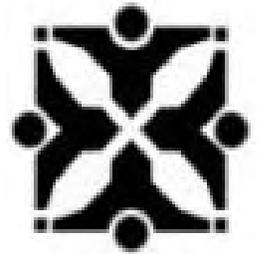


Regency Hotel Redevelopment Plan & Project

Prepared for:



City of Columbia, MO.

OCTOBER 29, 2010
REVISED: DECEMBER 7, 2010

**TAX INCREMENT FINANCE COMMISSION
OF THE CITY OF COLUMBIA, MISSOURI**

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CITY ATTORNEY

FRED BOECKMANN

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SECTION I. INTRODUCTION

In pursuit of the redevelopment of a declining area or to induce the development of an area which has been deficient in growth and development, the State of Missouri provides various statutory tools that a municipality may utilize to initiate private and public development/redevelopment. One such tool is Tax-Increment Financing ("TIF"), as defined by the Real Property Tax Increment Allocation Redevelopment Act (Sections 99.800 to 99.865, R.S.Mo.), hereinafter referred to as the TIF Act.

The TIF Act provides for the establishment of tax increment financing districts referred to herein as "Redevelopment Areas." In order to establish a TIF Redevelopment Area, the area proposed for designation must meet certain criteria as defined in the TIF Act. These criteria are established in accordance with one of three types of Redevelopment Areas that may be designated. These types of Redevelopment Areas are:

- Blighted Area;
- Conservation Area; or
- Economic Development Area.

Prior to the designation of a redevelopment area, a redevelopment plan (the "Plan") is prepared that identifies the specific redevelopment project within the redevelopment area. The Plan outlines the objectives it intends to accomplish, how the redevelopment project accomplishes those objectives, and provides a program by which the objectives and the redevelopment project are to be accomplished. The purpose of establishing the redevelopment area is to reduce or eliminate blighting conditions, foster economic and physical improvements, and enhance the tax base of the taxing districts that levy taxes within the redevelopment area.

The concept of TIF is relatively simple. Incremental revenue is created when there is an increase in tax revenues within the boundaries of the designated redevelopment area above the annual revenue the redevelopment area generated in the year prior to its establishment. New development is "induced" to occur through the ability to use the incremental revenue created by the new development to finance certain costs of developing or redeveloping the area. Bonds or other financial obligations can be issued to capture the revenue at the inception of a project to repay these costs.

Typically, bonds or other financial obligations are issued to finance the costs associated with the capital improvements and the redevelopment project proposed to occur within the redevelopment area. These financial obligations are then retired on an annual basis using the incremental revenue generated by the new development. This revenue is set aside in a special fund (the "special allocation fund") used to pay redevelopment project costs as incremental revenues are available. During the up-to-23-year period in which the incremental revenue is dedicated to the purposes specified in the Plan, all taxing districts that levy ad valorem taxes in the redevelopment area continue to receive the taxes based upon the property values

and tax rates which existed prior to the new development and adoption of TIF. The local jurisdictions that levy economic activity taxes (e.g. sales and utility taxes) also continue to collect the amount of these taxes that existed prior to the implementation of a TIF district, in addition to 50% of the new economic activity taxes generated by the project. Local jurisdictions also receive 100% of the new revenues generated by new personal property taxes and 100% of commercial surcharge taxes.

The TIF Commission's role is to review and consider the area proposed to be designated as a redevelopment area and to make a recommendation to the governing body of the city regarding the establishment of the redevelopment area and the associated Plan and redevelopment project.

The initial step in establishing the redevelopment area is to analyze the area contemplated for designation. This is necessary to determine whether the area meets the criteria specified in the TIF Act for designation as a Blighted, Conservation, or an Economic development area. Once the governing body of a city has determined that the area qualifies, it may approve a redevelopment plan.

The redevelopment plan identifies objectives, policies, redevelopment projects, activities, and costs necessary to accomplish the redevelopment of the area. The Plan outlines the funding and financing aspects, schedules, and dates for implementation. A copy of the TIF Act is provided as Exhibit I.

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SECTION II. AREA DESCRIPTION

This document represents the Regency Hotel Redevelopment Plan (the "Redevelopment Plan" or "Plan") for the Redevelopment Area (the "Area") which encompasses a single parcel of real property located at 1111 East Broadway in the City of Columbia, Boone County, Missouri (the "City" and the "County", respectively). The Area is bounded on the north by an alley, on the east by Short Street, and on the south by East Broadway. The Area is part of the City's central business district or downtown. The Area's proposed boundary lines are identified, below.

Figure 1: Regency Hotel Redevelopment Area Boundary Map



SECTION III. REDEVELOPMENT AREA DESIGNATION & SUMMARY OF THE REDEVELOPMENT PROJECT

A. BASIS FOR DESIGNATION

In order to establish a TIF redevelopment area, the area proposed for designation must meet certain criteria set forth in the TIF Act. The criteria are established in accordance with one of three types of redevelopment areas including, a Blighted area, a Conservation area, or an Economic development area.

As determined through onsite investigation, research, and analyses undertaken in preparation of this Plan, the Area was found to exhibit the requirements necessary for designation as a Conservation area. A Conservation area, as defined in the TIF Act, is *“any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which fifty percent or more of the structures in the area have an age of thirty-five years or more. Such an area is not yet a blighted area, but is detrimental to the public health, safety, morals, or welfare and may become a blighted area because of any one or more of the following factors: dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning”*. A Conservation area must at least three of the factors identified above.

The investigation of existing conditions and evidence analysis of the factors, more fully described in the Eligibility Analysis and Report (see Exhibit A), conclude that the Conservation area qualification factors present in the Area are:

- Age,
- Dilapidation,
- Obsolescence,
- Deterioration,
- Presence of Structures below Minimum Code Standards,
- Lack of Ventilation, Light, or Sanitary Facilities,
- Inadequate Utilities,
- Depreciation of Physical Maintenance, and
- Lack of Community Planning.

The presence of these factors, in combination with costs of land acquisition to facilitate redevelopment of the Area, building demolition, building construction, and professional fees associated with implementation of the redevelopment project, led to a conclusion that without the use of tax increment financing, the Area would not be subject to growth and development by private enterprise in a manner consistent with the development goals and objectives for the Area.

B. PROGRAM OBJECTIVES

The goal of this Plan is to reduce or eliminate conditions that qualify the Area as a Conservation area. Plan objectives intended for implementation to accomplish this

goal include:

- (1) revitalizing property, at a key entrance to the central business district, with modern improvements intended to cater to visitors, businesses, and residents;
- (2) increasing property and sales tax revenue generation as a means to help strengthen and diversify revenues for the City and other tax districts;
- (3) reduction of the Area's problematic conditions through general physical and property improvement, planned within a reasonable timeframe so the Area may begin to contribute to the economic vitality of the downtown and City;
- (4) creating an environment that more positively represents the health, safety and general welfare of the City and will serve as a means to preserve or enhance the value of property within and adjacent to the Area;
- (5) permitting redevelopment activities and other project elements to occur in a functionally integrated manner, in accordance with modern development principles and standards; and
- (6) stimulation of employment and training opportunities within the Area.

Successful implementation of the Plan requires the utilization of tax increment assistance and other resources, in accordance with the TIF Act, to help stimulate comprehensive and coordinated redevelopment activities within the Area.

C. GENERAL LAND USES TO APPLY

The land uses to apply to the Area are for a hotel, as demonstrated in Exhibit C, are consistent with the City's Comprehensive Plan. The proposed hotel complies with the Comprehensive Plan's City Center District principles of proposing uses compatible with a highly pedestrian-oriented, and street focused environment. The proposed hotel will meet these principles because its site layout addresses the principle of using limited property line set backs to maximize land use efficiency, the hotel's orientation was determined with an awareness of pedestrian and bicycle access needs, and the landscaping and lighting encourage social gathering. In addition, the proposed hotel construction addresses the Comprehensive Plan goals in terms of desired uses, facilitation of tourism attraction, and satisfaction of central business district design standards.¹

D. ESTIMATED REDEVELOPMENT PROJECT COSTS

Successful implementation of objectives in this Plan require the utilization of incremental taxes and other resources, in accordance with the TIF Act, to stimulate

¹ City of Columbia Metro 2020 - A Planning Guide for Columbia's Future, 2001.

a comprehensive and coordinated redevelopment approach to improvement activities within the Area. The use of incremental taxes allows for the direction, implementation, and coordination of improvements and activities as a means to stimulate private investment within the Area. The proposed improvements, activities, and investments will benefit the City, its residents, and other taxing districts having jurisdiction over the Area. More specifically, the Plan and Project Costs reflect:

- the actual land area that will be available for redevelopment purposes;
- the cost of land acquisition and building construction intended to occur in the Area;
- the cost of demolition;
- the miscellaneous costs associated with the development, such as loan fees, construction loan interest, permit and inspection fees, appraisals, title insurance, architect and engineering fees, environmental testing, etc.;
- bond or other financial obligations issuance costs which will be incurred over the life of the projects; and
- planning, legal, and financial advisory costs associated with the preparation of the Plan and implementation of the redevelopment project, which have occurred or will occur in the Area in the future.

The Project Cost estimates in Table 1, prepared by LLW Architects, Inc., were part of a preliminary feasibility study of the property for Broadway Lodging, LLC.

E. DESCRIPTION OF THE REDEVELOPMENT PROJECT

This Plan contemplates redeveloping the Area to accommodate the construction of a modern, upscale hotel. Table 1, entitled Estimate of Redevelopment Plan and Project Costs, identifies the estimated costs of implementing this Plan and developing the Area in the manner described above. It should be noted, these are cost estimates based upon the knowledge of the Project at this time and the actual redevelopment cost items for implementing the Redevelopment Plan and Redevelopment Project may vary from these estimates. It is not the intent of Table 1 or this Plan to restrict the City or the Developer to the cost amounts or cost items as outlined. However, such costs will be restricted to those specified in Section 99.805(15) of the TIF Act. During the life of the Area, Plan, and Project, other costs might be incurred or adjustments may be made within and among the line items specified, if necessary to accomplish the program objectives of the Plan.

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Table 1: Estimate of Redevelopment Plan and Project Costs

**REGENCY HOTEL REDEVELOPMENT AREA
COLUMBIA, MISSOURI**

	REDEVELOPMENT PLAN & PROJECT ITEMS¹	COST
1	Property Acquisition and Related Costs	\$ 3,050,000
2	Building Demolition/Construction	10,175,000
3	Interior Construction Improvements	2,192,000
4	Permitting, signage, and franchise fees	193,000
5	Professional Services: including engineering, architectural, planning, consulting, legal, surveying, etc.	625,000
6	Interest cost/carry, insurance, pre-opening expenses, contingency, etc.	1,265,000
	TOTAL	\$17,500,000

(1) LLW Architects, Inc. Feasibility and Developer estimates.

F. ANTICIPATED SOURCES OF FUNDS TO PAY COSTS

The anticipated sources of funds intended to pay the costs of implementation of the Plan and the Redevelopment Project are:

- Capital available to the Developer from its own cash reserves or other private financing;
- Funds available through TIF revenues or the issuance of Tax Increment Financing Bonds (TIF Bonds), short and long-term notes, loans, or other certificates of indebtedness;
- Other redevelopment mechanisms, other contributions, or sources of revenues received from any other source and made available to fund costs associated with the completion of the Redevelopment Project.

This Plan provides for certain costs to be paid with TIF revenues or through the issuance of TIF Bonds or other financial obligations (issued by the City and/or other issuer acceptable to the City) to finance all or a portion of the Redevelopment Project Costs, as listed in Table 2.

Table 2: Anticipated Redevelopment Plan and Redevelopment Project Implementation Costs to be paid by TIF Bonds or Other Obligations

**REGENCY HOTEL REDEVELOPMENT AREA
COLUMBIA, MISSOURI**

	REDEVELOPMENT PLAN & PROJECT COST ITEMS¹	COST
1	Building Demolition/Construction	\$2,750,000
2	Property Acquisition (Developer cost of acquisition of property)	-
3	Professional Services: including engineering, architectural, planning, consulting, legal, surveying, etc.	450,000
	TOTAL ANTICIPATED REDEVELOPMENT PLAN AND PROJECT COSTS FUNDED BY TIF	\$3,200,000

(1) Developer Estimates. Excludes reserve fund, capitalized interest, and cost of issuance.

Table 2 cost estimates were derived from the conceptual Project outlined in this Plan, as envisioned by the Developer. The actual redevelopment items and their associated cost amounts may vary from this estimate. It is likely a portion of these costs will be initially financed through the issuance of notes purchased by the Developer or parties associated with the Developer (TIF Notes). Once the Project is complete and generating tax revenue, the City may issue TIF Bonds to refinance the TIF notes. Table 2 does not include redevelopment costs related to reserve funds, capitalized interest, or costs of issuance of any financial obligations.

The primary sources of revenue to retire TIF Bonds or other financial obligations will be those provided for in the Act. As stated in the Act, these sources are *“payments in lieu of taxes attributable to the increase in the current equalized assessed valuation of each taxable lot, block, tract, or parcel or real property in the area selected for the redevelopment project over and above the initial equalized assessed value of each such unit of property in the areas selected for the redevelopment project”*. This source is anticipated to generate incremental revenue resulting from increased equalized assessed valuation following the redevelopment of the Area. And, *“50% of the total additional revenue from taxes, penalties, and interest imposed by the municipality or other taxing districts which are generated by economic activities within the area of the redevelopment project over the amount of such taxes generated by economic activities within the area of the redevelopment project in the calendar year prior to the adoption of the redevelopment project by ordinance...but excluding personal property taxes, taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, taxes levied for the purpose of public transportation pursuant to Section 94.660 RSMo., fees, or special assessments”*. This source is anticipated to generate incremental revenue from sales taxes levied by the affected taxing districts following redevelopment of the Area. The Plan does not intend to utilize new State revenue resulting from redevelopment.

Table 3 includes costs that are associated with the private component of the Redevelopment Project, with such costs will be separately paid by the Developer. It is anticipated any remaining Project Costs not funded by TIF revenues (including the proceeds of TIF Bonds or other obligations secured by TIF revenues) will be paid primarily through two other sources: (1) internal capital resources from the Developer selected by the City to implement the Project within the Area; and (2) private financing secured by the Developer.

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Table 3: Anticipated Redevelopment Plan and Redevelopment Project Implementation Costs to be Privately Financed

REGENCY HOTEL REDEVELOPMENT PROJECT		
COLUMBIA, MISSOURI		
REDEVELOPMENT PLAN & PROJECT COST ITEMS¹		COST
1	Total Redevelopment Plan & Project Implementation Costs	\$17,500,000
2	Redevelopment Plan & Project Costs to be Financed by TIF Obligations	3,200,000
TOTAL REDEVELOPMENT PLAN AND PROJECT COSTS TO BE PRIVATELY FINANCED		\$14,300,000

(1) Developer Estimate. Excludes reserve fund, capitalized interest, and costs of issuance.

G. ANTICIPATED TYPE AND TERM OF THE SOURCES OF FUNDS AND THE TYPES AND TERMS OF THE OBLIGATIONS TO BE ISSUED

It is anticipated the City will first issue TIF Notes or other types of TIF obligations in an aggregate amount of \$3,200,000, plus the costs of issuing such obligations. In the future, the City may, in its sole discretion, issue TIF Bonds to refund the TIF Notes. The TIF Notes, bonds, or other financial obligations will be issued only to finance, or refinance, the Plan and Project costs, as previously outlined, which are eligible costs as specified in Section 99.805(15) of the TIF Act, including the funding of a debt service reserve fund, capitalized and accrued interest, and any issuance costs of the TIF Bonds or other financial obligations.

The term of all such obligations will extend no later than 23 years from the date of the ordinance approving the Redevelopment Project. Under no circumstances will TIF Notes or TIF Bonds be payable from any revenues other than those deposited in the Special Allocation Fund. It is the City’s intent to pay for the principal and interest on any TIF Bonds, TIF Notes, or other financial obligations, in any year, solely from TIF revenues on deposit in the City’s Special Allocation Fund.

In conformance with the general terms stated herein, a separate bond ordinance or trust indenture will set forth the specific terms of the TIF debt obligations issued in conjunction with the Project and the application of the anticipated revenue to be received as a result of the Project.

H. EVIDENCE OF COMMITMENT TO FINANCE PROJECT COSTS AND DEVELOPER AFFIDAVIT

Documentation indicating: (1) a commitment to finance the Project costs from the Developer’s lender, and (2) a Developer affidavit stating the Area, on the whole, is a Conservation area and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to develop without the adoption of tax increment financing for the Area are included as Plan exhibits.

I. EQUALIZED ASSESSED VALUATION

In accordance with the TIF Act, the most recent equalized assessed valuation (“EAV”) within the Area for 2010, as provided by the Boone County Assessor’s office, is \$251,904.

Table 4: Current Equalized Assessed Valuation (EAV)

REGENCY HOTEL REDEVELOPMENT AREA						
COLUMBIA, MISSOURI						
Address	Parcel Identification Number	Area¹	Current Market Value²	Assessment Rate	2010 (Base) Assessed Value (\$)	2010 (Base) Real Estate Taxes (\$)
1111 East Broadway	17-117-00-17-010.00 01	21,788	\$ 787,200.00	32.00%	\$ 251,904.00	\$ 18,087.46
Totals		21,788	\$ 787,200.00		\$ 251,904.00	\$ 18,087.46

¹ Size represents square footage of land area.

² Based upon data from Boone County Assessor's Office, 2010.

These figures will be used to establish the EAV base and to calculate Redevelopment Area Incremental Property Taxes. The current combined ad valorem property tax levy for affected taxing districts is \$7.1803 per \$100 assessed valuation.

Table 5: Current Property Tax Information

City of Columbia, Missouri	
2010 Property Tax Rates and Tax Levies	
COUNTY TAX RATES	
General Fund	0.1200
Hospital Maintenance	0.0000
Bridge Bond	0.0000
Hospital Debt Service	0.0000
Road and Bridges Fund	0.0475
Group Homes	0.1127
Boone Retirement Center	0.0000
Total County Rate	0.2802
SPECIAL BUSINESS DISTRICT	0.4788
CITY TAX RATES	
General Fund	0.4100
Library	
General Fund	0.2971
Debt Service Fund	0.2250
Total City Rate	0.9321
COLUMBIA SCHOOL DISTRICT	
Incidental Fund	1.4392
Teachers Fund	2.5581
Debt Service	0.8019
Capital Projects	0.0500
Total School District Rate	4.8492
COMMERCIAL SURCHARGE	0.6100
STATE OF MISSOURI	0.0300
TOTAL TAX RATE	\$ 7.1803

The EAV estimate of the future assessed value of the Area upon substantial completion is approximately \$3,600,000, based upon an assumption that: (1) redevelopment will occur in a timely manner; and (2) development will occur over a period of fifteen to eighteen months, be complete and fully assessed by the end of the 1st Quarter of 2013. By the tax year 2033 (collection year 2034) the EAV of the Area is estimated at approximately \$4,388,380 resulting from a projected assessed value growth of 2.0 percent, biannually.

J. ESTIMATED DATES FOR COMPLETION OF THE REDEVELOPMENT PROJECT AND RETIREMENT OF OBLIGATIONS

The estimated date for substantial completion of the Redevelopment Project is June 30, 2013. TIF Notes or Bonds incurred to finance the Plan and Project implementation costs shall be retired no later than 2033, assuming the redevelopment project is approved during the first half of the 2011 calendar year.

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SECTION IV. FINDINGS

Pursuant to Section 99.810.1 of the TIF Act and prior to the adoption of this Plan by ordinance, the City must make specific findings. The subsequent sections of this Plan provide supporting data for the findings, which are set forth below:

As described and documented in Exhibit A of this Plan, the Area meets the qualifications as a Conservation area as determined through completion of an Eligibility Analysis which provided evidence that fifty percent or more of the structures in the area have an age of thirty-five years or more; the Area is not yet blighted area, but is detrimental to the public health, safety, morals, or welfare and may become a blighted area because of any one or more of the following factors: age, dilapidation, obsolescence, deterioration, presence of structures below minimum code standards, lack of ventilation, light or sanitary facilities, depreciation of physical maintenance, lack of community planning and other factors that have contributed to a lack of growth and investment and other conservation factors referenced in Section 99.805 (3) RSMo.

A. LACK OF GROWTH AND DEVELOPMENT

As noted previously in this document, the decay of existing improvements evidences that the Area, on the whole, has not been subject to growth and development through private investment. It is further found the Area would not reasonably be anticipated to be developed without the implementation of this Plan and Project represented by the concept herein.

B. CONFORMITY OF THE COMPREHENSIVE PLAN

Implementation of this Plan, and the Project described herein, conforms to the City's Comprehensive Plan.

C. ESTIMATED DATES OF COMPLETION

A schedule setting forth the proposed estimated date for completion of the Project is included in this Plan. Such schedule includes dates that are not more than twenty-three (23) years from the date of approval of this Plan by ordinance of the City. TIF obligations issued by the City shall be retired or shall otherwise mature upon the date that is twenty-three (23) years from the date of approval of the Redevelopment Project by ordinance of the City. This Plan does not anticipate the need to acquire property by eminent domain.

D. RELOCATION PLAN AND ASSISTANCE

The City adopted a relocation policy for the relocation of businesses and residences due to redevelopment plans and projects (Ordinance No. 20273). The Developer will utilize the City's relocation policy if necessary as part of the Plan implementation.²

E. COST-BENEFIT ANALYSIS

The Plan describes a Redevelopment Project proposed for undertaking as part of the Plan. The Redevelopment Project will be constructed over a period of 15-18 months, consistent with local market conditions and available financial resources required to complete the various redevelopment improvements and activities as set forth in this Plan. Successful implementation of this Plan is anticipated to result in new private investment and construction sufficient to achieve long-term sustainability of the Redevelopment Project and its property values.

The Redevelopment Project is expected to have positive short and long-term financial impacts on the taxing districts affected by this Plan. In the short-term, the effective use of tax increment assistance will stabilize and improve existing assessed land values, which, in turn, provides for the potential annual distribution of incremental tax revenues to all taxing districts. In the long-term, after the completion of redevelopment improvements and activities and the payment of all Redevelopment Costs and municipal obligations, the taxing districts will benefit from an enhanced tax base resulting from increases in EAV due to the Redevelopment Project.

A cost benefit analysis, compiled in a build/no-build format, detailing estimates of the overall potential tax impact of redevelopment activities in the Area, was provided to the TIF Commission and City. The cost benefit analysis includes estimates of (1) the economic impact of the Plan on each taxing district, (2) the impact on the economy if the Redevelopment Project is not built, and is built pursuant to the Redevelopment Plan, (3) a fiscal impact analysis for each affected political subdivision, and (4) sufficient information from the developer for the TIF Commission to determine whether the Redevelopment Project as proposed is financially feasible. It is the City's intent to minimize the length and term of the district to the extent reasonably possible while ensuring the repayment of any debt obligations issued. It is anticipated the rehabilitation of underutilized property will increase demand for police protection, public services, sanitary sewage treatment, and storm water management. However, after discussion with City staff, any increase in demand on service-providing taxing districts is expected to be adequately managed by existing personnel and facilities.

² City of Columbia, Missouri, City Code 22-52.

F. GAMING ESTABLISHMENTS

This Plan does not include or permit the initial development or redevelopment of any gambling establishment.

G. NO EMINENT DOMAIN

Implementation of the Redevelopment Plan will not require the use of the use of eminent domain; therefore, the exercise of eminent domain is not authorized under this Redevelopment Plan.

H. DEPARTMENT OF ECONOMIC DEVELOPMENT REPORT

By the last day of February of each year, the TIF Commission shall report to the Director of Economic Development the name, address, phone number, and primary line of business of any business that relocates to the Area.

EXHIBIT A

**ELIGIBILITY ANALYSIS
REGENCY HOTEL REDEVELOPMENT AREA
COLUMBIA, MISSOURI**

PREPARED FOR:

BROADWAY LODGING, LLC

PREPARED BY:

DEVELOPMENT DYNAMICS, LLC
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DATE: October 29, 2010
Revised: November 22, 2010

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APPENDIX A: PHOTOGRAPHIC LOG

I. INTRODUCTION

The Missouri tax increment financing act (the “TIF Act”) provides a means for local governments to encourage the redevelopment of locations within their community that are substandard or economically underutilized and that would not otherwise be developed without public assistance.¹ The TIF Act enables the provision of development assistance through the capture of future increases in real property taxes and economic activity taxes (e.g., local sales taxes, utility taxes, and earnings taxes) associated with the redevelopment of the property in substandard areas.

The TIF Act allows local government to (1) identify and designate redevelopment areas that qualify as a “Conservation area”, “Blighted area”, or “Economic development area”; (2) adopt a Redevelopment Plan that designates the redevelopment area and states the objectives to be attained and the program to be undertaken; (3) approve a redevelopment project for implementation of a redevelopment plan; and (4) utilize the tools set forth under the TIF Act to assist in reducing or eliminating those conditions that cause the area to qualify as a redevelopment area.

II. FUNCTION OF THIS REPORT

This Eligibility Analysis and Report addresses conditions of property proposed for inclusion in the Regency Hotel Redevelopment Area (the “Area”). The Area includes a single parcel of land at 1111 East Broadway (Parcel Locator Number 17-117-00-17-010.00 01) located in the City of Columbia, Boone County, Missouri. The Area is bounded on the north by an alley, on the east by Short Street, and on the south by East Broadway. The parcel covers a land area of approximately 21,788 square feet. The property is owned by E & O Hospitality Corp., but under contract to Broadway Lodging, LLC. The Broadway Lodging, LLC intends to act as developer (the “Developer”) of the site.

Development Dynamics, LLC (“D2”), as planning consultant for the Developer, was asked to evaluate conditions affecting the Area. D2 evaluated the Area based upon the qualification criteria of a Conservation area. The term “Conservation area” is defined in the TIF Act as: *“any improved area within the boundaries of a redevelopment area located within the territorial limits of a municipality in which fifty percent or more of the structures in the area have an age of thirty-five years or more. Such an area is not yet a blighted area, but is detrimental to the public health, safety, morals, or welfare and may become a blighted area because of any one or more of the following factors: dilapidation; obsolescence; deterioration; illegal use of individual structures; presence of structures below minimum code standards; abandonment; excessive vacancies; overcrowding of structures and community facilities; lack of ventilation, light or sanitary facilities; inadequate utilities; excessive land coverage; deleterious land use or layout; depreciation of physical maintenance; and lack of community planning. A conservation area shall meet at least three of the factors provided in this subdivision for projects approved on or after December 23, 1997”* (R.S. MO 99.805(3)).

¹ Sections 99.800-99.865 of the Revised Statutes of Missouri 2000, as amended.

This eligibility analysis and report is submitted to document site factors that have affected the Area's development pattern and that serve as a deterrent to the redevelopment. Subsequent sections evaluate whether conditions in the Area meet the qualifications of a "Conservation area" under the Act.

III. METHODOLOGY AND DETERMINATION OF ELIGIBILITY

D2 performed an analysis of the Area's eligibility factors through on-site inspection and research of such documents as aerial maps, property files, and public records. This information was supplemented by data from City staff, the Developer, and the Boone County Assessor and Clerk's offices. Identification of the existing conditions provides a framework to determine whether the Area is eligible for designation as a Conservation area, under the TIF Act based upon their presence and extent.

IV. EXISTING LAND USE

The Area consists of commercial property, currently zoned C-2, and contains the 100-room Regency Hotel. This 6-story (5 above grade and 1 below) structure was originally constructed in 1965 as a motel with exterior room access. The building has since been enclosed with a glass facade, providing covered access to each room. Various elements of the building have been renovated over the years, but its overall condition is obsolete, deteriorated, and dated.

The Developer proposes to demolish the existing structure and replace it with a new, nationally affiliated, hotel.

In order to complete the redevelopment project, the Developer must incur such costs as demolition, environmental remediation, utility reconstruction and installation, landscaping and lighting, and heating and cooling improvements, all of which are necessary to transform the property to a usable and functional state. The Developer proposes the use of tax increment financing assistance to help fund eligible project costs, which, in turn, will assist in addressing redevelopment issues at the site. Projected TIF revenues would be re-invested to cover the eligible project costs incurred as part of the project in order to reduce the property's development challenges.

V. FINDINGS

D2's research, analysis, and observations of conditions present within the Area indicate the property meets the definition of a "Conservation area" under the TIF Act. D2 arrived at this opinion based upon the following evaluative criteria:

- A. AGE.** The first criterion that must be met to qualify as a "Conservation Area" is that fifty percent of the structures must be at least 35 years of age. Age indicates the existence of problems or limiting conditions resulting from normal and continuous use of structures and exposure to the elements over a period of many years. As a rule, older buildings typically exhibit more problems than buildings constructed in later years because of longer periods

of active usage (wear and tear) and the impact of time, temperature, and moisture. Additionally, older buildings tend not to be ideally suited for meeting modern-day space and development standards. These typical and problematic conditions associated with “age” can be the initial indicators that other Conservation Area factors.

FINDING: The Regency Hotel is the sole structure within the proposed Area. The building was constructed in 1965 and is 46 years old.

B. DILAPIDATION. This factor relates to physical deficiencies or disrepair in buildings or site improvements requiring treatment or repair.

FINDING: Throughout the hotel property, there are multiple examples of water penetration in the hallways, rooms, and fascia coverings. Interior and exterior finishes are damaged, cracked, and show signs of wear that require replacement. Electrical fixtures hang loose from their wall or ceiling mounts and will require replacement. Utility systems are dysfunctional, examples of which include: roof condensing units that are rusted, calcified, and crumble to the touch; sewer lift stations are leaking and uncovered leading to noxious fumes spreading throughout the lower levels; plumbing fixtures that are non-functional and, in the case of service pipes above the covered parking, uninsulated leading to numerous leaks and breakages.

C. OBSOLESCENCE. An obsolete building or improvement is often the result of inadequate or outmoded design. This can be the result of a design that was initially adequate, but has become outmoded as a result of changes in buyer tastes, current city codes, current city design standards, and restrictions on the particular structures or land uses.

FUNCTIONAL OBSOLESCENCE FINDING: Structures are typically built for specific uses or purposes and their design, location, height, and space arrangement. Buildings are obsolete when they contain characteristics or deficiencies that limit the use and marketability. The characteristics may include loss in value to a property resulting from an inherent deficiency existing from poor layout or design. Obsolescence in such buildings is typically difficult and expensive to correct. The Area displays significant signs of functional obsolescence including a building footprint that is inadequate for a new commercial use, plumbing and HVAC systems which are broken and inefficient due to age and disrepair. The rooms and related facilities do not meet modern accessibility standards, nor do the lower level public bathrooms and hallways.

OBSOLETE SITE IMPROVEMENT FINDING: Obsolete site improvements are represented in the Area due to the fact that many of the facilities, such as sidewalks that are narrow, cracked, uneven, and lack accessibility ramps, do not conform to contemporary standards. The Area has severely deteriorated curbs, curb cuts, gutters, and pavement surfaces that demonstrate the general obsolescence of Area improvements.

D. DETERIORATION. This eligibility factor relates to the physical or economic deterioration of the improvements in the Redevelopment Area. Physical deterioration refers to the physical deficiencies or disrepair in buildings or site improvements requiring treatment or repair. Deterioration of buildings, which is not easily correctable in the course of normal maintenance, may also be evident, such as defects in secondary components such as doors, windows, fascia materials, etc. Physical deterioration of site improvements further includes the condition of roadways, alleys, curbs, gutters, sidewalks, off-street parking, often evidenced by surface cracking, crumbling, potholes, depressions, loose paving material, and weeds protruding through paved surfaces. Economic deterioration refers to a decline in the economic viability of an area to continue to generate tax revenue. Economic deterioration is one of the root causes for an area becoming an economic liability to a municipality and other taxing jurisdiction.

1. PHYSICAL DETERIORATION FINDING:

The state of the hotel structure is severely declining. Primary component deterioration (foundation, interior and exterior walls, floors, wiring, and plumbing) is evident on each of the floors. While the exterior has received some attention in an attempt to modernize over the years, the plumbing and wiring systems display limited functionality. Secondary building components (doors, windows, wall coverings, frames, etc.) evidence numerous examples of cracks, damage, warping, and lack of maintenance. Water penetration has damaged and stained numerous building elements on each floor to the point that substantial new investment is required. These deficiencies cannot be corrected through normal maintenance, and require replacement, renovation, or rebuilding.

ECONOMIC DETERIORATION FINDING: The structure is 46 years old and suffering from a lack of maintenance and modernization. Hotel ratings by Trip Advisor indicate 77-percent of hotel guests surveyed do not recommend staying at the hotel.² Property conditions within the Area have contributed to stagnant real property assessed valuations and negligible sales, utility, personal property taxes, thus hampering revenues of the City and other tax districts that rely on these taxes.

E. PRESENCE OF STRUCTURES BELOW MINIMUM CODE STANDARDS. This eligibility factor relates to whether structures within the proposed Redevelopment Area fall below current City codes.

FINDING: Existing guest floor conditions do not meet life safety or accessibility codes of the City. Code issues and requirements directly applicable to this redevelopment proposal include:

² TripAdvisor is an internet-based company that provides recommendations for hotels, resorts, inns, vacations, travel packages, vacation packages, and travel guides (www.tripadvisor.com, date visited 10/12/2010).

1. Sleeping rooms and accesses do not meet fire code provisions for fire protection and accessibility. To do so would require extensive building modifications, including installation of a fire protection suppression system.
2. Individual room fresh air ventilation conditions are below code.
3. Mold and mildew on wall surfaces and ceiling tiles throughout the building create health concerns for guests and workers.
4. The street level restaurant has received numerous health inspection notices of “critical” violations. A critical item is defined as a violation that is more likely than other violations to contribute to food contamination, illness, or environmental health hazard.
5. City records for the Area indicate a high number of public safety incidences requiring response, including arrests, from the police and fire departments.
6. To satisfy accessibility standards, room access and bathroom facilities would require complete demolition and replacement.

F. LACK OF VENTILATION, LIGHT, OR SANITARY FACILITIES. This eligibility factor relates to whether or the existing structure within the Area creates a lack of ventilation, light, and sanitary facilities.

FINDING: Due to code requirements, the provision of fresh air ventilation poses challenges for the hotel structure not easily remedied without substantial investment. Guest room and public restroom facilities do not meet accessibility standards and also present further challenges unlikely to be solved without substantial investment.

G. INADEQUATE UTILITIES.

FINDING: The Area suffers from inadequate utility systems. Currently the building is served by two sewer lift stations which have manholes that allow the escape of noxious fumes into the building and are inefficient in energy use. The redevelopment plan intends to address the replacement of sewer lift stations with a gravity flow lines.

H. DEPRECIATION OF PHYSICAL MAINTENANCE. This eligibility factor refers to an on-going lack of maintenance on Area buildings and site improvements and is similar in nature to deterioration, although to a lesser degree. Depreciation of physical maintenance refers to a deferral of normal maintenance such as doors, windows, porches, and fascia materials needing painting, roofs needing to be resurfaced, paved areas needing to be sealed, rusted fences, and overgrown weeds and vegetation.

FINDING: The exterior of the hotel structure has windows, fascia materials, and roofing in need of repainting, resurfacing, and/or replacement. Paved areas will require patching, sealing, and replacement. Due to freezing and thawing, the pool and surrounding decking are no longer level and will require removal.

Interior finishes show signs of stains, mildew, and the décor is outdated. Each of these issues requires attention in order to attract and accommodate travelers.

I. LACK OF COMMUNITY PLANNING. Indications of a lack of community planning can include development of the Area prior to or without the benefit or guidance of a community plan, streets too narrow to accommodate truck movements, street intersections that do not conform to modern traffic engineering standards and practices, properties that do not enjoy good access to public streets, and parcels that are too small to adequately accommodate appropriate off-street parking and loading.

FINDING: The Area suffers from inadequate off-street parking, which not only impacts the Area, but surrounding businesses and other uses. The City has numerous planning initiatives underway within the central business district and the proposed redevelopment aligns with each of these plans.

VI. CONCLUSIONS

D²'s analysis of conditions identified in the Area leads to a conclusion the requirements for a "Conservation area" designation are satisfied. The existence and predominance of these conditions have acted as a constraint and economic impediment to redevelopment. Reconstruction and redevelopment of the Area, on a substantial scale, is necessary to remediate existing conditions.

Taken as a whole, the Area suffers from a lack of development as a result of age, dilapidation, obsolescence, deterioration, presence of structures below minimum code standards, lack of ventilation, light or sanitary facilities, depreciation of physical maintenance, lack of community planning and other factors that have contributed to a lack of growth and investment. The predominance of the negative conditions in the Area provides satisfactory evidence the requirements to qualify the property as a Conservation area is met.

The Area structure represents an ineffective, inadequate, and outmoded design, the existence of which results in progressive deterioration, causes wasteful expenditure of public funds to provide public services to the Area. Reconstruction and redevelopment of the Area, on a substantial scale, is necessary for the removal of conditions to benefit the public's welfare. And, the Area has impaired economic values, reduced income, and minimal economic viability in its current state. Consequently, these conditions create an inability to pay reasonable taxes and such conditions constitute a menace to the health, safety, morals, and welfare of the citizens of the City and result in an economic liability.

Without a comprehensive approach to address the issues identified above, the Area will continue its state of decline, thereby discouraging future investment. Unless a programmatic redevelopment approach is implemented to eliminate the negative influences, further physical decline is likely and investment in the type and style of development envisioned by the City, as appropriate and economically feasible, will not occur.

The failure to re-plan, rehabilitate, reconstruct, and redevelop the Area will result in progressive deterioration, causing wasteful expenditure of public funds for public services and infrastructure. The combination of the existing conditions and economic factors present in the Area contribute to make in the property an economic and social liability to the City and other taxing jurisdictions in its present condition. It is in the public interest to encourage and assist in the redevelopment of the area, as allowed under the TIF Act.

In order to cure the Area's deficiencies and leverage the private mitigation of conditions described in this analysis, significant costs must be incurred. This further makes it improbable that the Area will experience growth and development solely through investment by private enterprise. The extraordinary cost to revitalize and redevelop the Area to its highest and best use makes the redevelopment economically infeasible under current market conditions. It is further unlikely the type or level of redevelopment that might occur, absent the benefit and resources provided by implementation of TIF assistance, would yield the potential revenue that could be generated by a comprehensive, aggressive, and programmatic approach.

Appendix A



Photo 1: Weeds growth and pavement disintegration along rear of hotel with exposed grease dumpster.



Photo 2: Damaged roof ledge cap replaced with tin.



Photo 3: Water damaged rear facade of hotel with cracked and peeling paint.



Photo 4: Example of damaged window panes allowing water penetration.



Photo 5: Additional example of water damage to corners of exterior facade.



Photo 6: Example of graffiti on rear of building.



Photo 7: Missing and deteriorated curbing and sidewalk cracking along Short Street.



Photo 8: Irregular level of outdoor pool displays damage, deterioration, and obsolescence.



Photo 9: Additional view of outdoor pool and decking surrounding the pool.



Photo 10: Example of calcification and rust on rooftop cooling unit leading to inefficient energy consumption.



Photo 11: Example of damaged roof and leakage.



Photo 12: Cracked and peeling exterior surfaces.



Photo 13: Malfunctioning roof where wind peeled back from structure and reattached with tin.



Photo 14: Water damage and warping to exterior ledge.



Photo 15: Interior water penetration has led to damage and deterioration of concrete.



Photo 16: Hallway water penetration has led to loss of mortar between blocks and mold growth.



Photo 17: Outdated boiler system.



Photo 18: Additional aged and deteriorated water heaters.



Photo 19: Outdated and dysfunctional water heating systems.



Photo 20: Inefficient and often non-working utility systems.



Photo 21: Graffiti in stairwell.



Photo 22: Typical hallway.



Photo 23: Utility support system in lower level.



Photo 24: Sewer lift station view.



Photo 25: Example of damaged suspended ceiling in hotel lobby.



Photo 26: Additional view of damaged suspended ceiling in lobby.



Photo 27: Typical room view.



Photo 28: Evidence of water damage to room ceiling.



Photo 29: Typical bathroom, lacking of handicap accessibility accommodations.

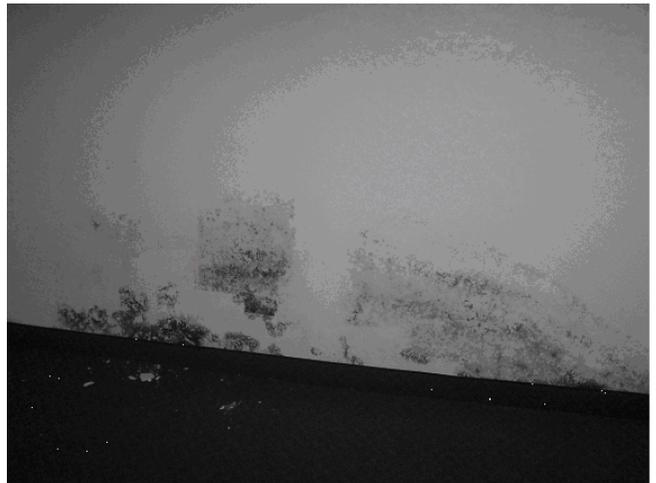


Photo 30: Evidence of mold growth on wall.



Photo 31: Sewer lift station in lower level results in noxious fumes and malicious odors in hotel.



Photo 32: Disjointed, uneven floor elevation from when basement was vehicle garage.



Photo 33: Handicap inaccessible lower level public bathroom.



Photo 34: Public bathroom stalls lacking handicap accessibility accommodations.



Photo 35: Example of disjointed, uneven floor levels.



Photo 36: Outdated and non-functional kitchen.



Photo 37: Example of ceiling and storage issues.



Photo 38: Example of mold growth and water damage in lower level.



Photo 39: Example of damaged and missing ceiling tiles in lower level.



Photo 40: Example of lower level floor conditions.



Photo 41: Laundry room with peeling paint on roof.



Photo 42: Standing water in laundry.



Photo 43: Water damage to lower level ceiling from pipe leaks.



Photo 44: Molded and damaged ceiling tile from pipe leaks.

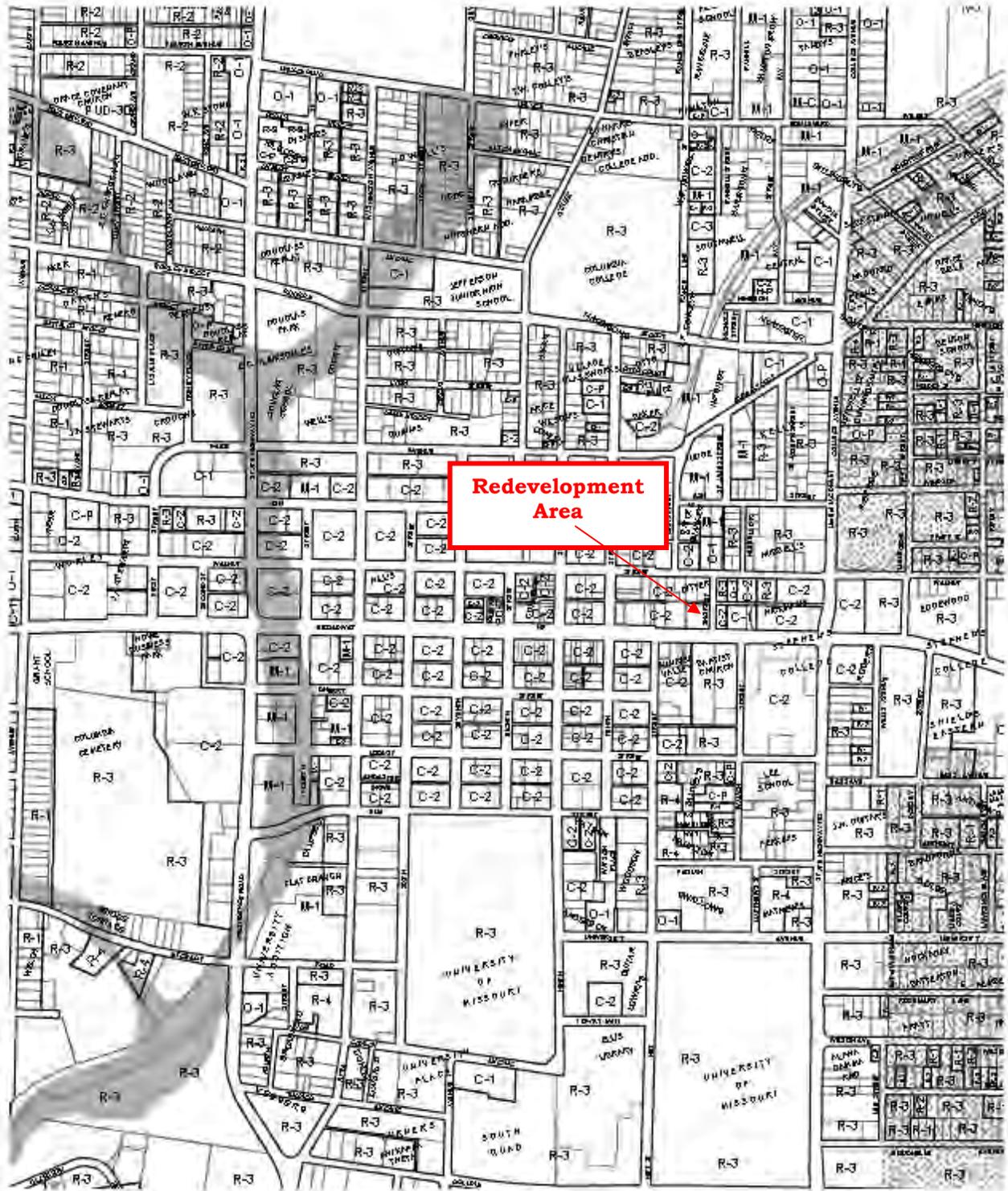
EXHIBIT B

BOUNDARY DESCRIPTION
Of
Regency Hotel Redevelopment Area

A part of Lot 1 of HICKMAN'S ADDITION as shown by the plat recorded in Book 37, Page 521, Records of Boone County, Missouri, and being more particularly described as follows: starting at the southwest corner of said Lot 1, thence east along the south line of said lot for a distance of 1.75 feet to a drill hole, the point of beginning; thence from the point of beginning east along the south line of said lot for a distance of 145.25 feet to a drill hole; thence north along the west line of Central Street (also known as Short Street) a distance of 150 feet to a drill hole; thence west along the south side of the existing alley a distance of 144.75 feet to an iron; thence south along the east edge of the east wall of the building of L.W. Berry to the point of beginning, a distance of 150 feet, as shown in a survey made by James S. Reed, Registered Land Surveyor, and recorded on October 21, 1964 in Book 341, Page 52, Records of Boone County, Missouri.

EXHIBIT C

Updated: Aug 20, 2007



0 200 400 800 1,200 1,600
Feet

Map Key

- Corporate Limit
- COLT
- Trail
- Streams

Overlay Districts

- F-1
- H-P
- M-U
- S-R
- U-C

Map Location

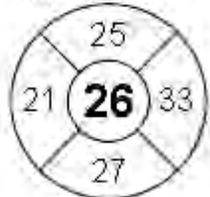


EXHIBIT D

**REGENCY HOTEL REDEVELOPMENT AREA
COLUMBIA, MISSOURI**

REDEVELOPMENT PLAN & PROJECT COST ITEMS¹		COST
1	Total Redevelopment Plan & Project Implementation Costs	\$17,500,000
2	Redevelopment Plan & Project Costs to be Financed by TIF Obligations	3,200,000
TOTAL REDEVELOPMENT PLAN AND PROJECT COSTS TO BE PRIVATELY FINANCED		\$14,300,000

(1) Developer Estimate. Excludes reserve fund, capitalized interest, and costs of issuance.

EXHIBIT E

Sources and Uses of Funds

PROJECT COSTS		Developer Equity	Construction Loans	TIF Revenues	Total
1	Property Acquisition and Related Costs	1,000,000	\$2,050,000	-	3,050,000
2	Building Demolition/Construction	1,932,000	5,493,000	2,750,000	10,175,000
3	Interior Construction Improvements	-	2,192,000	-	2,192,000
4	Permitting, signage, and franchise fees	193,000	-	-	193,000
5	Professional Services: including engineering, architectural, planning, consulting, legal, surveying, etc.	175,000	-	450,000	625,000
6	Contingency (7.25%) to cover interest cost/carry, insurance, pre-opening expenses, etc...	-	1,265,000	-	1,265,000
TOTAL		\$3,300,000	\$11,000,000	\$3,200,000	\$17,500,000

EXHIBIT F



November 11, 2010

David Parmley
Broadway Lodging LLC
#5 McBride & Son Center
Chesterfield, MO 63005

RE: Regency Hotel Redevelopment Project in Columbia, MO

Dear David,

I appreciate the time and information you have provided on the proposed redevelopment plans for the Regency Hotel, located on 1111 East Broadway, Columbia, Missouri. Having worked with you on other projects, Enterprise Bank & Trust looks forward to working with you to provide financing for the project costs, not otherwise funded by TIF.

Based upon your knowledge and experience on similar projects, Enterprise Bank & Trust is confident in your ability to make the hotel a success. In accordance with the Bank's procedures, Enterprise Bank & Trust is committed to financing the project subject to due diligence, credit underwriting and formal loan committee approval. All terms, conditions and loan documentation are subject to satisfactory review and acceptance by Enterprise Bank & Trust.

The financing of this project would not be feasible without the assistance and provision of public financing including, but not limited to, tax increment financing. Therefore, please be advised that we are excited to consider financing for the project should the City of Columbia approve the necessary public financing assistance and execute all of the agreements necessary to evidence such approval.

Sincerely,

Meg Schnoithorst
Vice President
Enterprise Bank & Trust

EXHIBIT G

DEVELOPER AFFIDAVIT

STATE OF MISSOURI)
) SS.
COUNTY OF BOONE)

I, the undersigned, David Parmley, Owner/President, certify that I am over 18 years of age and have personal knowledge of the matters state herein.

I further confirm, I am authorized to attest to matters set forth herein.

I also confirm that the Regency Hotel will be owned and developed by Broadway Lodging, LLC. Broadway Lodging, LLC is the owner under contract of the property within the proposed Redevelopment Project Area.

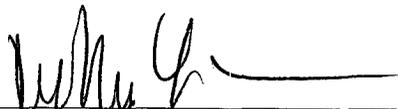
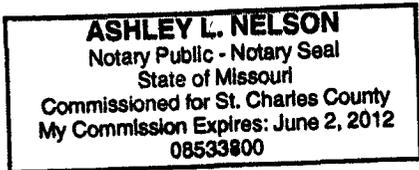
The aforementioned property, on the whole, qualifies as a Conservation area under §99.805 (3), RSMo., and has not been subject to growth and development through private investment by private enterprise, and would not reasonably be expected to be developed without the adoption and provision of tax increment financing assistance.



Mr. David Parmley – Owner/President
Broadway Lodging , LLC

Subscribed and sworn to before me, a Notary Public in and for said State, on this 23 day of October, 2010.

(Seal)



/ Notary Public

My commission expires: 6-2-12

EXHIBIT H

AN ORDINANCE amending Chapter 22 of the City Code to adopt a relocation policy for the relocation of businesses and residences due to redevelopment plans and projects; and fixing the time when this ordinance shall become effective.

WHEREAS, the City of Columbia, Missouri is considering the approval of redevelopment plans pursuant to Sections 99.800 to 99.865 of the Revised Statutes of Missouri, as amended (RSMo.); and

WHEREAS, Section 99.810, RSMo. requires the City, prior to approving a redevelopment plan, to develop a relocation assistance plan for businesses and residences that may be displaced as a result of such redevelopment; and

WHEREAS, the City has previously adopted a relocation policy for condemnation proceedings and now wishes to extend such relocation policy to the relocation of businesses and residences due to redevelopment plans and projects adopted pursuant to Chapters 99, 100 and 353, RSMo., it being understood that such relocation policy establishes the minimum benefits to be provided to displaced persons and businesses, and that the City Council may, upon approval of specific redevelopment projects, provide for additional benefits for displaced persons and businesses.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. Chapter 22 of the Code of Ordinances of the City of Columbia, Missouri, is hereby amended as follows:

Material to be added underlined.

Sec. 22-52. Relocation policy.

(a) It is the policy of the city to follow the provisions of Sections 523.200 through 523.205, RSMo., in all condemnation proceedings that may necessitate displacement of persons or businesses when such displacement is not subject to the provisions of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. sections 4601 to 4655, as amended).

(b) The provisions of Sections 523.200 through 523.205, RSMo., shall apply to any plan, project, or area for redevelopment under the operation of Chapters 99, 100 or 353, RSMo., which is hereafter filed for approval, approved, or amended.

SECTION 2. This ordinance shall be in full force and effect from and after its passage.

PASSED this 4th day of May, 2009.