

**SMITHVILLE TAX INCREMENT FINANCING COMMISSION
PUBLIC HEARING**

July 12, 2017 6:00 p.m.
City Hall Council Chambers

1. Call to Order

Mayor Brian Fullmer called the meeting to order at 6:00 p.m. A quorum of the Commission was present: Steve Sarver, Pete Browning, Charlie Waters, Jack Curtis, Rand Smith, Judy Clough, Todd, Schuetz, Russell Fries, and Steve Potter.

Mayor Fullmer Accepted the Nomination for Chair

Mayor Fullmer accepted the nomination of Rand Smith for Chair from Steve Sarver. Members of the City of Smithville Commission voted for the officers.

Ayes – 6, Noes – None. Motion carried and the Mayor declared Rand Smith the Chair for the TIF Commission.

Chair Rand Smith Accepted the Nomination for Vice-Chair

Chair Rand Smith accepted the nomination of Pete Browning for Vice-Chair from Judy Clough.

Ayes – 6, Noes – None. Motion carried and the Chair declared Pete Browning the Vice-Chair for the TIF Commission

Chair Rand Smith Accepted the Nomination for Secretary

Chair Rand Smith accepted the nomination of Judy Clough for Secretary from Charlie Waters.

Ayes – 6, Noes – None. Motion carried and the Mayor declared Judy Clough the Secretary for the TIF Commission.

2. Approval of the Agenda

Approve the remainder of the Agenda.

Steve Sarver moved to approve the agenda. The motion was seconded by Charlie Waters.

No Discussion.

Ayes - 6, Noes - 0, motion carried. The Chair declared the agenda approved.

3. Public Hearing for the Smithville Commons Tax Increment Financing Plan

City Attorney, David Bushek, went over the memo that was sent to the Commission.

July 7, 2017

TO: Smithville Tax Increment Financing Commission

FROM: David Bushek

RE: Summary of the Smithville Commons TIF Plan

Development: The proposed redevelopment area is located generally between Cliff Drive and U.S. Highway 169 in Smithville, Missouri, which is commonly known as the Smithville Commons site. Developer proposes a substantial build-out of the Redevelopment Area, including installing roadways and access points, performing any required environmental remediation, constructing buildings and pad sites for more than 100,000 square feet of commercial space, designing and constructing additional site amenities and installing utilities and other infrastructure improvements.

Schedule: Developer projects that the redevelopment work will begin in late 2017 or early 2018. Developer anticipates completion for the grocery store and tractor and farm supply store in early 2019. Other components will be constructed as tenants and users are identified.

Sources and Uses Summary: The following table shows the sources and uses for each of the proposed categories of expenditures. A more detailed budget is included in the TIF Plan as Appendix E.

<u>Uses</u>		<u>Sources</u>		
		Private	TIF	CID
Land Acquisition	\$3,700,000		\$3,700,000	
Site Work/Infrastructure	\$5,700,000	\$550,000	\$3,377,214	\$1,772,786
Hard Construction Costs	\$18,465,000	\$16,388,686	\$2,076,314	
Soft Costs	\$3,921,500	\$3,921,500		
Contingency	\$3,178,650	\$2,086,019	\$915,353	\$177,279
Totals	\$34,965,150	\$22,946,205	\$10,068,880	\$1,950,065
	100.0%	65.6%	28.8%	5.6%

Private Sources of Funding: The Developer was asked to provide data on the amount of equity investment that will be used to fund the Project and the amount of private debt, but such information is not currently within the Plan.

Property Investment and Valuation:

- Current equalized assessed valuation: \$52,430
- Total Project Costs: \$34,965,150
- Projected assessed valuation after Project is constructed: \$4,210,397

Ownership and Development Structure:

- The Developer has an option to purchase the property in the Redevelopment Area.
- It is anticipated that construction on the Redevelopment Project will begin in 2017 and that the grocery store and tractor and farm supply store will be completed in 2019.

TIF Reimbursement and Financing Structure:

- Payments In Lieu of Taxes (PILOTs): The Developer projects that over the 23-year period that tax increment financing is in place, the TIF will generate \$6,532,821 in PILOTs, which will have a net present value of about \$3.1 million. The TIF Plan as presented to the City would capture 100% of the incremental increase in real property taxes.
- Economic Activity Taxes (EATs): Fifty percent (50%) of the incremental increase in sales taxes will be captured. The Developer projects that over the 23-year period that tax increment financing is in place, the TIF will generate \$16,753,823 in EATs, which will have a net present value about \$8 million.
- Reimbursable Project Costs: The TIF Plan provides for reimbursement of \$12,018,945 in Reimbursable Project Costs from TIF Revenue and CID Sales Tax revenue.
- The Developer's amortization table in *Exhibit H* appears to show that an \$11.8 million principal amount will be repaid in 20 years. The actual termination date of the TIF Plan may be in a later year than as projected if the TIF and CID revenues do not meet Developer's projections.
- No City backing of debt has been requested. However, the Developer is requesting that bonds be issued to pay for Reimbursable Project Costs.
- Annual sales after full build-out are projected to be \$39 million, and to increase over time.

CID Reimbursement:

- The new CID is proposed to impose a 1.0% sales tax for 23 years.
- The TIF Plan will capture half of all CID sales tax revenues as EATs, which can then be expended on TIF-eligible Reimbursable Project Costs.
- The Developer projects that over the 23-year period that tax increment financing is in place, the CID will generate \$5,584,608 in sales tax revenues that are not captured by TIF.
- The uncaptured portion of the CID revenues must be expended on CID eligible costs, which must be public improvements for the purpose of blight clearance.

Benefit to Taxing Districts: Individual Taxing Jurisdiction Summaries, which are included in the Cost- Benefit Analysis attached to the TIF Plan as *Exhibit G*, show the projected tax revenues to be generated by the project for each taxing district if the project does not occur and if the project does occur with the use of TIF.

The Cost Benefit Analysis is projected over a 30 year period. Tax increment financing can last for a maximum period of 23 years, so the Cost Benefit Analysis includes the projection of tax revenues after the TIF will be terminated and all taxes are then flowing as normal to the taxing districts.

This is particularly relevant for taxing jurisdictions that only receive property tax revenue. For the property- taxing districts, about 97% of the benefit shown in the Cost Benefit Analysis will be realized after TIF has terminated. Combined, the total benefit to the School District, the Ambulance District, the Library District, the Handicap Tax District, the Health Tax District and the Mental Health Tax District over the 23 years of TIF capture be about \$66,240. The total benefit being projected for those jurisdictions by the Plan is \$697,254, with \$631,014 of that scheduled to occur in years 24 through 30.

Comparison to 2005 Plan: The following table provides a comparison of the 2005 Plan which was approved for the prior project in this area and the currently proposed TIF Plan:

David Bushek made the correction that it was 2006 not 2005.

	2005 Plan	2017 Plan
Total Project Costs	\$68,740,000	\$34,965,150
Size of Redevelopment Area	28 acres	66 acres
Size of Commercial Development	279,924 sq.ft.	113,500 sq.ft.
Maximum duration of TIF capture	15 years	23 years
Portion of Redevelopment Costs reimbursed from TIF	34%	36%
Mandatory Surplus PILOTs	50%	0%

Required Findings: The following is a list of the findings required to be made by the Board of Aldermen with a recommendation from the TIF Commission, along with references to the pages in the TIF Plan where supporting information may be found:

- **Blight:** The Redevelopment Area must be a blighted area, as such term is defined in Section 99.805(1), RSMo, as follows:
an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the

provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

The basis presented by the Developer in support of a blight finding is the presence of several blighting factors as set forth in the Blight Study prepared by Polsinelli (*Exhibit B*). The Redevelopment Plan is also accompanied by an affidavit, signed by the Developer, attesting to the blighting conditions of the Redevelopment Area (*Exhibit H*). The following is an overview of the blighting factors noted in the Blight Study:

- Predominance of Defective or Inadequate Street Layout
 - Poor or nonexistent vehicular access and internal circulation
 - Substandard or nonexistent driveway definition and parking layout
 - Offset or irregular intersections
 - Lack of signalization
 - Substandard or nonexistent pedestrian circulation and lack of signage
- Unsanitary or Unsafe Conditions
 - Presence of trash and other discarded items
 - Unfinished curbs and drainage systems
- Deterioration of Site Improvements
 - Weathered and cracking access roads
 - Unfinished or lacking curb and gutter improvements
 - Development sign showing rust, cracking and plant overgrowth
- Improper Subdivision or Obsolete Platting or Land Uses
 - Irregular or fault lot shape and/or layout
 - Inadequate lot size
 - Poor access
- Conditions which Endanger Life or Property by Fire and Other Causes
 - Lack of security features, adequate lighting, and site improvements
 - Grade impediments, including changes in elevation and general variation and difficulty in the terrain
 - Heavy presence of brush and other debris
 - Presence of trash and other discarded items
 - Lack of reasonable means of ingress and egress
- **But-For:** The proposed redevelopment must satisfy the “but for” test set forth in Section 99.810, RSMo, in that the Redevelopment Area has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing. The TIF Plan is accompanied by an affidavit, signed by the Developer, attesting to this statement (*Exhibit H*), and includes two proformas in *Exhibit H* which show that the rate of return without incentives is negative and the rate of return with incentives is 8.05%.
- **Cost-Benefit Analysis:** A cost-benefit analysis is required showing the economic impact of the TIF Plan on each taxing district and political subdivision within the Redevelopment Area if the project is build pursuant to the TIF Plan or is not built (*Exhibit G*).

- **Financial Feasibility:** There must be evidence that the proposed project is financially feasible for the Developer to construct with TIF assistance. (*Exhibit H*).
- **TIF Plan Contents:** The TIF Plan must contain the following information:
 - A general description of the program to be undertaken to accomplish its objectives (*Page 10*)
 - The estimated redevelopment project costs (*Exhibit D*).
 - The anticipated sources of funds to pay the costs (*Exhibit D*).
 - Evidence of the commitments to finance the project costs (*Exhibit F*).
 - The anticipated type and term of the sources of funds to pay costs. *Exhibit D* shows the sources of funds (private funds, TIF and CID reimbursement) and *Exhibit H* contains an amortization table associated with the TIF incentive.
 - The anticipated type and terms of the obligations to be issued (*Exhibit H*).
 - The most recent equalized assessed valuation of the property within the Redevelopment Area which is to be subject to payments in lieu of taxes and economic activity taxes pursuant to Section 99.845, RSMo (*Page 13*).
 - An estimate as to the equalized assessed valuation after redevelopment (*Page 13*).
 - The general land uses to apply in the Redevelopment Area (*Pages 1-2*).
 - Estimated dates for the retirement of obligations incurred to finance redevelopment project costs, and said dates are not more than twenty-three (23) years from the adoption of an ordinance approving a Redevelopment Project within the Redevelopment Area (*Exhibit H*).
 - Estimated dates of completion of the redevelopment project (*Exhibit C*).
- **Plan Requirements:** The TIF Plan meets the following requirements:
 - The TIF Plan is in conformance with the Comprehensive Plan for the development of the City as a whole (*Page 17*).
 - A Relocation Assistance Plan has been developed for relocation assistance for businesses and residences, and the relocation of any business or residents in the Redevelopment Area, if necessary, will take place in accordance with the Relocation Assistance Plan (*Page 17 and Exhibit K*).
 - The TIF Plan does not include the initial development or redevelopment of any gambling establishment (*Page 18*).
 - The areas selected for the Redevelopment Project include only those parcels of real property and improvements thereon which will be directly and substantially

benefited by the Redevelopment Project improvements (*Page 18*).

Discussion Issues and Outstanding Issues: The following is a list of certain primary issues that have been discussed between the City team and Developer, along with some issues that still need to be resolved or that require further action.

- **Grocery Store Relocation** – When evaluating the impact of moving the grocery store to the TIF area, the City has expressed the desire that the TIF Plan should be “revenue neutral” with respect to sales tax generation. That is, the TIF project as a whole should produce sales tax revenues that are at least equal to the current taxes generated by the existing grocery store property on an annual basis. Developer’s revenue projections show that the TIF project at full build-out will generate more than double the sales of the current grocery store.
- **Financing Structure** – Developer proposes that bonds would be issued to finance the reimbursable project costs. The City will continue discussion with the Developer to develop a financing plan with the assistance of the City’s financial advisor.
- **Level of Incentive Request** – The City’s TIF Policy expresses a preference that TIF assistance should be no more than 15% of the total project costs. As summarized above, the requested TIF assistance is about 29% of the total project costs. This does not prevent the City from approving the TIF Plan, but this is an issue under the City’s TIF Policy.
- **Categories of Reimbursement** –
 - **“Infrastructure – Grocery/Hardware/Access” - \$3,250,000.** The City has requested more information to understand what is included in this budget line item, which is composed of \$2.75 million in TIF reimbursement and \$500,000 in CID reimbursement. The Developer has indicated that they will provide this information.
 - **“Off-Site Improvements” - \$627,000.** The City has asked whether these are public improvements, and Developer has indicated that they will provide this information.
 - **“Grocery Hard Construction Costs” - \$6,550,000.** Developer has requested that \$2,076,314 in TIF reimbursement be provided for vertical construction of the grocery store. The City has stated that the preference is to first fund public improvements, then site costs and soft costs, and private vertical construction as the lowest priority. Developer has responded that this line item is easier to quantify than soft costs or other cost categories. This is a policy issue for the City regarding the actual use of TIF revenues for the project.
- **Duration of the TIF Plan** – The City’s TIF Policy expresses a non-binding preference that a TIF plan should be limited to 15 years. Developer’s request is to use TIF up to the maximum 23 years.
- **Level of TIF Capture from Emergency Districts** – There is a statute in the TIF Act which provide for reimbursement to emergency service districts from those districts’ tax increments which are captured by a TIF plan. The City is in discussions with the Smithville

Area Fire Protection District and Northland Regional Ambulance District regarding the level of TIF capture for the taxes generated by those districts.

- **Growth Assumptions** – Developer has used a 2% annual growth assumption in the revenue projections. The City has expressed the concern that this may be too high and 1% growth might be more appropriate.
- **Correcting Tax Levies** – The TIF Plan as filed with the City included certain tax rates that need adjustment, and also showed certain taxes as not captured but which would be captured by the TIF Plan. The corrections will need to be incorporated into the TIF Plan, and this will cause minor adjustments to the total TIF revenue projections. Developer's summary of the differences is below. The Plan will be formally amended after the TIF Commission hearing and before consideration by the Board of Aldermen.

What Plan Shows:			Current Mill Levy Rates:		
<i>Mill Rates:</i>			<i>Mill Rates:</i>		
<u>Jurisdiction</u>	<u>Rate</u>	<u>Captured for TIF</u>	<u>Jurisdiction</u>	<u>Rate</u>	<u>Captured for</u>
School	4.4275%	4.4275%	School	4.4275%	4.4275%
Fire	0.4906%	0.4906%	Fire	0.4906%	0.4906%
City	0.4985%	0.4985%	City	0.4785%	0.4785%
Ambulance	0.4355%	0.4355%	Ambulance	0.4355%	0.4355%
Library	0.3153%	0.3153%	Library	0.3153%	0.3153%
County Services	0.1857%	0.0000%	County	0.2057%	0.156600%
Handicap Tax	0.1182%	0.1182%	Handicap Tax	0.1182%	0.1182%
Health Tax	0.0985%	0.0985%	Health Tax	0.0985%	0.0985%
Mental Health	0.0985%	0.0985%	Mental Health	0.0985%	0.0985%
State	0.0300%	0.0000%	State	0.0300%	0.0000%
M&M	Not shown		M&M	1.5900%	0.0000%
Totals:	6.6983%	6.4826%	Totals:	8.2883%	6.6192%
% Change			2.11%		

Developer's Presentation by Evan Fitts, Attorney and Trip Ross, Developer



Requested Action

- Recommendation of Approval of the Smithville Commons Tax Increment Financing Plan from Development Associates Smithville, LLC (the "Developer") to the Smithville City Council

Smithville Commons



Site History



Smithville Commons Site Pros & Cons

▪ Pros

- Located off a major highway (U.S. 169)
- Entrance/Exit to Kansas City metro area
- Traveled daily by all commuters coming through Smithville
- Centrally located in Smithville north of MO-92

▪ Cons

- Approximately \$5.7 million of onsite and offsite infrastructure to make the site developable
- Located in a growing area, but still requires aggressive deals to potential tenants and users
- Overcoming past development attempts

Goals of New Project

- 1) Ensure that Price Chopper can continue to grow in Smithville
- 2) Have “the Developer” be the anchor tenant
- 3) Anchor the site with a stable, everyday-use assets to drive continuous traffic
- 4) Focus on a developable portion of the site and create a single-phase development

Current Proposal



Current Proposal

<u>Component</u>	<u>Square Feet/Acres</u>
Total Acreage	66.3 acres
Price Chopper Grocery Store	65,500
Tractor and Farm Supply	15,000
Hardware Store	12,000
Additional Commercial Pads (small retail and restaurant)	21,000
Total Capital Investment	\$34,965,150 (likely not all-inclusive)

Current Proposal



Public-Private Partnership

■ Requests

— TIF

- 100% of increased property taxes (increment)
- 50% of increased sales tax
- Term of 23 years

— CID

- Add on 1% sales tax
- Term of 23 years

■ No City credit backing

- Revenues only accrue if/when the project is built; performance of TIF/CID tied to performance of project

But-For Analysis

- **But-For Analysis**

- Return without requests: Project cannot be done
- Return with requests: 8.05%
- Based on total “open book” discussions with City
- Return on this development is lower than typically would be required
 - Benefit of a Developer/Anchor structure

Public Benefits

- **Public benefits for Smithville and the surrounding community**

- Development of an underutilized asset at a physically and commercially significant location
- Create long-term assets that will generate future property and sales tax revenues for all stakeholders
 - Property Tax:
 - Base taxes not captured during term of TIF
 - Projected annual property tax increment at end of term: \$378,000
 - Sales Tax:
 - Annual uncaptured sales tax at Stabilization (2023): \$2.6 million
 - Annual sales tax at end of term: \$4.6 million
- Spin-off economic benefits: increased retail and commercial development in Smithville, synergies with other nearby assets (including Smithville’s downtown)

Key Considerations

- Experienced developer backed by a long-time community partner
- Structured to get done quickly and done well
- Meets area demand for these uses
- Fosters development of a key site that unlocks a future development corridor near Smithville's downtown
- **The Project will be a flagship development for both the Developer and Smithville**

Evan Fitts explained that the current store that Cosentinos have here in Smithville now is not what they are trying to do these days. It is a smaller store and does not have the amenities that they want to provide.

Trip Ross, Developer, explained that they have laid everything out on the table and if this is not approved they will not be able to do it. He stated that they have been looking at Smithville for a long time. He said that whole site is 66 acres and that they would possibly dedicated a portion back to the City. He also said that they would build something that Smithville would be proud of.

The grocery entity will rent from the development entity Real Estate Development aspect of this.

Russell Fries voiced concern about the 100% for 23 years and the sales tax.

Steve Potter said he was concerned that the estimate of the sales tax seemed light.

Public Testimony

Ruth Dickinson, 4223 NE 160th St., Smithville, stated that she was concerned about the impact of the TIF. She said that for a development like that it should have two entrances. That this was not the best use for a TIF and that the developer was asking for too much.

Lydia McEvoy, County Collector, asked why the revenue for the County was not being captured?

David Bushek stated that it would be corrected.

Lydia McEvoy also spoke about the taxpayers voting for the tax levy for the schools and that it should be allowed to be excluded from the TIF.

Scott Jacoby, 18030 Fry Rd., Smithville, asked if this TIF is killing off the old TIF and would be a completely new TIF.

David Bushek stated that it is a new TIF.

Scott Jacoby also stated that this TIF would be solving one blight by building in the Commons but would be causing another by the now Price Chopper building being empty.

Russell Fries said that Cosentino's is good for the community but felt that they should change the amount to 50% for 15 years.

Rand Smith, Chair, closed the public testimony.

4. Resolution No. 2017-01, Recommendation for the Smithville Commons Tax Increment Financing Plan

Russell Fries moved to amend the Resolution from 100% for 23 years to 50% for 15 years. Todd Schuetz seconded the motion.

Pete Browning voiced concern about making that drastic of a change. He also said he was concerned about the vacant building when the grocery store moves.

Charlie Waters asked if lowering it to 15 years would kill the project and the developers said that it would.

Steve Potter stated that the City's policy for TIF is 15 years and not 23 years.

David Bushek stated that the City's policies for the TIF were only recommendations.

Ayes – 2, Noes – 7, motion failed. The Chair declared the amendment to the Resolution failed.

Charlie Waters moved to approve Resolution No. 2017-01. Steve Sarver seconded the motion.

The discussion among the Commission was to possibly continue the meeting to another date and maybe the County would have their representatives present. They were told it could possibly be a month before the County would appoint their representatives.

The decision was made to go ahead and take the vote for the Resolution since there was a quorum present and send the Commission recommendation of approving or not approving the TIF to the Board of Alderman.

Upon roll call vote:

Steve Sarver – Aye, Jack Curtis – Aye, Todd Schuetz – No, Pete Browning – Aye, Rand Smith – Aye, Russell Fires – No, Charlie Waters – Aye, Judy Clough – Aye, Steve Potter – No.

Ayes – 6, Noes -3, motion carries. The Chair declared Resolution No. 2017-01 approved by the Commission and now will go to the Board of Alderman for their decision.

5. Adjourn

Charlie Waters moved to adjourn. Steve Potter seconded the motion.

Ayes – 9, Noes – None, motion carries. The Chair declared the TIF Commission Public Hearing adjourned at 8:49 p.m.

Linda Drummond, City Clerk

Rand Smith, Chair

Not Yet Approved