

# Downtown Development Incentives Discussion

Council Work Session  
Monday, January 28, 2008  
6:00PM

## Downtown Development Incentives Discussion

### **October 8<sup>th</sup> Council Work Session Direction:**

- “Pull together” downtown components
- Focus on “big picture” for downtown
- Possibility of hiring attorney to create TIF ordinance
- Prepare Regency Garage Development Agreement
- Council Indicated Support of 50/50 Downtown Sidewalk Cost Participation

## Downtown Development Incentives Discussion

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### October 8<sup>th</sup> Follow-Up:

Paper prepared for City Manager and distributed to Council:

- identified downtown components
- attempted to “pull pieces” together
- status report of components/next steps
- sample TIF polices and ordinances
- Gilmore & Bell retained for downtown issues:
  - provide advice public financing options
  - evaluate Tiger Hotel as “pilot” TIF project
  - provide guidance for TIF Policy and Ordinance
  - participate in Council Work Session
- Regency Parking Garage Development Agreement. Not ready.
- Department of Economic Development providing guidance regarding tax incentive options/strategies for Downtown.
- Draft Downtown TIF Policy and TIF Commission Ordinance

## Downtown Development Incentives Discussion

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**How do Downtown components fit together and where do we go from here?**

- **Demonstrate Common Goal for Downtown**
- **Vision Plan and Downtown Strategies Provide Policy Support for Downtown Redevelopment Including Sasaki Study**
- **Vision Plan and Sasaki Implementation Strategies Support for Tax Incentive Financing and Redevelopment Tools**
- **Addresses Policy Issues for Greater Downtown**

**Downtown Vision Statement:** *“Downtown Columbia is a hip and vibrant district with a diversity of easily accessible businesses, residences, attractions, and institutions; it is an exciting gathering place for all types of people.”*

**Sasaki Land Use and Urban Opportunities Study (University of Missouri-Columbia, City of Columbia, and Stephens College):** *The goal of the study has been to create a model for town-gown revitalization that is distinctive to Columbia, making it economically and culturally vital and more attractive as a venue for urban living in a mid-sized campus city.*

## **Downtown Development Incentives Discussion**

### **Incentive Tools and Required Steps**

- Tax Increment Financing 101
- MODESA and Downtown Preservation Financing 101
- 353 Urban Redevelopment Bonds

### **Redevelopment Strategies for Downtown**

- Elements of Compelling MODESA Application
- Components of TIF and MODESA “customized” for Columbia
- Tiger Hotel as potential “pilot” TIF project

**Staff Recommendations.  
Council Discussion and Direction.**



### **Overview of Certain Economic Development Incentives and Processes**

**Presented by:  
GILMORE & BELL, P.C.**

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# Economic Development Toolbox

## ➤ Tools Commonly Used for Downtown Redevelopment

- Tax Increment Financing
- MODESA
- MODESA “Light”
- Chapter 353 Urban Redevelopment Corporations

## ➤ Other Available Tools

- Sales Tax Rebate Agreements
- Transportation Development Districts
- Community Improvement Districts
- Neighborhood Improvement Districts
- Chapter 100 Property Tax Abatement

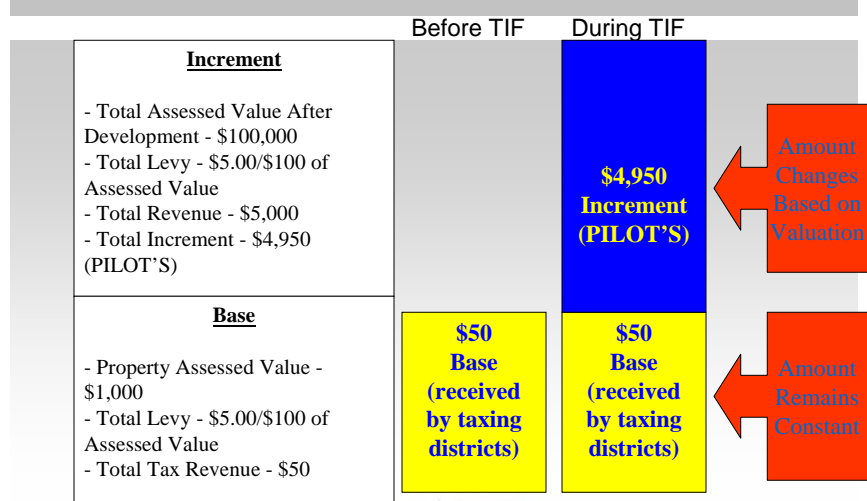
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# Tax Increment Financing (TIF)

- The Basics
  - The “base” and the “increment”
    - 100% of incremental PILOTS
    - 50% of incremental EATS
  - Blight or conservation area finding
- “But-for” affidavit of developer

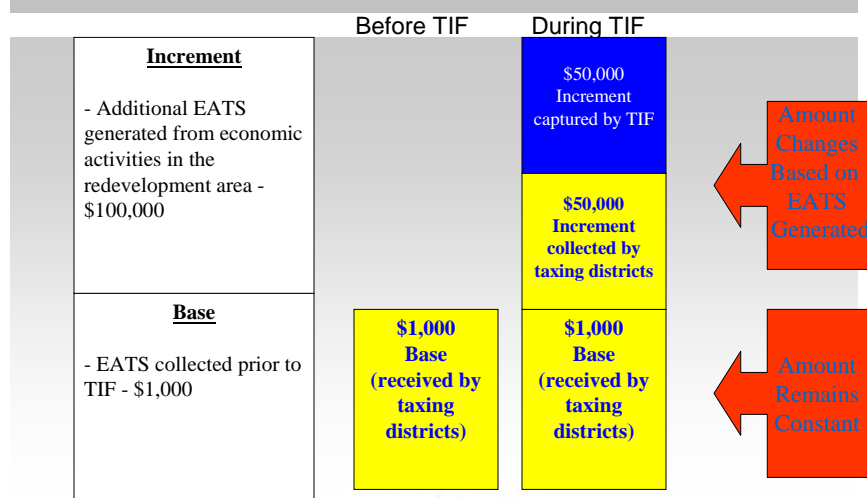
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## The Base and the Increment (PILOTS)



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## The Base and the Increment (EATS)



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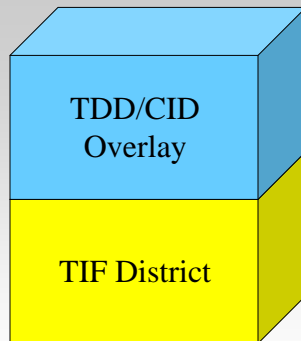
## Creating a TIF District

- Form a TIF Commission
- Prepare a Redevelopment Plan and Cost-Benefit Analysis
- TIF Commission holds a public hearing (give notice)
- TIF Commission makes findings required by TIF Act and gives its recommendation to the City Council
- City Council considers ordinance approving TIF
- City and Developer



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## TIF/TDD or CID Combination



### Advantages

- Additional Revenues Captured
- Revenues Captured are not from Existing Taxing Districts
- Captured Portion Not Limited to Transportation or CID Purposes

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## MODESA: The Basics

- Intended to finance public infrastructure improvements for “major initiative” development projects in Missouri’s downtowns
- Portion of the new local and state taxes from the project are diverted to pay project costs
- Requires approval by the State (DED/MDFB)
- Similar to local and state tax increment financing with several key differences



## Implementing MODESA

- **Local Process**
  - City creates Downtown Economic Stimulus Authority (DESA)
  - Prepare a Development Plan and Cost-Benefit Analysis
  - DESA holds a public hearing (give notice)
  - DESA makes findings and gives recommendation to City Council
  - City Council passes ordinance approving MODESA financing contingent upon state approval
- **State Process**
  - City files application
  - DED and MDFB review application and supporting materials
  - Key to DED/MDFB approval: net state economic impact



## Available State Funding

- Up to 50% of new state sales tax (up to 1.5% \*) created by the project
- Up to 50% of the new state income tax created by the project
- Combination of each



## MODESA “Light”

- Also known as the “Downtown Revitalization Preservation Program”
- Designed to be easier application process than MODESA
- Similar in some ways to MODESA:
  - Area must be “blighted area” or “conservation area”
  - Area located in the “Central Business District”
  - Public improvements related to “Major Initiatives”





## MODESA “Light”

- Municipality must commit 50% of incremental general sales tax
- County may opt out
- 1.5% state sales tax may be captured (no income tax option)
- Other taxing district taxes are not captured
- Must have plan, public hearing and submit application to DED



## What we all want: State Funding

State TIF	MODESA	MODESA “Light”
Limited to blighted areas located in a federal empowerment zone, state enterprise zone, urban core or central business district. CBD is not defined.	Limited to blighted or conservation areas in a central business district. CBD is defined as the area at or near the historic core locally known as the “downtown.”	Limited to blighted or conservation areas in a central business district. CBD is defined as the area at or near the historic core locally known as the “downtown
Area must contain one or more buildings at least 50 years old	At least 50% of the area’s buildings must be 35 years of age or older.	At least 50% of the area’s buildings must be 35 years of age or older.
Area must be suffering from a declining population or property valuation over a 20-year period.	Declining population and property valuation is a consideration.	Declining population and property valuation is a consideration.
No limitation on median annual income for city.	Median annual income for city must be at or below \$62,000.	Median annual income for city must be at or below \$62,000
State TIF requires that a project be named in the state appropriation for the program.	No such requirement – simply a general appropriation out of the fund.	No such requirement – simply a general appropriation out of the fund.

<b>State TIF</b>	<b>MODESA</b>	<b>MODESA “Light</b>
Total amount limited to \$32 million annually.	Total amount limited to \$108 million annually.	Total amount limited to \$15 million annually.
To receive State TIF, the project must use 100% of local PILOTS and 50% of local EATS.	To receive state financing, the project must use 100% of local PILOTS and 50% of local EATS, although contributions to the project from private not-for-profits can be substituted on a dollar for dollar basis and other local financing can be substituted on a dollar for dollar basis.	To receive state financing, the project must use 50% of local sales tax increment.
State TIF requires the applicant to choose the state increment sought – either up to 50% of the state general revenue sales tax increment OR up to 50% of the state income tax increment.	Allows for greater flexibility - up to 50% of the state general revenue sales tax increment OR up to 50% of the state income tax increment OR a combination of both.	Up to 50% of the state general revenue sales tax increment
Limited to 15 years absent approval by DED and the Office of Administration for a greater time period, not to exceed 23 years.	Limited to 15 years absent approval by DED and MDFB for a greater time period, not to exceed 25 years.	Not to exceed 25 years.

## Chapter 353 (URC)

- First redevelopment statute – enacted in 1945
- Authorizes property tax abatement in a “blighted area”
  - 100% abatement for 10 years over value of land exclusive of improvements
  - 100% abatement for additional 15 years on total improved value
  - No personal property abatement
  - Can also have “payments in lieu of taxes”
- Requires redevelopment plan and “blight” finding

## Chapter 353 (continued)

- Process:
  - Pass ordinance establishing procedures for public hearing
  - Negotiate terms of tax abatement
  - Distribute notice of hearing and impact analysis to taxing districts
  - Hold public hearing
  - Pass ordinance finding existence of “blight” and approving the redevelopment plan
  - Pass ordinance approving the redevelopment agreement
- Cities that have used 353 corporations recently:
  - St. Louis
  - Kansas City
  - Cape Girardeau
  - Lee’s Summit
  - Independence
  - Springfield
  - St. Charles



## TIF vs. MODESA vs. 353

	<b>TIF</b>	<b>MODESA</b>	<b>353</b>
<b>Revenue Sources</b>	<ul style="list-style-type: none"> <li>•Incremental PILOTS</li> <li>•Incremental EATS</li> </ul>	<ul style="list-style-type: none"> <li>•Incremental PILOTS</li> <li>•Incremental EATS</li> <li>•New State Revenues (Income/Sales Taxes)</li> </ul>	<ul style="list-style-type: none"> <li>•Savings from abated property taxes</li> </ul>
<b>Maximum Term</b>	•23 Years	•25 Years	•25 years
<b>Area Restrictions</b>	•Blighted/Conservation Area	<ul style="list-style-type: none"> <li>•Blighted/Conservation Area</li> <li>•Central Business District</li> <li>•Qualified Area by Income (less than \$62,000)</li> </ul>	•Blighted Area
<b>Eligible Projects</b>	•Any Redevelopment Project	•“Major Initiatives”	•Any Redevelopment Project
<b>Eligible Costs</b>	•Reasonable or necessary costs related to the Redevelopment Project	<ul style="list-style-type: none"> <li>•Local Revenues – reasonable costs in furtherance of the Development Plan</li> <li>•State Revenues – costs related to public improvements</li> </ul>	•N/A

# Public Finance Basics

- Tax Redirection (TIF example)
  - Developer fronts all redevelopment costs
  - Certain taxes are captured by the TIF
  - City issues Developer TIF Notes to reimburse certain costs, payable solely from TIF Revenues (per Redevelopment Agreement)
  - The Developer is only reimbursed to the extent of TIF Revenues
  - The City will not be liable if TIF Revenues come up short
- Tax Abatement
  - Taxes on property are abated
  - Developer uses tax savings to fund the development
  - Redevelopment Agreement links tax abatement to Developer responsibilities (cure blight, create jobs, etc)



Quick Reference Guide for Major Programs		PROGRAM												
COMPLIMENTARY USE	AUTHORIZATION	REVENUE SOURCE	BENEFIT	COMMON USE	BUILD	Chpt 353	CID	IDBs (Chpt 99/100)	LCRA	MoDESA	NID	PIEA	TDD	TIF
Retail Projects	BUILD				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Industrial/Office Projects	Chpt 353				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Residential Projects	CID				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Redevelopment Projects (Blight)	IDBs (Chpt 99/100)				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Public Services	LCRA				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Infrastructure Financing	MoDESA				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tax Exempt Bond Financing	NID				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Eminent Domain	PIEA				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Job Creation	TDD				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tax Credits	TIF				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tax Abatement		Sales Tax (New)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sales Tax (New)		Sales Tax (Increment)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sales Tax (Increment)		Property Tax (New)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Property Tax (New)		Property Tax (Increment)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Property Tax (Increment)		State Tax (Increment)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
State Tax (Increment)		Assessments			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Assessments		Judicial Act			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Judicial Act		MDFB			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MDFB		DED			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
DED		Redevelopment or Non-Profit Corp. Municipal Board/Commission			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Redevelopment or Non-Profit Corp. Municipal Board/Commission		BUILD			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
BUILD		Chpt 353			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chpt 353		CID			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CID		IDBs (Chpt 99/100)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IDBs (Chpt 99/100)		LCRA			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
LCRA		MoDESA			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
MoDESA		NID			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
NID		PIEA			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PIEA		TDD			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TDD		TIF			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
TIF					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓



-Questions?



## COLUMBIA DOWNTOWN

**SALLIE HEMENWAY**  
**DIRECTOR, BUSINESS AND**  
**COMMUNITY SERVICES**  
**MISSOURI DEPARTMENT OF**  
**ECONOMIC DEVELOPMENT**





## POINTS OF DISCUSSION

- **GAINING THE STATE'S INTEREST AND ATTENTION;**
- **APPROACHES TO TIF;**
- **TIF POLICIES;**
- **THE IMPORTANCE OF NEGOTIATION;**
- **PLAYERS/PARTNERS**



## GAINING THE STATE'S INTEREST AND ATTENTION

- **DEFINITIVE ECONOMIC IMPACT;**
- **SIGNIFICANT LOCAL IMPROVEMENT;**
- **CONSISTENT WITH PLAN;**
- **SUSTAINABLE;**
- **FINANCIAL NEED (FILLING A GAP);**
- **ELIGIBLE (CONSISTENT WITH STATUTE);**
- **REASONABLE RATES OF RETURN.**





## APPROACHES TO TIF

- CITY LED VERSUS DEVELOPER LED;
- MASTER DEVELOPER VERSUS MULTIPLE DEVELOPERS (RFP);
- MASTER PLAN AND OVERLAY DISTRICTS;
- PUBLIC PROJECTS AND PRIVATE REVENUE GENERATING PROJECTS;
- “SIZING” THE AREA.



▪ TIF PROJECT TIMING

▪ TIGER HOTEL – PILOT?



## LOCAL TIF POLICIES

- CRAFTING TIF TO MATCH COLUMBIA;
- DETERMINING THE USE;
- PROVIDING GUIDANCE TO THE TIF COMMISSION;
- PROVIDING GUIDANCE TO PRIVATE DEVELOPERS





## THE IMPORTANCE OF NEGOTIATION

- WHO'S DEAL IS IT?
- OVERSIGHT AND CONTROL/INVESTMENT APPROACH
- STRIKING A BALANCE
- PUBLIC DOLLARS AND PUBLIC BENEFIT
- PUBLIC DOLLARS AND PRIVATE INVESTMENT
- RETURN ON INVESTMENT, RATE OF RETURN



## PLAYERS/PARTNERS

- CITY
- COUNTY
- SCHOOLS
- TAXING JURISDICTIONS
- PROPERTY OWNERS
- BUSINESSES
- DEVELOPERS
- PROFESSIONAL SERVICE PROVIDERS
  - MARKET ANALYSTS
  - BOND ATTORNEYS
  - BOND UNDERWRITERS/FINANCIAL SERVICES
  - DEVELOPMENT ATTORNEYS
  - REALTOR/3<sup>RD</sup> PARTY BLIGHT STUDY







**QUESTIONS?**

**THANK YOU.**



## **Downtown Development Incentives Discussion**

### **Staff Recommendations:**

- **Consider** approval of the proposed TIF policy and bring Resolution forward to Council.
- **Consider** approval of the proposed TIF Commission Ordinance and bring forward to Council.
- **Proceed** with forming the **Downtown Leadership Council** and direct staff to bring back to Council proposed membership and scope of duties.
- **Proceed** with the Sasaki Study Implementation Strategies.

**Note:** Staff would be happy to furnish additional information. Thank you. Questions?