

TIF Review Session

Staff Presentation to City Council

May 31, 2022



LEE'S SUMMIT
MISSOURI

Yours Truly



What is Tax Increment Financing?

- A method of diverting taxes to pay for costs associated with building the project
- **Payments in Lieu of Taxes (PILOTs)**
 - 100% of PILOTs can be captured
- **Economic Activity Taxes (EATs)**
 - 50% of EATs can be captured
 - Sales taxes, utility taxes
- \$\$ deposited in City's Special Allocation Fund

What is Tax Increment Financing?

Without TIF With TIF

Increment

- Total Assessed Value After Development = \$100,000
- Total Levy = \$5.00 per \$100 of Assessed Value
- Total Revenue = \$5,000
- Total Increment = \$4,500 (PILOTs)

Base

- Property Assessed Value = \$10,000
- Total Levy = \$5.00 per \$100 of Assessed Value
- Total Tax Revenue = \$500

**\$500
Base
(received
by taxing
districts)**

**\$4,500
Increment
(PILOTs)**

**\$500
Base
(received
by taxing
districts)**

Amount
Changes
Based on
Valuation
& Levy
Rates

Land
Value
Remains
Constant

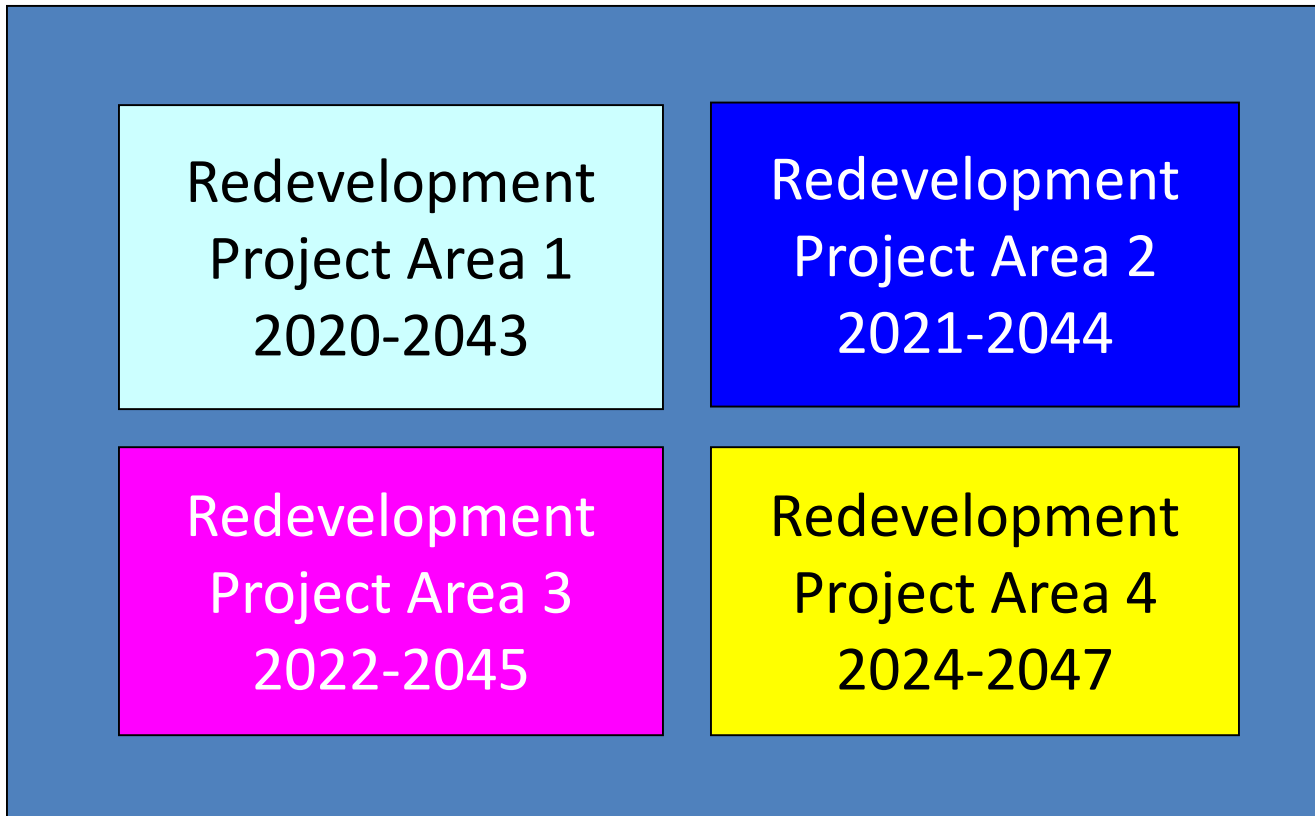
What is a TIF Plan?

- General description of Project
- Estimated Redevelopment Project Costs
- Anticipated source of funds to pay the costs
- Evidence of commitments to finance project costs
- Anticipated type and term of debt obligations
- Most recent equalized assessed valuation
- Estimated assessed valuation after redevelopment
- General land uses in the Redevelopment Area

What are TIF reimbursable costs?

- Land acquisition
- Site preparation
- Utilities
- Public improvements
- Building construction
- Building rehabilitation
- Business/institutional relocation
- Soft Costs

What is the Redevelopment Area? What are Redevelopment Project Areas?



Required Findings to Adopt a TIF Plan

1. A. Redevelopment area is blighted or a conservation area
1. B. **“But for” test**: Redevelopment Area has not and “would not reasonably be anticipated to be developed without adoption of tax increment financing”
2. Redevelopment Plan conforms to City comprehensive plan
3. Estimated redevelopment project completion dates (23 year limit)

Required Findings to Adopt a TIF Plan

4. Relocation plan has been developed
5. Cost-benefit analysis & financial feasibility
 - Economic impact on each taxing district
 - Impact if project not built & built with TIF
6. No development or redevelopment of any gambling establishment

What is the role of the TIF Commission?

- Allow input by affected taxing districts
- Conduct public hearing on plans, project redevelopment areas
- Receive testimony and evidence
- Evaluate TIF plans, projects, redevelopment areas
- Make recommendations to City Council

What is the role of individual TIF Commissioners?

- Participate in TIF Commission meetings and public hearings
- Review TIF plans and all supporting materials
- Ask questions and gather facts related to these tasks, provide input
- Help create a complete record at public hearings
- Vote on all matters before TIF Commission, including recommendations to Governing Body

What is the composition of the TIF Commission?

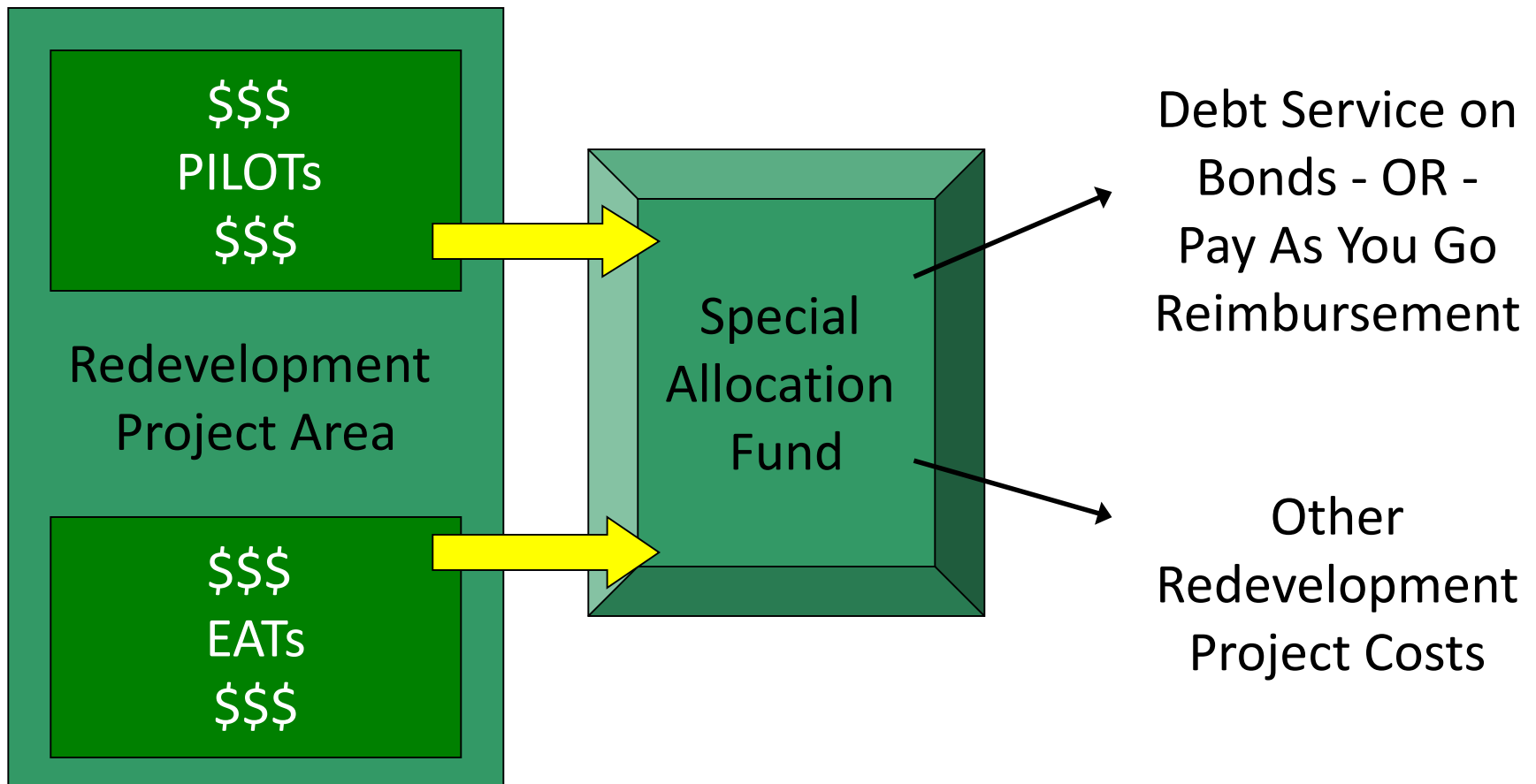
Entity	Seats
City	6
County	2
School District	2
Other Taxing Districts	1
Total	11

- Other Taxing Districts are Library, Handicapped Workshop, Junior College (Mental Health and Blind Pension Fund not captured)

What is the role of the City Council?

- Approve TIF plan and redevelopment area
- Approve redevelopment project areas
- Select developer for TIF projects
- Enter into TIF contracts
- Legislation to implement TIF Plan, create and manage special allocation fund
- Other powers
 - Acquire land, demolish and clear land
 - Rehabilitate or construct any structure/building
 - Construct, relocate streets, utilities, site improvements

What happens after a TIF Plan is approved?



Methods of Preparing a TIF Plan

- Developer-initiated process
 - Specific project (shopping center)
 - Developer prepares TIF Plan
- City-initiated process
 - Large-scale projects
 - City prepares TIF Plan
 - Developers implement specific projects
- Always the City's TIF Plan when approved