Wilson – Aye, Alderman Ulledahl – Aye, Alderman Russell – No.

Ayes – 5, Noes – 1, motion carries. Mayor Boley declared Bill No. 2996-23 approved.

4. Bill No. 2997-23, 110 Smithville TIF Redevelopment Project – 2nd Reading

Alderman Ulledahl moved to approve Bill No. 2997-23, authorizing and directing the Mayor to approve the Redevelopment Project for the 110 Smithville Tax Increment Financing Plan and activating the collection of Tax Increment Financing Revenues within the Project. 2nd reading by title only. Alderman Hartman seconded the motion.

None.

By roll call vote.

Alderman Ulledahl – Aye, Alderman Wilson – Aye, Alderman Hartman – Aye,
Alderman Shipley – Aye, Alderman Russell – No, Alderman Atkins – Aye.

Ayes – 5, Noes – 1, motion carries. Mayor Boley declared Bill No. 2997-23 approved.

OTHER MATTERS BEFORE THE BOARD

5. Public Comment

None.

6. New Business from the Floor

Alderman Russell noted that last meeting there was a proposal to renew the contract with GT Towing. He said that instead Alderman Hartman asked that it be put out for bid. He said that he was contacted by several people who asked why. Alderman Russell said they had a problem with the perception with the Board that he thinks needs to be addressed. He thinks that they need to have more transparency, more fairness. All contracts and agreements should be rebid every two years.

Mayor Boley believed that it was only to postpone the renewal of the contract, not to put it back out for bid.

Alderman Hartman said that it was to just postpone it to have it discussed in a future work session.

7. Adjourn

Alderman Ulledahl moved to adjourn. Alderman Hartman seconded the motion.

Ayes – 6, Noes – 0, motion carries. Mayor Boley declared the regular session adjourned at 7:51 p.m.

Linda Drummond, City Clerk

Damien Boley, Mayor