Columbia TIF Commission

Presented by:

GILMORE & BELL, P.C.

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Columbia TIF Commission: TIF Basics

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TIF Basics

- TIF is not…
  - Tax Abatement
  - Tax Addition
    - Although, TIF is often used in conjunction with tax addition incentives such as TDDs or CIDs
- TIF is…
  - Tax Redistribution
    - Incremental taxes are used for redevelopment project costs rather than distributed to taxing jurisdictions

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TIF Basics

- 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
- The Advanced
  - Contributing "bottom half" EATS, TDD or CID revenues, etc.

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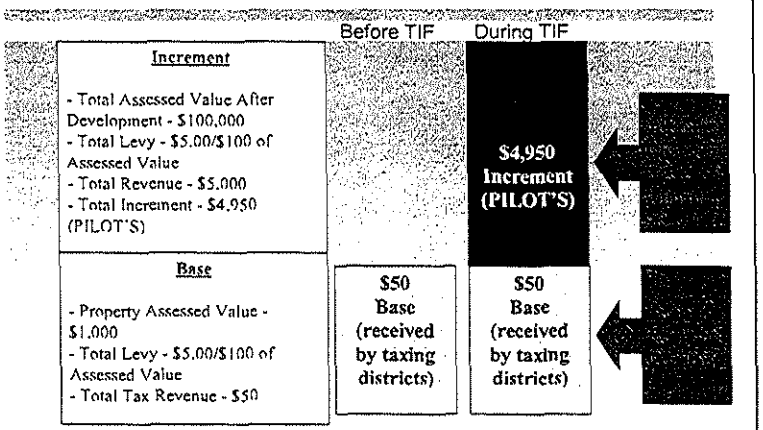
The Base and the Increment (PILOTS)



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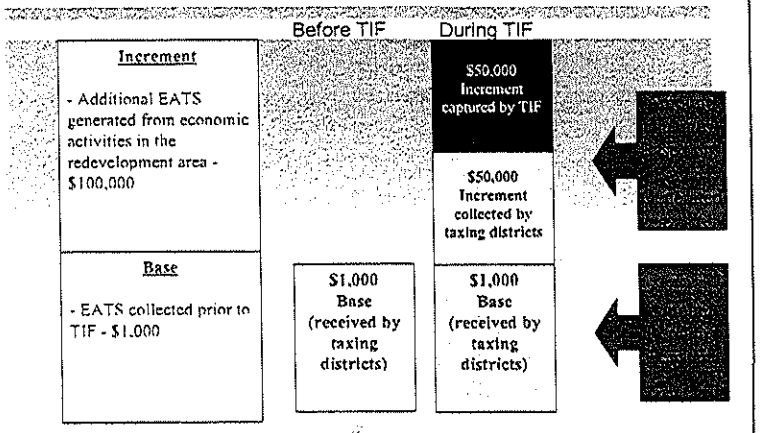
The Base and the Increment (EATS)



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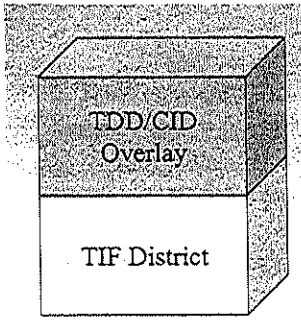
Combining TIF with TDDs & CIDs



Advantages

- Additional revenues (i.e. sales taxes)
- Easing burden on existing taxing districts
- Captured Portion Not Limited to Transportation or CID Purposes
- Often used in retail developments

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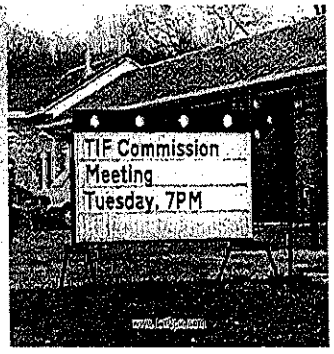
Creating a TIF District

- Form a TIF Commission
  - 6 appointed by City
  - 2 appointed by County
  - 2 appointed by School Districts
  - 1 appointed by other taxing districts
- 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
  - Requires 2/3 approval if TIF Commission opposes



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Required Findings (§99.810, RSMo.)

- The redevelopment area on the whole is a "blighted area" or a "conservation area"
  - The planning consultant will prepare a study detailing how the redevelopment area qualifies as a blighted or conservation area
- The redevelopment area has not been subject to growth and development
- The redevelopment area would not reasonably be anticipated to be developed without the adoption of tax increment financing

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Required Findings (§99.810, RSMo.)

- A cost-benefit analysis has been prepared, showing
  - a fiscal impact study on every affected political subdivision, and
  - the impact on the economy if the project is not built, and is built pursuant to the redevelopment plan
- The cost-benefit analysis must also include sufficient information from the developer to evaluate whether the project as proposed is financially feasible
  - Usually shown through a copy of the Developer's pro-forma and commitment letters from the Developer's lenders

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Required Findings (§99.810, RSMo.)

- The redevelopment plan conforms to the City's comprehensive plan
- The completion of the redevelopment project and the retirement of all TIF obligations will occur within 23 years from the date of the ordinance approving the TIF
- A relocation plan has been prepared (even if no relocations will be required)
- The redevelopment plan does not include a gambling establishment

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Financing TIF Redevelopment Projects

- TIF Notes
  - Similar to a "promissory note" to developer
  - Represents obligation of issuer to reimburse developer for eligible costs, if and when TIF revenues are generated
  - Notes are usually pledged to lender as security for loan
- TIF Bonds
  - Difficult prior to construction due to project uncertainties
  - Often used to refund TIF Notes based on revenue projections
- Generally, TIF District is dissolved once all notes and bonds are repaid (ideally, prior to 23 year statutory maximum)
- TIF notes and bonds not paid after 23 year statutory maximum are cancelled

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-Questions?

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