



TAX INCREMENT FINANCING

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 where there is evidence the development would not occur without public assistance; and 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”) 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 redevelopment project for up to 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 twelve (12) 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. However, 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.

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.

Evaluation Criteria

1. Each TIF Application must demonstrate that “but for” the use of TIF, the project is not feasible and would not be completed without the proposed TIF assistance.

2. 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. Development proposals under a TIF Application are expected to meet high development standards and demonstrate innovative design. A TIF project requires high quality building materials, and architectural design.
3. TIF assistance will be provided for improvements that create significant public benefit(s).
4. TIF Applications seeking public assistance to cure blighted areas will be viewed more favorably if more than one "Blighted area" condition exists.
5. Applications which include TIF assistance for land acquisition and residential development will be discouraged unless creatively integrated into a large scale mixed-use project.
6. 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 bonds or notes.
7. TIF assistance to the project should generally not exceed 35 percent of total project costs. However, this threshold may be waived 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.
8. The projected term of the TIF project will be considered on the economic payoff expectations of the project with shorter terms being viewed more favorably than longer terms. TIF Applications which provide for the use of not more than 15 years of tax increment generated by each project is strongly encouraged.
9. The TIF Statute provides that redevelopment project costs can include all or a portion of a taxing district's capital costs resulting from a redevelopment project that are necessarily incurred or to be incurred in furtherance of the objectives of the redevelopment plan and project, to the extent the City by written agreement accepts and approves such costs. Taxing districts' capital costs are defined as those costs of taxing districts for capital improvements that are found by the City to be necessary and to directly result from the redevelopment project. In accordance with these statutory provisions, any affected taxing district may submit a detailed request for reimbursement of its capital costs associated with a redevelopment plan or project and the City will consider such request in accordance with these statutory standards and requirements. Any taxing district submitting such a request shall carry the burden of proof to demonstrate to the City's satisfaction that the capital improvements are necessary and directly result from the redevelopment project.
10. 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 which result in reducing the term of the TIF project will be viewed more favorably.
11. Evidence the applicant has thoroughly explored alternative financing methods and has a track record which demonstrates the financial and technical ability to complete the project.

12. Generally, TIF applications which encompass a project area of less than 10 acres will be discouraged.

Submission Requirements

1. The applicant is required to first meet with staff in a pre-qualification conference to determine project eligibility.
2. A TIF application may be submitted to the Administration Department for review and processing. A copy of the formal application form may be obtained through the Administration Department, City Hall, 101 E. Kansas, Liberty, Missouri 64068; by calling 816.439-4532; or on the City's website at www.ci.liberty.mo.us.
3. The City may require an independent analysis(s) of the TIF application submittal. The cost of such study shall be paid by the Applicant. The City shall administer the contract and the study shall be prepared by a professional consultant having a favorable reputation for the preparation of such studies. The study shall be submitted to the TIF Commission prior to the public hearing and the cost shall be reimbursed to the City prior to the City Council action on the TIF project.
4. IRR is used by firms to decide whether they should make investments. TIF Applications shall include an Internal Rate of Return (IRR) calculation identifying IRR with TIF assistance and without TIF assistance.
5. Following a public hearing before the City's TIF Commission and approval of the TIF Plan by the City Council, the City and Applicant shall enter into a redevelopment contract for the purpose of governing the implementation of the TIF Plan.
6. A \$5,000 application deposit shall be paid to the City prior to the public hearing by the TIF Commission to consider the TIF project to cover mailing and publication costs, TIF Counsel and financial and feasibility advisor(s) for review of the application (including any costs incurred for analysis as outlined in Submission Requirement #3 above). In the event costs for third-party services exceed the fee collected, the applicant will reimburse the City for any remaining amounts prior to City Council action on the TIF Plan. Any third-party services incurred after approval of the TIF Plan shall be reimbursed to the City from TIF proceeds.

As an alternative and at the discretion of the City Administrator, a funding agreement may be required to allow the application deposit and reimbursements to be paid to the City in advance of certain milestones (i.e. application submittal, redevelopment plan approval, redevelopment agreement).

7. The City will charge an administrative service fee of one-half percent (.5%) of the annual increment (both property and sales) per year to partially offset the cost of record keeping, report preparation, and accounting for each approved TIF project. The fee will be charged and collected quarterly from the increment generated during that period prior to disbursement of the increment to the developer or bond trustee to pay eligible TIF expenses. This administrative service fee shall be in addition to the TIF third party reimbursement amount.