



POLICY AND PROCEDURE GUIDELINES FOR TAX INCREMENT FINANCING (TIF) INCENTIVES

Overview

Tax Increment Financing (TIF) is a public funding mechanism to assist private development of an area within the City. TIF may only be used: 1) when there is evidence the development would not occur without public assistance; and 2) when the project area qualifies as a blighted or conservation area in accordance with state statutes.

TIF is a financial tool used to capture the increase in property taxes and sales taxes created as a result of the redevelopment of an approved area within the City. TIF by itself does not cause an increase in property or sales tax rates. 100% of the incremental increase in property tax revenues (known as payments in lieu of taxes or "PILOTs") and 50% of the incremental increase in local sales and use tax revenues (known as economic activity taxes or "EATs") generated in an approved TIF redevelopment area as a result of the completion of a development project will be captured and directed to a TIF special allocation fund. The PILOTs and EATs may then be used to reimburse a private developer for eligible expenses or to repay principal and interest on bonds used to finance the eligible expenses for a maximum of 23 years from the date a TIF redevelopment project was activated.

Statutory Requirements

By law, the City must determine that certain requirements have been met before approving a Tax Increment Financing Plan filed by the applicant. These requirements are set forth under Sections 99.805 to 99.865 of the Revised Statutes of the State of Missouri (RSMo) (the "TIF Act").

Policy Guidelines

In addition to meeting the statutory requirements referenced above, the City has established several criteria that will be applied in the review and evaluation of applications for TIF financing. In general, applications that meet each of the evaluation criteria will be viewed most favorably. However, TIF applications that do not meet all of the criteria listed herein may be considered if the application demonstrates that the TIF Plan and project or projects on the whole is of vital economic interest to the City. The City's evaluation criteria for TIF applications are as follows:

1. The proposal must demonstrate a substantial and significant public benefit by eliminating blight, financing desirable public improvements, strengthening the City's economic and employment base through the creation of new jobs or retention of existing employment, positively impacts surrounding areas, creates economic stability, facilitates economic self-sufficiency, aids in the implementation of the City's comprehensive development plan and economic development strategies, and serves as a catalyst for further high quality development or redevelopment in the City.

2. Proposals for the redevelopment and/or infill of deteriorating areas within the City will be given more favorable consideration than projects for the redevelopment of "green field" areas.
3. The applicant must provide evidence that the applicant has thoroughly explored alternative financing methods and has a track record which demonstrates the financial and technical ability to complete the project.
4. TIF assistance to the project should generally not exceed 25% of total project costs. However, additional incentives may be considered in circumstances where the developer:
 - a. has a proven track record in completing successful projects comparable in scope and scale;
 - b. documents the developer's financial capacity to complete the proposed project;
 - c. demonstrates that tenant commitments are already in place for a significant portion of the proposed project;
 - d. demonstrates the need for additional assistance in order to achieve a reasonable rate of return of the proposed project; and
 - e. is seeking to develop land that is identified as highly desirable for TIF assistance as indicated on the map on file with the City Clerk.
5. Proposals requesting TIF assistance should have a ratio of three to one (3:1) in comparing potential increased revenue to the City from all sources to the value of the incentives provided, measured over the term of the TIF project.
6. Generally, TIF applications which encompass a project area of less than 5 acres will be discouraged.
7. In evaluating the employment potential of a proposed redevelopment, the following shall be taken into consideration: (a) number of additional employees that will be hired as a result of the project and whether they are likely to be hired from the local population; (b) skill and education levels required for the jobs expected to be created by the project; (c) range of salary and compensation for jobs expected to be created by the project; and (d) potential for executive relocation. TIF projects that create jobs with wages that exceed the community average will be viewed favorably.
8. TIF applications for new or expanded retail projects will be viewed more favorably than new or expanded office, commercial, or industrial and manufacturing projects. TIF applications for retail and service commercial projects should be limited to those projects that encourage an inflow of new customers from outside the City or that will provide services or fill retail markets that are currently unavailable or in short supply in the City as documented in a professionally prepared market study. New or expanded industrial and manufacturing projects will be given more favorable consideration than new or expanded warehouse type uses based upon the projected employment per square foot.
9. TIF applications for the development of commercial, office and industrial projects that would stabilize existing commercial, office and industrial areas that have or will likely experience deterioration will be favored.
10. TIF applications that include the development of business areas, or the redevelopment of existing business areas, shall include information as to the business type of the major tenants of the TIF area. In addition, a thorough market analysis should be completed that identifies: (1) the population areas from which the project will draw; and (2) the businesses of similar types that would be competing with the TIF area businesses.
11. TIF applications for new residential development projects (other than a limited number of residential units which are creatively integrated into commercial or retail projects) will be strongly disfavored. TIF applications for the redevelopment of existing residential areas will generally be disfavored.
12. Government-issued financing related to TIF applications.

- a. If an applicant's financing plan includes a request for the City or another governmental entity at the City's request (e.g., an industrial development authority or the Missouri Economic Development Financing Board ("MDFB")) to issue notes and/or bonds to finance the project, the applicant shall enter into an agreement with the City regarding the terms of such financing prior to the consideration of the approval of the application, which financing terms shall be incorporated into a redevelopment agreement for the implantation of the redevelopment plan upon the approval of the application, as applicable.
 - b. TIF applications requesting the issuance of bonds or notes shall be required to demonstrate using a third-party revenue consultant selected by the City that the payments-in-lieu of taxes and/or economic activity taxes expected to be generated will be sufficient to provide debt service coverage of at least 1.30 times the projected debt service on any tax increment financing bonds or notes, subject to input from the City's bond underwriter or other consultant on a case-by-case basis. This limitation may be modified for projects that involve the redevelopment of existing structures or the assembly and clearance of land upon which existing structures are located. The debt service coverage ratio provided in this subsection is for guidance only, the actual ratio will be determined through negotiations of the parties in the context of an actual request for incentives through an application.
 - c. Applications requesting the City to issue annual-appropriation backed bonds are prohibited.
13. If the TIF application is being recommended based upon specifically delineated benefits that are projected to flow to the City as a result of the development, such as increased employment opportunities, increased ad valorem or economic activity taxes, or construction of public infrastructure, language will be included in the development agreement that stipulates that the City's assistance to the developer may be reduced if satisfactory evidence is not shown that the degree, nature and/or quality of the benefits have been generated to the City by the project in accordance with the timeline provided in the application.
 14. Applications that include the utilization of a Community Improvement District (CID), Transportation Development District (TDD), Neighborhood Improvement District (NID), or other private or public financing mechanisms that result in reducing the term of the TIF project and/or reduce the burden on affected taxing jurisdictions will be viewed more favorably.
 15. Notwithstanding the foregoing, TIF applications that, based upon the above guidelines, would not otherwise be favorably considered or do not meet any of the above referenced criteria, may be viewed favorably by the City if the application clearly demonstrates that the project as a whole or a portion of it is of vital interest to the City and will significantly assist the City by eliminating blight, financing desirable public improvements, strengthening the City's economic and employment base through the creation of new jobs or retention of existing employment, positively impacting surrounding areas, creating economic stability, facilitates economic self-sufficiency, aiding in the implementation of the City's comprehensive development plan and economic development strategies, and serving as a catalyst for further high quality development or redevelopment in the City.

Expenses Eligible for Reimbursement

Subject to the requirements of the TIF Act, expenses eligible for reimbursement under a TIF proposal may include, but are not limited to, the following:

- a. Studies, surveys, plans and specifications.
- b. Fees incurred by either the City or the applicant, or both, for professional services such as architectural, engineering, legal, marketing, financial, and planning.

- Site preparation, including demolition of structures, clearing and grading of land.
- c. Constructing public infrastructure such as streets, sewers, utilities, parking, and lighting.
- d. Financing costs including bond issuance.
- e. Relocation costs if persons or businesses within the redevelopment area are displaced.

City Application/Approval Process

The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility. An application may then be submitted to the City Clerk for review and processing. A copy of the formal application may be obtained through the City Clerk.

Provided that the application exhibits initial feasibility in the opinion of City staff as determined by the information exchanged in the pre-qualification conference, the applicant will be required to enter into a funding agreement with the City to cover the City's expenses associated with the TIF consideration and approval process, as provided in the City's General Policy and Procedural Guidelines. The initial deposit required in such funding agreement will be established in the City's Schedule of Fees and Charges. The City's expenses may include, but is not limited to, fees for special legal and financial consultation, market study reviews, appraisal reviews, and if applicable, bond underwriters and bond counsel. Applicants are placed on notice that the costs associated with a funding agreement are not refundable in the event that the application is not approved. Payment of the associated costs does not guarantee approval of the application by the TIF Commission or City Council, whose decisions shall remain at their sole discretion.

Care will be exercised in the use of TIF incentives to thoroughly evaluate each project to ensure that the benefits that will accrue from the approval of the project are appropriate, in relation to the TIF incentive provided to and the costs that will result from the project, and that the project, when viewed from this prospective, benefits the City as a whole.

Each project and the location at which it is proposed is unique, therefore, every proposal shall be evaluated on its individual merit, including its potential economic benefit, potential impact on the City's service levels, its overall contribution to the City's economy and its consistency with the City's goals and objective as expressed in the Comprehensive Plan and other adopted or City endorsed planning or strategic documents. The applicant is expected to work with the City's staff and consultants to prepare the TIF Plan prior to the applicant's formal submittal of the final TIF Plan for TIF Commission and City Council review and approval.

Following a public hearing before the City's TIF Commission and approval of the TIF Plan by the City Council, the City and the applicant shall enter into a redevelopment agreement for the purpose of governing the implementation of the TIF Plan. Such redevelopment agreement may be subject to certain terms and conditions agreed by the City and the applicant prior to the TIF Commission hearing process, which terms and conditions will be set forth in a "terms sheet".