



SMITHVILLE TAX INCREMENT FINANCING COMMISSION AGENDA

**July 12, 2017, 6:00 P.M.
SMITHVILLE CITY HALL
Council Chambers**

**Call to Order
Roll Call**

- 1. Election of Officers
Chair
Vice-Chair
Secretary**
- 2. Approval of Agenda**
- 3. Public Hearing for the Smithville Commons Tax Increment Financing Plan**
- 4. Resolution No. 2017-01, recommendation for the Smithville Commons Tax Increment Financing Plan**
- 5. Adjourn**

City of Smithville Tax Increment Financing Commission

TIF Commission Roster

**for the Smithville Commons Tax Increment Financing Plan
Public Hearing Opened July 12, 2017**

City of Smithville

Steve Sarver
Pete Browning
Charlie Waters
Jack Curtis
Rand Smith
Judy Clough

Smithville R-11 School District

Todd Schuetz
Russell Fries

Clay County

Jerry Nolte
Lydia McEvoy

Other Taxing Districts

Steve Potter (Library District)



SMITHVILLE TAX INCREMENT FINANCING COMMISSION
July 12, 2017

Order of Business for the Public Hearing

1. Chair opens the public hearing
2. Presentation and testimony from the City
3. Presentation and testimony from the Applicant
4. Testimony from the public for the Plan (if any)
5. Testimony from the public against the Plan (if any)
6. Questions from the Commission
(Note: Commissioners may also ask questions as they arise during testimony)
7. Final testimony from Applicant and City Staff/Consultants
8. Close public hearing

Optional: Motion to Continue Hearing

If the Commission desires to continue the public hearing to a later date for any reason, it is important that the public hearing not be closed but remain open and continued to a designated date, time and place. This would be accomplished by the following form of motion:

<p><u>Motion:</u> I move that the public hearing remain open and be continued to ____, 2017 at 6:00 p.m., in this room at City Hall.</p>

EXHIBIT LIST

SMITHVILLE COMMONS TAX INCREMENT FINANCING PLAN

TAX INCREMENT FINANCING COMMISSION PUBLIC HEARING

Hearing opened July 12, 2017

1. City of Smithville, Missouri, Tax Increment Financing (TIF) Policy dated September 2006
2. Ordinance No. 2492-06 dated September 19, 2006 which approved the Smithville Commons Redevelopment Plan
3. Tax Increment Financing Redevelopment Agreement between the City of Smithville, Missouri and Smithville 169, LLC dated January 24, 2007
4. Ordinance No. 2626-08 dated April 1, 2008 which approved the First Amendment to the Tax Increment Financing Redevelopment Agreement
5. Smithville Commons Tax Increment Financing Redevelopment Plan dated May 2017
6. Roster of the Tax Increment Financing Commission of the City of Smithville, Missouri for the Smithville Commons Tax Increment Financing Plan
7. Notice of TIF Commission public hearing sent to Taxing Districts on May 24, 2017, and return receipts
8. Affidavit of Publication of Notice of Request for Proposals, published in the *Courier-Tribune* on June 8, 2017
9. Affidavit of Publication for First Published Notice of TIF Commission Hearing, published in the *Courier-Tribune* on June 22, 2017
10. Notice of TIF Commission public hearing sent to property owners and taxpayers on June 30, 2017, and return receipts
11. Proof of Publication for Second Published Notice of TIF Commission Hearing, published in the *Courier-Tribune* on July 6, 2017
12. Sunshine Law Notice of TIF Commission Meeting posted on July 6, 2017
13. Agenda for the TIF Commission meeting, July 12, 2017
14. Memorandum to the TIF Commission from Gilmore & Bell dated July 7, 2017



GILMORE & BELL PC
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KANSAS CITY, MISSOURI 64108-2521
816-221-1000 | 816-221-1018 FAX
GILMOREBELL.COM

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:

	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 TIF</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%

SMITHVILLE TAX INCREMENT FINANCING COMMISSION

RESOLUTION NO. 2017-01

A RESOLUTION OF THE SMITHVILLE TAX INCREMENT FINANCING COMMISSION RECOMMENDING APPROVAL OF THE SMITHVILLE COMMONS TAX INCREMENT FINANCING PLAN AND REDEVELOPMENT PROJECT, RECOMMENDING A DESIGNATION OF BLIGHT WITHIN THE REDEVELOPMENT AREA AND OTHER RELATED FINDINGS, AND RECOMMENDING APPROVAL OF A DEVELOPER OF RECORD TO THE BOARD OF ALDERMEN OF SMITHVILLE, MISSOURI.

WHEREAS, the Smithville Tax Increment Financing Commission (“TIF Commission”) has been duly formed by the Board of Aldermen pursuant to Section 99.820.2 of the Revised Statutes of Missouri;

WHEREAS, on May 24, 2017, the City mailed written notices of the scheduled TIF Commission public hearing to all taxing districts from which taxable property is included in the proposed Redevelopment Area, in compliance with Section 99.825 and 99.830 of the Revised Statutes of Missouri;

WHEREAS, Development Associates Smithville, LLC (“Developer”) submitted a proposal for approval of the Smithville Commons Tax Increment Financing Plan (“TIF Plan”) on June 2, 2017;

WHEREAS, in accordance with the written procedures relating to bids and proposals for implementation of redevelopment projects, on June 8, 2017, the City published in the *Courier-Tribune* a notice of request for proposals and bids, which provided reasonable opportunity for any person to submit proposals and bids for implementation of the Redevelopment Projects as proposed in the TIF Plan, in compliance with Section 99.820.1(3) of the Revised Statutes of Missouri;

WHEREAS, on June 22, 2017, the City published notice in the *Courier-Tribune* of the scheduled TIF Commission public hearing to consider the merits of the proposed TIF Plan, in compliance with Section 99.830 of the Revised Statutes of Missouri;

WHEREAS, on June 30, 2017, the City mailed written notices of the scheduled TIF Commission public hearing to all persons in whose name the general taxes for the last preceding year were paid on each lot, block, tract, or parcel of land lying within the Redevelopment Area, in compliance with Section 99.830 of the Revised Statutes of Missouri;

WHEREAS, on July 6, 2017, the City again published notice in the *Courier-Tribune* of the scheduled TIF Commission public hearing to consider the merits of the proposed TIF Plan, in compliance with Section 99.830 of the Revised Statutes of Missouri;

WHEREAS, a copy of the notice of the public hearing has been submitted to the Director of the Department of Economic Development, in compliance with Section 99.825 and 99.830 of the Revised Statutes of Missouri;

WHEREAS, on July 12, 2017, at 6:00 p.m., the TIF Commission opened the public hearing to consider the proposed TIF Plan;

WHEREAS, in the public hearing, the TIF Commission accepted written and oral testimony and evidence regarding the proposed TIF Plan from all interested persons, including the Developer and its representatives and City and TIF Commission staff;

WHEREAS, the public hearing conducted by the TIF Commission to consider the TIF Plan was open to the public, at which a quorum of the Commissioners were present and acted throughout, and the proper notice of such hearing was given in accordance with all applicable laws including Chapter 610 of the Revised Statutes of Missouri;

WHEREAS, on July 12, 2017, the TIF Commission closed the public hearing to consider the proposed TIF Plan;

WHEREAS, after considering the evidence and testimony received at the public hearing, the TIF Commission now desires to recommend that the Board of Aldermen make required findings and take certain actions to adopt and implement the TIF Plan.

NOW, THEREFORE, be it resolved by the Tax Increment Financing Commission for the City of Smithville:

1. **Findings.** In accordance with Section 99.810 of the Revised Statutes of Missouri, the TIF Commission makes the following findings, and recommends that the Board of Aldermen by ordinance make the following findings, regarding the TIF Plan:

A. the TIF Plan sets forth in writing a general description of the program to be undertaken to accomplish its objectives, including the estimated redevelopment project costs, the anticipated sources of funds to pay the costs, evidence of the commitments to finance the project costs, the anticipated type and term of the sources of funds to pay costs, the anticipated type and terms of the obligations to be issued, the most recent equalized assessed valuation of the property within the Redevelopment Area which is to be subjected to payments in lieu of taxes and economic activity taxes pursuant to Section 99.845 of the Revised Statutes of Missouri, an estimate as to the equalized assessed valuation after redevelopment, and the general land uses to apply in the Redevelopment Area;

B. the Redevelopment Area is blighted as set forth in the Blight Study attached to the TIF Plan as Exhibit B, which is incorporated herein by reference. The TIF Plan is accompanied by an affidavit, signed by the Developer, attesting to the blighting elements of the Redevelopment Area;

C. the proposed redevelopment satisfies the “but for” test set forth in Section 99.810 of the Revised Statutes of Missouri, 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, and the TIF Plan is accompanied by an affidavit, signed by the Developer, attesting to this statement;

D. the TIF Plan is in conformance with the Comprehensive Plan for the development of the City as a whole;

E. the TIF Plan contains both estimated dates of completion of the redevelopment projects and estimated dates for the retirement of obligations incurred to finance redevelopment project costs, and said dates are not be more than twenty-three (23) years from the adoption of an ordinance approving a Redevelopment Project within the Redevelopment Area;

F. the Redevelopment Area is vacant land, and no businesses or residents will be relocated as a result of the TIF Plan;

G. the TIF Plan is accompanied by a Cost Benefit Analysis and other evidence and documentation from Developer which contains sufficient information to evaluate whether the TIF Plan as proposed is financially feasible, showing the economic impact of the TIF Plan on each taxing district and political subdivision, and that the proposed projects are financially feasible, but only if TIF assistance is provided;

H. the Plan does not include the initial development or redevelopment of any gambling establishment; and

I. the area selected for the Redevelopment Project includes only those parcels of real property and improvements thereon which will be directly and substantially benefited by the Project improvements.

2. **Recommendations.** The TIF Commission recommends that the Board of Aldermen take the following actions with respect to the TIF Plan:

A. adopt an ordinance to make the findings recommended in Section 1 above and approve the TIF Plan;

B. approve the Redevelopment Project and the collection of tax increment financing within the Redevelopment Project Area;

C. designate Developer as the developer of record for the TIF Plan and Redevelopment Project and enter into a tax increment financing contract with Developer for implementation of the TIF Plan.

APPROVED BY THE TAX INCREMENT FINANCING COMMISSION FOR THE
CITY OF SMITHVILLE THIS 12TH DAY OF JULY, 2017.

By: _____
Chair of the TIF Commission