



## TAX INCREMENT FINANCING

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### 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, conservation, or economic development area.

TIF is a financial tool used to capture the increase in property taxes and sales taxes created from new construction. Up to 100% of the increase in property taxes and 50% of the increase in local sales taxes (the “increment”) following completion of a development can be captured within the TIF project area. The property tax and sales tax increment 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.

### 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 for the State of Missouri (RSMo).

### 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.

1. Demonstrates a substantial and significant public benefit by constructing public improvements that strengthen the economic and employment base of the City and serves as a catalyst for further high quality development or redevelopment.
2. TIF assistance will be provided for improvements that create significant public benefit(s).
3. Expenses eligible for reimbursement under TIF include but are not limited to the following:
  - a. Studies, surveys, plans and specifications.
  - b. Professional services such as architectural, engineering, legal, marketing, financial, and planning.
  - c. Site preparation, including demolition of structures, clearing and grading of land.
  - d. Constructing public infrastructure such as streets, sewers, utilities, parking, and lighting.

- e. Financing costs including bond issuance.
  - f. Relocation costs if persons or businesses within the redevelopment area are displaced.
4. Applications which include TIF assistance for land acquisition and residential development will be discouraged unless creatively integrated into a large scale mixed-use project.
  5. TIF applications requesting the issuance of bonds or notes shall be required to demonstrate 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 1.25 times the projected debt service on any tax increment financing bonds or notes.
  6. TIF assistance to the project should generally not exceed 25 % of total project costs. However, project assistance above 25% may be considered in circumstances where the developer:
    - (1) has a proven track record in completing successful projects comparable in scope and scale,
    - (2) documents the developer's financial capacity to complete the proposed project; and
    - (3) demonstrates that tenant commitments are already in place for a significant portion of the proposed project.
    - (4) demonstrates the need for additional assistance in order to achieve a reasonable rate of return of the proposed project.
  7. Applications that include the utilization of a Community Improvement District (CID), Neighborhood Improvement District (NID), Transportation Development District (TDD) or other private or public financing mechanisms that result in reducing the term of the TIF project will be viewed more favorably.
  8. Evidence should be provided 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.
  9. Generally, TIF applications which encompass a project area of less than 10 acres will be discouraged.
  10. TIF applications that do not meet some of these criteria may be approved if the application clearly demonstrates that the project, as a whole, is of vital economic interest to the City

### **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 Department of Community Development for review and processing. A copy of the formal application may be obtained through the Department of Community Development. The applicant may 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.

Following a public hearing before the City's TIF Commission and approval of the TIF Plan by the Board of Aldermen, the City and the applicant shall enter into a redevelopment agreement for the purpose of governing the implementation of the TIF Plan.