



AGENDA
CITY OF CREVE COEUR
ECONOMIC DEVELOPMENT
COMMITTEE
CITY COUNCIL CHAMBER
NOVEMBER 21, 2023
8:00 AM

CALL TO ORDER

ROLL CALL

UNFINISHED BUSINESS

1. Approval of September 19, 2023 Economic Development Committee Meeting Minutes

NEW BUSINESS

2. 2024 Creve Coeur Business Awards - Sharon Stott

BUSINESS FROM STAFF

3. Olia Village Incentives - Mark Perkins
4. Other Development Updates - Jason Jaggi

NEXT MEETING DATE

Tentative - Joint Work Session of City Council, Finance Committee, EDC - Mon., Nov. 27 @ 6 PM. RSVP to khenke@crevecoeurmo.gov
Summary:

Regular EDC Meeting - Jan. 16 @ 8AM
Summary:

ADJOURNMENT

Posted by: _____

Date/Time posted: _____



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If you need special accommodations to attend a meeting, services may be arranged by contacting the Office of the City Administrator in advance.



**MINUTES
CITY OF CREVE COEUR
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COMMITTEE
CITY COUNCIL CHAMBER
SEPTEMBER 19, 2023
8:00 AM**

CALL TO ORDER

Ned Maniscalco called the meeting to order at 8:03 a.m.

ROLL CALL

Committee Chair Ned Maniscalco - present
Committee Vice Chair David Morris - present
Committee Member Warren Davis - present
Committee Member Roger Levy- present
Committee Member Jonathan Sher - absent
Committee Member Lucas Stauder - present
Committee Member Lon Zimmerman - absent
Committee Member Ramaa Vissa - present

Others in attendance included: Mayor Robert Hoffman, Council Liaison Nicole Greer, City Administrator Mark Perkins, Director of Community Development Jason Jaggi, Assistant City Administrator Sharon Stott, and guest Nancy Litzinger.

EDC members introduced themselves and welcomed the newest EDC member, Ramaa Vissa.

UNFINISHED BUSINESS

1. Approval of July 18, 2023 Economic Development Committee Meeting Minutes

RESULT: Passed MOVER: Levy SECONDER: Morris AYES: David Morris, Lucas Stauder, Ned Maniscalco, Ramaa Vissa, Warren Davis, Roger Levy NAYS: None

Roger Levy motioned, seconded by David Morris, to approve the EDC Meeting minutes from July 18, 2023. Motion passed unanimously.

NEW BUSINESS



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No new business was discussed.

BUSINESS FROM STAFF

2. Development Updates

Olia Village - Jason Jaggi

Jason Jaggi stated the second public hearing was held last night about the Olia Village development where more information was provided concerning uses, public area, and buffers. Based on residents' responses, Mr. Jaggi said the developer has been responsive to strengthening some of the buffer areas adjacent to residential areas and that a third public hearing will be held at the Planning and Zoning Commission meeting on October 2, 2023 at 6 p.m., and the EDC is invited to attend to learn more about the project and listen to residents comments or by visiting the City website. Mr. Jaggi stated Olia Village will consist of five phases, with Phase 1 consisting of the sitework and infrastructure.

Ned Maniscalco commented that this is one of the most significant and important development projects the City has ever had and it is important that EDC members educate themselves and show their support for this project.

Mark Perkins stated discussions have been underway with the developer regarding incentives and more information is needed from the developer regarding the creation of a 353 District, Community Improvement District, and Tax Deferred District. Mr. Perkins stated some of the roads will be maintained by the City while others will be maintained by the developer, along with the sidewalk and street lighting.

Other - Jason Jaggi

Jason Jaggi provided some additional development updates:

- Greenstreet has completed a traffic study for the mixed use at Olive Boulevard and New Ballas Road which is currently under review by the City's traffic consultant.
- Creve Coeur Pavillion has resubmitted a modified plan for apartments and



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ground floor retail and they have been receptive to the City's request to have retail be a more significant part of the development.

- First Bank construction is well underway.
- Chick-Fil-A footings are in place and the City anticipates construction will accelerate.

39N - Mark Perkins

Mark Perkins stated the 39 North 501c3 nonprofit entity officially started July 1, 2023 with the new Executive Director Emily Lohse-Bush with a small board of directors consisting of anchor organizations. Mr. Perkins said the non-profit is currently sharing space with the Danforth Plant Science Center and Ms. Lohse-Bush is actively looking for office space within the district -- possibly at a property owned by SSM -- and making enhancements to the 39N website.

Other:

Ned Maniscalco inquired about the Missouri Municipal League Conference, to which Mr. Perkins replied the conference was well attended by representatives from 100 cities, offered training about orientation for newly appointed and elected officials, and provided networking opportunities.

Warren Davis inquired about the EDC's mission, to which Ned Maniscalco said further discussion could be had with the committee to revisit its purpose and strategies at upcoming meetings.

Ramaa Vissa inquired about public transportation in Creve Coeur with several significant projects going on in the city, to which Mr. Perkins replied the City has bus routes along Olive Boulevard and Ballas Road that are being utilized particularly for those working at the local hospitals.

Ned Maniscalco inquired about the short-term rentals listed on the Planning and Zoning Commission agenda, to which Mr. Jaggi responded that the City's ordinance must comply with state law and remove that the primary owner must have primary residence in the home.



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3. Biennial Ethics Training - Mon., Oct. 9, 2023, 6 PM, Multipurpose Room - Sharon Stott

Sharon Stott reminded EDC members that the Biennial Ethics Training will be held October 9, 2023 and will be recorded and available for those unable to attend in person.

NEXT MEETING DATE

EDC Meeting - Tues., Nov. 21, 2023, 8 AM

ADJOURNMENT

Meeting adjourned at 8:55 a.m.



Economic Development Committee Creve Coeur Business Awards

Award Categories

- Heart of the Community
 - Honors a Creve Coeur- honors a Creve Coeur business or organization that has demonstrated a commitment to the community by making a positive impact in Creve Coeur or the St. Louis region.
- Most Innovative Business
 - Honors a Creve Coeur business or organization that has demonstrated innovation, unique achievements or significant advancements in their field.
- Green Business
 - Honors a Creve Coeur business or organization that has made sustainability (e.g., energy efficiency, recycling, composting, use of native landscapes, etc.) an integral part of its business practices.
 - The Energy and Environment Committee reviews nominations and makes a recommendation to the Economic Development Committee.
- Favorite Restaurant
 - Honors a Creve Coeur restaurant nominated by its customers for its outstanding service and food quality. Winner is determined by popular vote following nomination deadline.

Minimum Award Criteria

- Nominees must be located within Creve Coeur city limits.
- Nominees must be open for business.
- Nominees must be in good standing with the City (i.e., up-to-date business license) by April 17.

Timeline

- Dec. 1, 2023 – Apr. 12, 2024: Award nomination promotion
 - Mar. 1, 2024: Nomination deadline
- Mar. 4 – Apr. 12, 2024: Favorite Restaurant popular voting underway
 - Mar. 14, 2024: Deadline for Energy & Environment Committee written recommendation to EDC for Green Business Award recipient
 - Mar. 19, 2024: EDC reviews and votes on nominations for City Council consideration
 - Apr. 17, 2024: Deadline for EDC to submit final written recommendation to City Council
 - Apr. 22, 2024: City Council votes on award recipients at regular City Council Meeting
- Apr. 22 – May 10, 2024: Notify winners & invite to award ceremony; order award plaques; PIO prepares script for award presentation
 - May 16, 2024: Award ceremony @ Creve Coeur Olivette Chamber of Commerce Membership Meeting, Holiday Inn St. Louis, 1030 Woodcrest Terrace Drive, St. Louis, MO 63141. Mayor/appointee, Council Liaison, Chair of EDC/appointee, award recipients + one guest, and a few staff attend.
- May 17 – July 1, 2024: Award recipient promotion: newsletters, website, press release, social media

Promotion

- City monthly Resident Newsletter & electronic Business Newsletter; website
- Social Media: Chamber of Commerce Chamber Chatter, Facebook, Twitter, Instagram, Nextdoor
- Word of Mouth: City Council and EDC Members



SUMMARY OF ECONOMIC DEVELOPMENT TOOLS:

THIS OUTLINE CONTAINS A SUMMARY OF –

TAX INCREMENT FINANCING	
SALES TAX REBATE/DEVELOPMENT AGREEMENTS	P12
TRANSPORTATION DEVELOPMENT DISTRICTS	P13
COMMUNITY IMPROVEMENT DISTRICTS	P19
SPECIAL BUSINESS DISTRICTS	
NEIGHBORHOOD IMPROVEMENT DISTRICTS	
PROPERTY TAX ABATEMENT UNDER CHAPTER 353 RSMO	P36
PROPERTY TAX ABATEMENT UNDER CHAPTER 100 RSMO	
LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY LAW	
LOCAL OPTION ECONOMIC DEVELOPMENT SALES TAX	

(Updated through December 1, 2022)

The following materials were prepared by the public finance law firm of Gilmore & Bell, P.C.

Gilmore & Bell is one of the leading public finance law firms in the United States. The firm specializes in public finance transactions, serving as bond counsel or underwriters' counsel in a wide variety of tax-exempt and taxable financings and providing tax and arbitrage rebate services in connection with tax-exempt financings. The firm also provides advice to cities, counties and states regarding economic development incentives, administers special taxing districts and handles securities law matters. Gilmore & Bell has more than 60 attorneys and six offices, located in St. Louis and Kansas City, Missouri, Wichita, Kansas, Omaha, Nebraska, Edwardsville, Illinois, and Salt Lake City, Utah.

For more information, please visit the Gilmore & Bell website at www.gilmorebell.com, or contact one of the following attorneys:

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Shannon Creighton
Sean Flynn
Mark Grimm

Claire Halpern
Mark Spykerman
Jason Terry

SUMMARY OF 2022 LEGISLATIVE REVISIONS

Tax Increment Financing

- Information regarding a continued public hearing held prior to the adoption of an ordinance proposing the redevelopment area or approving a redevelopment plan or project must be provided to the Missouri Department of Revenue.
- Any municipality establishing a redevelopment area must provide the following information to the State Auditor and the Missouri Department of Revenue: (1) a description of the boundaries of the redevelopment area, (2) any amendments made to the boundaries of a redevelopment area, (3) the estimated redevelopment project costs, (4) the estimated date of completion of the redevelopment projects, and (5) the date on which the redevelopment area is to be dissolved.
- For any redevelopment area established after August 28, 2022, the governing body shall not deposit any payments in lieu of taxes or other taxes into the special allocation fund until the municipality submits the redevelopment area boundary description to the State Auditor and the Missouri Department of Revenue.
- Any notices required under Section 99.825 shall be submitted to the Missouri Department of Revenue (previously only submitted to the Missouri Department of Economic Development).
- Notice of the five-year public hearing regarding the redevelopment projects must be provided to the Missouri Department of Revenue.

Community Improvement Districts

- Any municipality establishing a CID must provide the following information to the State Auditor and the Missouri Department of Revenue: (1) a description of the boundaries, (2) the rate of property tax or sales tax to be levied within the CID, (3) any amendments made to the boundaries, and (4) the date on which the CID is to expire.
- For any CID established after August 28, 2022, the governing body shall not order any assessment made on any real property within the CID and shall not levy any property or sales tax until the municipality submits the boundary description and the rate of property or sales tax to be levied to the State Auditor and the Missouri Department of Revenue.
- Notice of any amendments made to the petition prior to the adoption of an ordinance establishing the CID must be sent to the Missouri Department of Revenue.
- Notice of a public hearing for the establishment of the CID and any information included in a motion to continue a public hearing for the establishment of the CID must be provided to the Missouri Department of Revenue.
- The CID Board of Directors is required to submit the proposed budget and the annual report to the Missouri Department of Revenue and the State Auditor (previously, these were only submitted to the governing body of the municipality and the Missouri Department of Economic Development).

Transportation Development Districts

- Notice of a petition filed by the registered voters or a governing body must be sent to the Missouri Department of Revenue.
- The following information must be submitted to the State Auditor and the Missouri Department of Revenue: (1) a description of the boundaries, (2) the average assessment made against real property within the district, and the rate of property tax or sales tax levied, (3) any amendments made to the boundaries or the tax rates levied, and (4) the date on which the district is to be terminated.
- For any TDD established after August 28, 2022, the governing body must not collect any property or sales taxes until the governing body submits the boundary description, the average assessment made against real property, and the rate of property tax or sales tax levied.

Neighborhood Improvement Districts

- Any municipality establishing a NID must provide the following information to the State Auditor and the Missouri Department of Revenue: (1) a description of boundaries, (2) the average assessment made against the real property within the district, (3) any amendments made to the boundaries, and (4) the date on which the NID is dissolved.
- For any NID established after August 28, 2022, the governing body shall not order any assessment made on any real property within the NID until the governing body submits the description of boundaries and the average assessment to be made.
- Notice of the public hearing on the plans and specifications for the improvements and proposed assessments shall be sent to the Missouri Department of Revenue.

Annual Financial Reports to the State Auditor

- Any political subdivision required to provide an annual financial report to the state auditor pursuant to § 105.145, RSMo. will not be subject to the \$500 per day fine for failure to submit the annual financial report, if the political subdivision had gross revenues of less than \$5,000 or did not levy or collect taxes in the fiscal year for which the annual financial report is due.

* * * * *

TAX INCREMENT FINANCING IN MISSOURI

I. GENERAL

Municipalities can only spend public funds for public purposes. If the costs to be funded are public improvements – such as roads, traffic signals or utilities – then the municipality has a variety of options as to how to finance those public improvements. If the costs to be funded are not public improvements – such as land acquisition costs or site development costs for property owned by persons or entities other than municipalities – then public funds can be used to finance those costs only if the governing body of the municipality finds that the site is a “blighted area” or a “conservation area,” as defined under Missouri law. Tax increment financing (“TIF”) is a method to encourage redevelopment of these areas.

The Missouri TIF law authorizes cities and counties to adopt a redevelopment plan that provides for the redevelopment of a designated area, and to use TIF to fund a portion of the project costs.

The theory of tax increment financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase. When a TIF plan is adopted, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to construction of improvements. The owner of the property continues to pay property taxes at this base level. As the property is improved, the assessed value of real property in the redevelopment area increases above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a “tax increment” is produced. The tax increments, referred to as “payments in lieu of taxes,” are paid by the owner of the property in the same manner and at the same time as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the municipality and deposited in a special allocation fund. In addition, local taxing districts transfer 50% of all incremental sales and utility tax revenues to the treasurer of the municipality for deposit into the special allocation fund. All or a portion of the moneys in the fund can then be used to pay redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The net effect of tax increment financing is to permit a developer to use a portion of property taxes that otherwise would be paid on the completed project to repay all or a portion of the development costs, thereby reducing the net annual debt service on the completed project (and thus increasing the rate of return on the project). In this manner, future tax increases are not abated, but rather are used to fund costs of the project.

II. PROCEDURES FOR ADOPTING TIF

The TIF Act

The TIF Act permits municipalities to undertake different redevelopment projects within a redevelopment area pursuant to the same redevelopment plan. If a redevelopment plan has multiple redevelopment projects, the municipality may designate different “redevelopment projects” and adopt tax increment financing at different times for each redevelopment project. This structure enables municipalities and developers to phase in projects and to derive additional benefits from the payments in lieu of taxes created by the redevelopment projects.

Before a municipality may implement tax increment financing, (1) the municipality must create a TIF commission as provided in the TIF Act, (2) a redevelopment plan, including a description of the

redevelopment area and the redevelopment projects therein, must be prepared, (3) the TIF commission must hold a public hearing and make a recommendation to the municipality pertaining to the redevelopment plan, the redevelopment projects and the designation of the redevelopment area, and (4) the municipality must adopt an ordinance approving the redevelopment plan, the redevelopment projects and the designation of the redevelopment area as discussed below. If a TIF commission makes a recommendation in opposition to a proposed redevelopment plan, redevelopment project, or designation of a redevelopment area, or amendments thereto, the governing body of the municipality may only approve such plan, project, designation or amendment upon a two-thirds majority vote. Once the ordinance is adopted, tax increment financing may be implemented for one or more redevelopment projects within a redevelopment area. Because of various notice and hearing requirements, it usually takes 120 days or longer to establish a TIF commission and adopt a TIF plan.

Role of the TIF Commission

Before adopting tax increment financing, a municipality must create a TIF commission by ordinance of its governing body. The composition of the TIF Commission depends on (1) whether a city or a county is undertaking the redevelopment project and (2) the location of the city or county undertaking the redevelopment project, as described in the following chart:

Number of members appointed by:	Entity Creating TIF Commission				
	City (outside St. Louis, St. Charles and Jefferson Counties)	City (inside St. Louis, St. Charles, Jefferson, Clay and Cass Counties)	County (other than St. Louis County)	St. Louis County	St. Louis City
City(ies)	6	3 ¹	0	3 ²	6
School districts	2	2	2	2	2
County	2	6	6	6	0
Other taxing districts	1	1	1	1	1
Total members	11	12	9	12	9

¹ These members are appointed by the cities that have TIF districts in the county.

The TIF commission conducts the public hearings required under the TIF Act, and makes recommendations to the governing body of the municipality concerning the adoption of redevelopment plans or redevelopment projects and the designation of redevelopment areas. For TIF commissions created by cities within Cass, Clay, Jefferson, St. Charles or St. Louis Counties, a recommendation of approval only occurs if a majority of the commissioners vote to approve a redevelopment plan, redevelopment project, designation of a redevelopment area, or an amendment; a tie vote is considered a recommendation in opposition. The redevelopment plans, redevelopment projects and the designation of the redevelopment area must receive final approval of the governing body of the municipality.

Records of the TIF commission must be retained by the governing body of the municipality that created the TIF Commission, and must be made available to the public under the Sunshine Law.

Designation of Redevelopment Area

The “redevelopment area” must contain property that may be classified as a “blighted area” or a “conservation area” (described below), or any combination thereof. The entire redevelopment area need

not meet the criteria of one of these categories, but must include only “those parcels of real property and improvements thereon directly and substantially benefited by the proposed redevelopment project improvements.” Thus, a larger redevelopment area that includes property that is increasing in value can enhance the feasibility of a TIF project, provided the larger area, on the whole, is a blighted area or a conservation area and is “substantially benefited” by the redevelopment project.

Although the TIF Act provides for redevelopment projects in an “economic development area,” certain questions remain regarding the constitutionality of TIF financing in such an area that may require a court case to resolve. It is unclear whether there are any instances under which a redevelopment project may be undertaken in an economic development area. Therefore, this memorandum does not discuss TIF financing within economic development areas.

The TIF Act defines a blighted area and a conservation area as follows:

“*Blighted area*” is defined as

an area which, by reason of the predominance of insanitary or unsafe conditions, deterioration of site improvements, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, or welfare in its present condition and use.

“*Conservation area*” is defined 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.

Effective August 28, 2021, all redevelopment plans and projects in a retail area (defined below) approved after January 1, 2022 must meet the dilapidation factor to be found to be a conservation area.

Under Missouri’s condemnation laws, (1) farmland that is declared blighted cannot be acquired by eminent domain and (2) blight must be evaluated on a parcel-by-parcel basis if any property in the redevelopment area will be acquired through (or under the threat of) condemnation.

Effective August 28, 2021, the TIF Act prohibits new tax increment financing projects in any “greenfield area.” A “greenfield area” is defined as “any vacant, unimproved, or agricultural property that is located wholly outside the incorporated limits of a city, town, or village, or that is substantially surrounded by contiguous properties with agricultural zoning classifications or uses unless said property was annexed into the incorporated limits of a city, town, or village ten years prior to the adoption of the ordinance approving the redevelopment plan for such greenfield area.”

Other legislation in 2007 prohibits new tax increment financing projects in “Hunting Heritage Protection Areas.” Such areas consist of all land within the 100 year flood plain of the Missouri and Mississippi rivers, as designated by FEMA, but excluding (1) areas with a population of at least 50,000 persons and designated as an “urbanized area” by the United States Secretary of Commerce, (2) any land ever used, operated or owned by an entity regulated by the Federal Energy Regulatory Commission, (3) any land used for the operation of a physical port of commerce, (4) any land within Kansas City or St. Louis City, and (5) any land located within one half mile of any interstate highway. There are also several exceptions to the general prohibition against new tax increment financing projects including (1) the ability to expand existing tax increment financing projects located within a Hunting Heritage Protection Area, subject to certain limitations, (2) redevelopment projects for the purposes of flood and drainage protection, and (3) redevelopment projects for the purposes of constructing or operating renewable fuel facilities.

Beginning January 1, 2022, the TIF Act prohibits new projects from being authorized in a flood plain as designated by FEMA unless such projects are located in the following places:

1. Jackson, Platte, Clay or Cole counties;
2. The cities of Springfield, St. Joseph, Hannibal or Jefferson City;
3. In a port district, provided such financing is utilized for port infrastructure projects; or
4. In a levee or drainage district created prior to August 28, 2021.

Further, projects in flood plains shall not be authorized in St. Charles County unless the redevelopment area “actually abuts a river or major waterway and is substantially surrounded by contiguous properties with residential, industrial or commercial zoning classifications.

Preparation of Redevelopment Plan

Before proceeding with a redevelopment project, the municipality must approve a redevelopment plan that designates the redevelopment area, describes the redevelopment project and sets forth a comprehensive program for redevelopment. The TIF Act requires the following information to be included in the redevelopment plan:

1. Estimated redevelopment project costs;
2. The anticipated sources of funds to pay the costs;
3. Evidence of commitments to finance the project costs;
4. The anticipated type and term of the sources of funds to pay costs;
5. The anticipated type and term of the obligations to be issued;
6. The most recent equalized assessed valuation of the property within the redevelopment area that is to be subjected to payments in lieu of taxes and economic activity taxes;
7. An estimate of the equalized assessed valuation after redevelopment; and
8. The general use of the land in the redevelopment area.

Additional information not required by statute may be included in the plan, such as the total acreage in the redevelopment area and the total payments in lieu of taxes and economic activity taxes estimated to be generated over the period the plan is in effect.

Public Hearing Regarding Redevelopment Plan

Before adopting tax increment financing, the TIF commission must hold a public hearing on the redevelopment plan and redevelopment project and the proposed redevelopment area. Notice of the hearing must be published and must be mailed to affected taxing districts and property owners. The TIF commission is required to vote on any proposed redevelopment plan, redevelopment project, or designation of a redevelopment area within 30 days after the public hearing and to make recommendations to the governing body of a municipality. A subsequent amendment to a redevelopment plan or project that changes the boundaries or nature of the initial plan or project may require the TIF commission to hold another public hearing and make additional recommendations to the governing body before the amendment can be implemented.

Adoption of Ordinances by Municipality

The redevelopment plan will become effective upon adoption of an ordinance by the municipality that approves the redevelopment plan and the redevelopment project and designates the redevelopment area. As discussed above, if the TIF Commission makes a recommendation in opposition to the redevelopment plan, the redevelopment project or the designation of the redevelopment area, the governing body of the municipality may only approve such plan, project or designation upon a two-thirds majority vote. The TIF Act does not specify in detail what information must be included in the ordinance approving the redevelopment plan. The TIF Act does state, however, that no redevelopment plan may be adopted without findings that:

- a. The redevelopment area on the whole is a blighted area, a conservation area or an economic development area, including, effective August 28, 2021, a study prepared by a land use planner, urban planner, licensed architect, licensed commercial real estate appraiser or licensed attorney, which includes a detailed description of the factors that qualify the redevelopment area.
- b. The redevelopment area has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing (this is sometimes referred to as the “but-for” test, as discussed above, and must be supported by an affidavit of the developer submitted with the redevelopment plan).
- c. The redevelopment plan conforms to the comprehensive plan for the development of the municipality as a whole.
- d. The estimated dates, which shall not be more than 23 years from the adoption of the ordinance approving a redevelopment project within a redevelopment area, of completion of any redevelopment project and retirement of obligations incurred to finance redevelopment project costs have been stated.
- e. A plan has been developed for relocation assistance for businesses and residences. The relocation plan must comply with the provisions of Sections 523.200 to 523.215 of the Revised Statutes of Missouri, as amended.
- f. A cost-benefit analysis has been prepared showing the economic impact of the plan on each taxing district that is at least partially within the boundaries of the redevelopment area.

g. The redevelopment plan does not include the initial development or redevelopment of any gambling establishment.

Further, effective August 28, 2021, the TIF Act prohibits the adoption of TIF in a retail area¹ in a redevelopment area designated as an economic development area under the TIF Act unless the financing for the project is exclusively utilized to fund a retail infrastructure project². This does not apply to projects in a retail area within a redevelopment area designated as a blighted area or a conservation area.

For redevelopment areas approved after August 28, 2022, as soon as practicable after the governing body has approved the redevelopment area, the following information must be submitted to both the State Auditor and the Missouri Department of Revenue (“Department of Revenue”): (1) a description of the redevelopment area boundaries, (2) any amendments made to the boundaries of a redevelopment area, (3) the estimated redevelopment project costs, (4) the estimated date of completion of the redevelopment projects, and (5) the date on which the redevelopment area is to be dissolved.

III. CAPTURE/USE OF TIF REVENUES

Determination of TIF Revenues

After the ordinance is passed, the county assessor must determine the total equalized assessed value of all taxable real property within the redevelopment project area. Thereafter, the total equalized assessed valuation of taxable real property in the redevelopment project area in excess of the initial equalized assessed valuation is computed by the county assessor for each year that tax increment financing is in effect. The payments in lieu of taxes are made by property owners in the redevelopment area on the increase in current equalized assessed valuation of each taxable parcel of real property over and above the initial equalized assessed valuation of each such parcel, and such payments are deposited into the special allocation fund. Effective August 28, 2018, ambulance, fire protection districts and counties imposing a property tax, and effective August 28, 2021, imposing an economic activity tax for the purpose of operating a 911 center providing emergency or dispatch services can annually set a reimbursement rate between 50% and 100% of the amount of their entities’ tax increment prior to the time the assessment is paid into the Special Allocation Fund. If a redevelopment plan, area or project is amended, these entities have the right to recalculate their reimbursement. If the voters in a taxing district approve a new tax levy or an increase to a taxing district’s existing levy after August 28, 2014, then the additional revenues generated within an existing redevelopment project area from the voter-approved tax levy or increase will not be subject to capture without the taxing district’s consent.

In addition, 50% of the increase in total revenues of incremental sales and utility taxes (referred to as “economic activity taxes”) are captured and deposited into the special allocation fund. Under the TIF Act, economic activity taxes do not include taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees, special assessments, personal property taxes, and, effective August 28, 2016, sheltered workshop taxes. The TIF Act and certain sales tax statutes further exclude some local sales taxes from capture and deposit into the special allocation fund, including, without

¹ A proposed redevelopment building area for which more than 50% of the usable building square footage in the area is projected to be used by retail businesses, which shall be businesses that primarily sell or offer to sell goods to a buyer primarily for the buyer’s personal, family or household use and not primarily for business, commercial or agricultural use.

² Includes highways, roads, streets, bridges, sewers, traffic control systems and devices, water distribution and supply systems, curbing, sidewalks, storm water and drainage systems or any other similar public improvements, but shall not include private structures.

limitation, certain sales taxes imposed to fund a children's services fund, emergency communication systems, public transportation, parks and trails, and stadium improvements in Jackson County.

Other statutes may place limits on the ability to capture a local sales tax. For example, any economic development sales tax imposed pursuant to Section 67.1305 of the Revised Statutes of Missouri is not captured by tax increment financing unless recommended by the economic activity tax board and approved by the governing body imposing the tax. Additionally, if the voters in a taxing district approve a new sales tax after August 28, 2014 (including increases to existing sales taxes, but not including renewals of expiring sales taxes), then the revenues generated within an existing redevelopment project area from the new sales tax will not be subject to capture without the consent of the taxing district.

Further, effective August 28, 2016, for any plans, projects, designations, or amendments approved by a governing body of a city in St. Louis, St. Charles or Jefferson Counties over a recommendation in opposition by the TIF commission, the payments in lieu of taxes and economic activity taxes captured by the TIF will be limited to paying only redevelopment costs for the demolition of buildings and for the clearing and grading of land.

Effective August 28, 2021, for redevelopment projects approved after December 31, 2021, St. Louis City may provide for the deposit of up to 10% of TIF Revenues generated by that redevelopment project into a Strategic Infrastructure for Economic Growth Fund.

Effective August 28, 2022, until the governing body establishing the redevelopment area submits a description of the boundaries of the redevelopment area to the state auditor and the Department of Revenue, no payments in lieu of taxes or any other taxes may be deposited into the special allocation fund.

Issuance of Bonds or Other Obligations

Either the municipality or the TIF commission may issue bonds or other obligations under the TIF Act which are payable from moneys in the special allocation fund or other funds specifically pledged. The TIF Act provides that voter approval of TIF bonds is not required. The bonds or other obligations must mature within 23 years, may bear any interest rate and may be sold at public or private sale as determined by the municipality or TIF commission. The bonds or other obligations are not a general obligation of the municipality and, accordingly, do not count toward the municipality's constitutional debt limitation.

Reporting/Hearing Requirements

The TIF Act has always included certain annual reporting requirements; those requirements were amended in 2016 to clarify the obligations and the penalties for non-compliance. Effective August 28, 2016, the governing body of each municipality must submit to the Department of Revenue an annual report concerning the status of each redevelopment plan and project no later than November 15th of each year. If a municipality fails to provide an annual report, the Department of Revenue must send a notice of the failure to the municipality, specifying required corrections. If the municipality fails to comply with the notice within sixty days, it is prohibited from adopting any new TIF plans for five years from the date of the failure notice provided by the Department of Revenue.

The municipality must also publish in a newspaper of general circulation in the county a statement showing the payments in lieu of taxes received and expended in that year, the status of the redevelopment plan and projects, the amount of outstanding bonded indebtedness and any additional information the municipality deems necessary.

Every five years, the governing body of the municipality must hold a public hearing to determine if the redevelopment project is making satisfactory progress under the proposed time schedule contained in the redevelopment plan. Notice of the public hearing must be given in a newspaper of general circulation in the redevelopment area once each week for four weeks immediately prior to the hearing and must also be provided to the Department of Revenue.

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SALES TAX REBATE/DEVELOPMENT AGREEMENTS

I. INTRODUCTION

Another alternative to TIF financing is for a municipality to enter into an agreement (commonly referred to as a “sales tax rebate agreement” or “development agreement”) with a property owner, whereby the owner of a retail establishment agrees to fund the costs of certain public improvements. The municipality agrees to reimburse the owner for the cost of those improvements, with interest at an agreed-upon taxable interest rate, from the incremental sales taxes generated by the project. The owner generally agrees to be paid solely from those incremental sales taxes, and not from any other funds of the municipality.

II. STATUTORY AUTHORITY

Section 70.220 of the Revised Statutes of Missouri (the “Cooperation Law”) authorizes any municipality or other political subdivision to contract with any other political subdivision, private person or firm for the “planning, development, construction, acquisition or operation of any public improvement or facility.” The political subdivision may authorize the contract by ordinance or resolution.

III. TYPICAL STRUCTURE OF TRANSACTION

Many retail developments require the installation of public improvements (such as roads, traffic signals and utilities) to accommodate the development. Under the typical agreement, the developer agrees to advance the costs of the public improvements. The political subdivision agrees to reimburse the developer for such costs, with interest, over a specified period of time. The agreement usually provides that only a portion of the incremental (*i.e.*, new) sales tax revenues generated from the development will be used to reimburse the cost of the public improvements. This results in immediate new revenue to the municipality, while also providing a source of repayment for the public improvements.

The Missouri Constitution generally requires voter approval if a political subdivision pledges tax revenue to the repayment of indebtedness that lasts for more than one year. Therefore, sales tax rebate agreements specifically provide that the political subdivision’s obligation is from year-to-year only, and is subject to annual appropriation by the governing body.

Because the developer usually assumes responsibility for initial construction of the public improvements, it’s important that the agreement provide for payment of prevailing wages, payment and performance bonds, and indemnification of the governing body.

Undertaking a sales tax rebate agreement is a fairly simple process, since the governing body is obligating only its funds – not the funds of any other political subdivision. No public hearing or consultation with other political subdivisions is required.

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TRANSPORTATION DEVELOPMENT DISTRICTS

I. INTRODUCTION

Purpose

A transportation development district (“TDD”) may be created pursuant to Sections 238.200 to 238.275 of the Revised Statutes of Missouri, as amended (the “TDD Act”) to fund, promote, plan, design, construct, improve, maintain and operate one or more projects or to assist in such activity. A TDD is a separate political subdivision of the state. “*Project*” includes any bridge, street, road, highway, access road, interchange, intersection, signing, signalization, parking lot, bus stop, station, garage, terminal, hangar, shelter, rest area, dock, wharf, lake or river port, airport, railroad, light rail, or public mass transportation system and any similar or related improvement or infrastructure.

Projects, Submission of Plans

Before construction or funding of any project (except for public mass transportation systems), the TDD must submit the proposed project to the Missouri Highways and Transportation Commission (the “Commission”) for its prior approval. If the Commission finds that the project will improve or is a necessary or desirable extension of the state highways and transportation system, the Commission may preliminarily approve the project subject to the TDD providing plans and specifications for the project and making any revisions in the plans and specifications required by the Commission and the TDD and Commission entering into a mutually satisfactory agreement regarding development and future maintenance of the project. After such preliminary approval, the TDD may impose and collect such taxes and assessments as may be included in the Commission’s preliminary approval. After the Commission approves the final construction plans and specifications, the TDD must obtain prior commission approval of any modification of such plans or specifications.

If the proposed project is not intended to be merged into the state highways and transportation system, the TDD shall also submit the proposed project and proposed plans and specifications to the local transportation authority that will become the owner of the project for its prior approval. “*Local transportation authority*” is a county, city, town, village, county highway commission, special road district, interstate compact agency, or any local public authority or political subdivision having jurisdiction over any bridge, street, highway, dock, wharf, ferry, lake or river port, airport, railroad, light rail or other transit improvement or service.

In those instances where a local transportation authority is required to approve a project and the Commission determines that it has no direct interest in that project, the Commission may decline to consider the project. Approval of the project then vests exclusively with the local transportation authority subject to the TDD making any revisions in the plans and specifications required by the local transportation authority and the TDD and the local transportation authority entering into a mutually satisfactory agreement regarding development and future maintenance of the project. After the local transportation authority approves the final construction plans and specifications, the TDD must obtain prior approval of the local transportation authority before modifying such plans or specifications.

II. FUNDING METHODS

Sales Tax

Any TDD may impose a sales tax in increments of one-eighth of one percent up to a maximum of one percent on all retail sales made in the TDD that are subject to taxation under Missouri law, with certain exceptions (including the sale of motor vehicles, trailers, boats and outboard motors). The sales tax must be approved by approval of a majority of the “qualified voters” within the TDD. The “qualified voters” are (1) the registered voters within the TDD, and (2) the property owners within the TDD (who shall receive one vote per acre). Any registered voter who also owns property must elect whether to vote as a registered voter or a property owner. Notwithstanding the foregoing, the owners of all of the property in the TDD may implement the sales tax by unanimous petition in lieu of holding an election. The sales tax rate must be uniform throughout the TDD.

The Department of Revenue collects TDD sales taxes.

Special Assessments

The TDD may also, with majority voter approval, make one or more special assessments for project improvements that specially benefit the properties within the TDD. A TDD may establish different classes or subclasses of real property within the TDD for the purpose of levying different rates of assessments.

Property Tax

The TDD may also, with approval by at least four-sevenths of the voters, impose a property tax in an amount not to exceed the annual rate of ten cents on the hundred dollars assessed valuation. The property tax must be uniform throughout the TDD.

Tolls

If approved by a majority of the qualified voters voting on the question in the TDD, the TDD may charge and collect tolls or fees for the use of a project.

Bonds

The TDD may issue bonds, notes and other obligations for not more than 40 years, and may secure any of such obligations by mortgage, pledge, assignment or deed of trust of any or all of the property and income of the TDD. The TDD cannot mortgage, pledge or give a deed of trust on any real property or interests that it obtained by eminent domain.

III. FORMATION

Creation of TDD

A TDD may be created by (1) petition of at least fifty registered voters within the proposed TDD, or (2) if there are no registered voters within the TDD, the owners of all of the real property located within the proposed TDD. In addition, two or more local transportation authorities may adopt resolutions calling for the joint establishment of a TDD and then file a petition requesting the creation of a TDD. With certain limited exceptions, the property in the TDD must be contiguous.

The petition is filed in the circuit court of the county in which a majority of the TDD is located. Among other information, the petition must set forth:

1. The name and address of each respondent, which must include the Commission and each affected local transportation authority within the proposed TDD.
2. A specific description of the proposed TDD boundaries including a map illustrating the boundaries.
3. A general description of each project proposed to be undertaken by the TDD, including a description of the approximate location of each project.
4. The estimated project costs and anticipated revenues to be collected from the project;
5. The number of members of the board of directors of the proposed TDD, which shall be not less than five or more than fifteen.
6. A proposal for funding the TDD.
7. Details of the budgeted expenditures, including estimated expenditures for physical improvements, land acquisition, professional services and interest charges.

Hearing

The court hears the case without a jury. If the court determines the petition is not legally defective and the proposed TDD and method of funding are neither illegal nor unconstitutional, the court shall enter its judgment to that effect.

If the petition was filed by registered voters or by a governing body, the court shall then certify the questions regarding TDD creation, project development and proposed funding for voter approval. If the petition was filed by the owners of record of all of the real property located within the proposed TDD, the court shall declare the TDD organized and certify the funding methods stated in the petition for qualified voter approval. If a petition is filed pursuant to the resolutions of two or more local transportation authorities calling for the joint establishment of a TDD, the court shall then certify the single question regarding TDD creation, project development and proposed funding for voter approval.

If the petition for the establishment of the TDD is filed by the owners of all real property in the proposed TDD, at least one public hearing must be held regarding the establishment of the TDD.

Election

If the court certifies the petition for voter approval, a majority vote is required to approve the formation of the TDD.

If (1) the petition was filed pursuant to the resolutions of two or more local transportation authorities calling for the joint establishment of a TDD and was certified for voter approval, (2) the TDD desires to impose a sales tax as the only proposed funding mechanism and (3) the proposition to create the TDD and authorize the sales tax has received majority voter approval, the circuit court shall declare the TDD organized and the sales tax to be in effect.

If the TDD desires to impose a funding mechanism other than a sales tax, the proposed funding mechanism requires separate voter approval at a subsequent election.

“*Qualified voters*” for TDD elections generally include (1) the registered voters within the TDD and (2) if no registered voters are present in the TDD and the TDD petition was submitted by the property owners or by resolution of two or more local transportation authorities, the property owners within the TDD (who shall receive one vote per acre). If a registered owner moves into a TDD that has already been created and which no registered voters previously resided in, the registered voter must elect whether to vote as a registered voter or a property owner.

Board of Directors

Since the TDD is a separate political subdivision, it has its own board of directors that serves as the governing body of the TDD.

Unless the TDD is formed at the request of two or more local transportation authorities, directors are elected by the qualified voters within the TDD (i.e., registered voters or property owners, as the case may be).

If two or more local transportation authorities requested formation of the TDD, the board of directors consists of (1) the presiding officer and one person designated by the governing body of each local transportation authority (if the TDD is comprised of two or three local transportation authorities), or (2) the presiding officer of each local transportation authority (if the TDD is comprised of four or more local transportation authorities).

Report of Formation

Each TDD must report to the state auditor the date it was organized and contact information for its current board of directors within thirty days after the first TDD board of directors meeting.

Each TDD formed after August 28, 2022 must provide the following information to the state auditor and the Department of Revenue: (1) a description of the boundaries, (2) the average assessment made against real property within the district, the rate of property tax levied or rate of sales tax levied, (3) any amendments made to the boundaries or the tax rates levied, and (4) the date on which the district is to be terminated. Until the governing body submits the information contained in (1) and (2) herein, there can be no collection of any property or sales tax revenues.

IV. MISCELLANEOUS

Condemnation

The TDD may condemn land for a project in the name of the state of Missouri, upon prior approval by the Commission, or the local transportation authority as appropriate, as to the necessity for the taking of the description of the parcel and the interest taken in that parcel.

Project Revisions

At any time during the existence of a TDD, the board may submit to the voters of the TDD a proposition to increase or decrease the number of projects that it is authorized to complete.

If the board proposes to discontinue a project, it must first obtain approval from the Commission if the proposed project is intended to be merged into the state highways and transportation system or approval from the local transportation authority if the proposed project is intended to be merged into a local transportation system under the local authority's jurisdiction.

The board may modify the project previously approved by the TDD voters, if the modification is approved by the Commission and, where appropriate, a local transportation authority.

Audit Required

The state auditor is required to audit each TDD at least once every three years, and may audit more frequently if the state auditor deems appropriate or if a petition for audit is submitted by the requisite percentage (most likely 25%, but potentially as low as 5% in TDDs with large populations of registered voters) of voters within the TDD under Section 29.230 of the Revised Statutes of Missouri. Most TDDs that have issued bonds are required by the bond underwriter to obtain an annual independent audit.

The actual costs of a petition audit performed by the state auditor shall be paid by the TDD. However, costs of an audit or a petition audit in excess of 3% of the gross revenues of the TDD shall be absorbed by the state auditor's office.

Annual Report to State Auditor

TDDs with cash receipts of more than \$10,000 per year are required to submit an annual report of its financial transactions to the state auditor, which is due (1) within four months of the end of the TDD's fiscal year if the report will contain unaudited financial statements or (2) within six months of the end of the TDD's fiscal year if the report will consist of financial statements audited by a certified public accountant. TDDs with cash receipts of less than \$10,000 per year are required to file annual reports, but with simplified reporting requirements. Any TDD that fails to timely file an annual report, and continues such failure after notification by the Department of Revenue, is subject to a fine of \$500 per day until the report is filed; however, a TDD with less than \$5,000 in gross revenues during the fiscal year for which the annual report is delinquent is not subject to the fine.

Projects, Transfer to Commission or Authority

Within six months after development and initial maintenance costs of its completed project have been paid, the TDD shall pursuant to contract transfer ownership and control of the project to the commission or a local transportation authority which shall be responsible for all future maintenance costs pursuant to contract. Such transfer may occur sooner with the consent of the recipient.

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COMMUNITY IMPROVEMENT DISTRICTS

I. INTRODUCTION

What is a Community Improvement District?

A community improvement district (“CID”) is either a political subdivision with the power to impose a sales tax, a special assessment or a real property tax, or a nonprofit corporation with the power to impose special assessments. The CID is created by a city or county following submission of a petition by the property owners within the proposed CID.

A CID is a separate legal entity distinct and apart from the municipality or county that creates the CID. In many respects, a CID is similar to a TDD, except that the CID can finance a much broader array of improvements and can also undertake various public services.

Effective August 28, 2021, the term of a newly created CID shall not exceed 27 years from the adoption of the ordinance establishing the CID, unless extended by the municipality that created it.

Authority

Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri (the “Community Improvement District Act”) authorize the creation of CIDs.

Kinds of Infrastructure Improvements

A variety of public improvements can be financed with a CID. Projects may include, but are not limited to:

1. Pedestrian or shopping malls and plazas.
2. Parks, lawns, trees and any other landscape.
3. Convention centers, arenas, aquariums, aviaries and meeting facilities.
4. Sidewalks, streets, alleys, bridges, ramps tunnels, overpasses and underpasses, traffic signs and signals, utilities, drainage, water, storm and sewer systems and other site improvements.
5. Parking lots, garages or other facilities.
6. Music, news and child-care facilities.
7. Any other useful, necessary or desired improvement.

In addition, within a “blighted area,” the CID may pay costs of demolishing, renovating and rehabilitating structures.

Public Services

A CID may provide a variety of public services, including but not limited to:

1. With the municipality's consent, prohibiting or restricting vehicular and pedestrian traffic and vendors on streets.
2. Operating or contracting for the provision of music, news, child-care or parking facilities, and buses, mini-buses or other modes of transportation.
3. Leasing space for sidewalk café tables and chairs.
4. Providing or contracting for the provision of security personnel, equipment or facilities for the protection of property and persons.
5. Providing or contracting for cleaning, maintenance and other services to public and private property.
6. Promoting tourism, recreational or cultural activities or special events.
7. Promoting business activity, development and retention.
8. Providing refuse collection and disposal services.
9. Contracting for or conducting economic, planning, marketing or other studies.

II. FORMATION PROCESS

Petition Requesting Formation

A CID is formed by petition of the property owners. The petition must be signed by:

1. Property owners collectively owning at least 50 percent of the assessed value of the real property within the proposed CID; and
2. More than 50 percent per capita of all owners of real property within the proposed CID.

The petition must include a wide variety of information, including:

1. A five-year plan describing the purposes of the proposed CID, the services it will provide, the improvements it will make, an estimate of costs of those services and improvements, the anticipated sources of funds to pay the costs, and the anticipated term of the sources of funds to pay the costs.
2. Organizational and governance information, including:
 - a. Whether the CID will be a political subdivision or a nonprofit corporation.
 - b. If a political subdivision, the manner in which the board of directors will be elected and the number of directors on the initial board.

3. The maximum rates of real property taxes and special assessments that may be imposed.
4. The limitations, if any, on the borrowing capacity and revenue generation of the CID.

Alternately, in Kansas City only, the city, rather than the property owners, may submit a petition for the establishment of the CID, provided that the CID's only funding source will be a real property tax.

Remaining Steps to Form the CID

After the petition is submitted, the governing body of the municipality will proceed with the following actions:

1. Hold a public hearing regarding the formation of the CID. Notice of the hearing must be published once a week for two consecutive weeks before the public hearing, and must be mailed at least 15 days prior to the public hearing. The notice must include, among other items, the following information: (a) date, time, and place of hearing; (b) boundaries of the CID, (c) statement that a copy of the petition is available for review at the clerk's office and (d) statement that all interested persons will be given an opportunity to be heard at the hearing. Notice of the hearing must also be provided to the Department of Revenue.
2. Establish the CID by order or ordinance.
3. For CIDs established after August 28, 2022, the governing body of the city or county must provide the following information to the state auditor and the Department of Revenue: (1) a description of boundaries, (2) the rate of property tax or sales tax to be levied within the CID, (3) any amendments made to the boundaries, and (4) the date on which the CID is to expire. The CID will not be able to collect any assessments or levy a property or sales tax until the information listed in (1) and (2) herein is submitted.

III. GOVERNANCE

Political Subdivision

The petition specifies whether directors will be elected by the "qualified voters" or appointed by the municipality. A "qualified voter" must either own real property within the CID or be a registered voter within the CID. During an election of the board, no person may cast more than one ballot. Appointments are made by the chief elected officer with the consent of the governing body.

The board shall consist of at least 5 but not more than 30 directors. Each director must (a) own real property or a business within the CID (or be the legally authorized representative of the owner) or (b) be a registered voter residing within the CID. If there are less than 5 owners of real property located within the CID, the board may be comprised of up to 5 legally authorized representatives of any of the owners of real property located within the CID.

Effective August 28, 2021, for CIDs in which there are no registered voters within the boundaries of the CID, at least one director must reside within the municipality, is registered to vote, has no financial interest in any real property or business operating within the CID, and is not a relative within the second consanguinity to an owner of real property or a business operating within the CID.

Further, effective August 28, 2021, if the board is to be elected, the petition must state that one member of the board shall be appointed by the governing body of the municipality for a four year term.

Nonprofit Corporation

The directors are elected in the same manner as directors of other nonprofit corporations, under chapter 355 of the Revised Statutes of Missouri.

IV. FUNDING OF IMPROVEMENTS

Special Assessments

Any CID, whether a political subdivision or nonprofit corporation, may impose special assessments, if approved by petition signed by:

1. Owners collectively owning real property representing more than 50 percent of the assessed value of real property within the CID; and
2. More than 50 percent per capita of the owners of all real property within the CID.

Real Property Taxes

A CID that is a political subdivision can impose a real property tax if approved by a majority of the “qualified voters.” A “qualified voter” is:

1. Registered voter residing within the CID; or
2. If there are no registered voters residing within the CID, the owners of real property within the CID.

Unlike transportation development districts, there is no limit on the amount of real property taxes that may be imposed by a CID.

Sales Tax

A CID that is a political subdivision can impose a sales tax if approved by a majority of the “qualified voters,” as defined above. The tax may be imposed in increments of one-eighth of one percent, up to a maximum of one percent.

Other Sources

1. Fees, rents and charges for CID property or services.
2. Grants, gifts and donations.

Bonds

The CID may issue bonds, notes, and other obligations for not more than 20 years, and may secure any of such obligations by mortgage, pledge, assignment, or deed of trust of any or all of the property of the CID.

V. MISCELLANEOUS

Construction Contracts

Effective August 28, 2021, all construction contracts entered into by the CID that has adopted a sales tax that are in excess of \$5,000 shall be competitively bid and awarded to the lowest and best bidder.

Annual Budget

The CID must annually (between 180 and 90 days prior to its fiscal year end) submit a proposed budget to the governing body of the municipality that created the CID, in response to which the municipality may provide non-binding recommendations. The CID must then hold an annual meeting and adopt the budget prior to the first day of a fiscal year. This budget must also be provided to the Department of Revenue and the state auditor.

Annual Report to the Municipal Clerk and Missouri Department of Economic Development

Within 120 days after the end of each fiscal year, an annual report stating the services provided by the CID, the revenues and expenditures, copies of the resolutions passed by the board of directors, and effective August 28, 2021, state the dates the CID adopted its annual budget, submitted its proposed annual budget to the municipality and submitted its annual report to the municipal clerk must be submitted to the municipal clerk and the Missouri Department of Economic Development, the Department of Revenue and the state auditor.

Audit

A CID may be audited by the state auditor in the same manner as an agency of the State of Missouri.

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SPECIAL BUSINESS DISTRICTS

I. INTRODUCTION

What is a Special Business District?

A special business district (“SBD”) is a political subdivision with the power to impose a real property tax, a business license tax and special assessments, depending upon the size of the City in which the SBD is created. The funding sources can be spent on certain public improvements and services listed in the statute. The SBD is created by a city following submission of a petition by property owners that pay real property taxes within the proposed district.

An SBD is a separate legal entity distinct and apart from the city that creates the district. In cities with 350,000 or more people, the SBD board consists of seven members appointed by the City and serves as the governing body of the SBD, but in all other cities the governing body of the city also serves as the governing body of the SBD and the SBD board is only a recommending body. Therefore, in all cities except those with 350,000 or more people, the city governing body needs to operate the SBD as a separate political subdivision of the city and not as another board or commission of the city.

Authority

Sections 71.790 to 71.808 of the Revised Statutes of Missouri govern special business districts.

Kinds of Infrastructure Improvements

Specific types of public improvements can be financed with an SBD:

1. Widen or narrow existing streets and alleys.
2. Construct or install pedestrian or shopping malls, plazas, sidewalks or moving sidewalks, parks, meeting and display facilities, convention centers, arenas, bus stop shelters, lighting, benches or other seating furniture, sculptures, telephone booths, traffic signs, fire hydrants, kiosks, trash receptacles, marquees, awnings, canopies, walls and barriers, paintings, murals, alleys, shelters, display cases, fountains, rest rooms, information booths, aquariums, aviaries, tunnels and ramps, pedestrian and vehicular overpasses and underpasses, and each and every other useful or necessary or desired improvement.
3. Landscape and plant trees, bushes and shrubbery, flowers and each and every and other kind of decorative planting.
4. Install and operate or lease public music and news facilities.
5. Construct and operate child-care facilities.
6. Construct lakes, dams, and waterways of whatever size.
7. Construct, reconstruct, extend, maintain, or repair parking lots or parking garages, both above and below ground, or other facilities for the parking of vehicles, including the power to install such facilities in public areas, whether such areas are owned in fee or by easement.

Public Services

An SBD may provide a variety of public services, including:

1. Purchase and operate buses, minibuses, mobile benches, and other modes of transportation.
2. Lease space within the district for sidewalk cafe tables and chairs.
3. Provide special police or cleaning facilities and personnel for the protection and enjoyment of the property owners and the general public using the facilities of such business district.
4. Maintain all city-owned streets, alleys, malls, bridges, ramps, tunnels, lawns, trees and decorative plantings of each and every nature, and every structure or object of any nature whatsoever constructed or operated by the city.
5. Grant permits for newsstands, sidewalk cafes, and each and every other useful or necessary or desired private usage of public or private property.
6. Prohibit or restrict vehicular traffic on such streets within the business district as the governing body may deem necessary and to provide the means for access by emergency vehicles to or in such areas.
7. Promote business activity in the district by, but not limited to, advertising, decoration of any public place in the area, promotion of public events which are to take place on or in public places, furnishing of music in any public place, and the general promotion of trade activities in the district.
8. With the city's consent, prohibiting or restricting vehicular and pedestrian traffic and vendors on streets.

Additional Powers for Large Cities

In any city with a population of 350,000 or more, an SBD has the following additional powers:

1. Cooperate with other public agencies and with any industry or business located within the district in the implementation of any project within the district.
2. Enter into any agreement with any other public agency, any person, firm, or corporation to effect any of the provisions contained in the SBD statutes.
3. Contract and be contracted with, and to sue and be sued.
4. Accept gifts, grants, loans, or contributions from the city in which the district is located, the United States of America, the state of Missouri, political subdivisions, foundations, other public or private agencies, individuals, partnerships, or corporations.

5. Employ such managerial, engineering, legal, technical, clerical, accounting, and other assistance as it may deem advisable. The district may also contract with independent contractors for any such assistance.

II. FORMATION PROCESS

Petition Requesting Formation and Resolution of Intent

The process to form an SBD starts with a petition. The petition must be signed by one or more owners of real property on which is paid the ad valorem real property taxes within the proposed district. The statute does not specify the required contents of the petition, but it's reasonable to assume the petition should include, at a minimum, the boundaries of the proposed district, the proposed funding methods, and the proposed uses of the funds. Once a petition is filed, the governing body may adopt a "resolution of intent" to form the SBD, which must contain the following:

1. Description of the boundaries of the proposed area.
2. The time and place of a hearing to be held by the governing body considering establishment of the district.
3. The proposed uses to which the additional revenue shall be put and the initial tax rate to be levied.

Survey and Investigation

Prior to adopting an ordinance which approves an SBD, the city must conduct a survey and investigation for the purposes of determining:

1. The nature of and suitable location for business district improvements.
2. The approximate cost of acquiring and improving the land therefor.
3. The area to be included in the business district or districts.
4. The need for and cost of special services, and cooperative promotion activities.
5. The percentage of the cost of acquisition, special services, and improvements in the business district which are to be assessed against the property within the business district and that part of the cost, if any, to be paid by public funds.

The cost of the survey and investigation must be included as a part of the cost of establishing the business district. A written report of this survey and investigation must be filed in the office of the city clerk and must be available for public inspection.

Public Hearing

The governing body of the city must hold a public hearing prior to approval of the SBD by ordinance. The hearing must be preceded by two publication notices between 10 and 15 days before the hearing and mailed notice to all property owners and licensed businesses within the proposed district.

Ordinance to Approve District

If the city adopts an ordinance to approve the SBD, the ordinance must contain:

1. The number, date and time of the resolution of intention pursuant to which it was adopted;
2. The time and place the hearing was held concerning the formation of the area;
3. The description of the boundaries of the district;
4. A statement that the property in the area established by the ordinance shall be subject to the provisions of additional tax as provided in the petition;
5. The initial rate of levy to be imposed upon the property lying within the boundaries of the district;
6. A statement that an SBD has been established;
7. The uses to which the additional revenue shall be put;
8. In any city with a population of less than three hundred fifty thousand, the creation of an advisory board or commission and enumeration of its duties and responsibilities; and
9. In any city with a population of three hundred fifty thousand or more, provisions for a 7-member board of commissioners to administer the SBD.

III. GOVERNANCE

The district is a separate political subdivision of the state. In cities with less than 350,000 population, the governing body of the city serves as the governing body of the SBD. Care should be taken to hold separate meetings of the SBD board rather than incorporating SBD legislative actions into legislative actions of the governing body of the city. In cities with less than 350,000 population, the SBD board serves as an advisory capacity to the SBD governing body.

In cities with a population of 350,000 or more, the SBD board appointed by the city serves as the governing body of the SBD. The members must be appointed by the mayor with the advice and consent of the governing body of the city. Five members must be owners of real property within the district or their representatives and two members must be renters of real property within the district or their representatives.

IV. FUNDING OF IMPROVEMENTS

Real Property Taxes

An SBD may impose a real property tax that does not exceed 85¢ per \$100 of assessed valuation. In St. Louis only, the real estate tax imposed by an SBD may be imposed and collected even though the property is subject to tax abatement pursuant to a redevelopment plan adopted under Chapter 353 of the Revised Statutes of Missouri.

Business License Tax

An SBD may impose a tax on businesses and individuals doing business within the SBD. The rate of the SBD business license tax cannot exceed 50% of the other business license taxes imposed within the district.

Special Assessments

Any SBD in a city with a population of 350,000 or more and located in more than one county may also impose special assessments at the following maximum rates:

1. Not more than 5¢ per square foot on each square foot of land.
2. Not more than ½¢ per square foot on each square foot of improvements on land.
3. Not more than \$12 per abutting foot of the lots, tracts and parcels of land within the district abutting on public streets, roads and highways.

Elections

The taxes and assessments described above are subject to voter approval. Residents of the SBD and owners of property within the SBD are “qualified voters” for property tax and special assessment elections. Holders of business licenses within the SBD are “qualified voters” for business license tax elections. When an election is held, the qualified voters must apply to the City Clerk for a ballot. The City Clerk will then mail a ballot to each qualified voter that applies for a ballot. Ballots must then be returned to the City Clerk’s office with an affidavit attesting that the voter is a qualified voter. The City Clerk will then arrange for election judges from the county election authority to count the ballots and certify the election.

Bonds

An SBD is authorized by statute to issue general obligation bonds or notes for a maximum of 20 years and in a maximum amount of 10% of the total assessed value of all land within the district. The SBD is also authorized to issue revenue bonds and refunding revenue bonds to pay the cost of acquiring, constructing, improving, or extending any revenue-producing facilities, and such bonds are payable solely from the operation of such revenue-producing facility. However, there are some concerns regarding the constitutionality of the statutorily prescribed election procedures for SBDs, particularly elections for the approval of general obligation bonds. Accordingly, if bonds are being considered as a funding mechanism, a Community Improvement District is a better economic development tool because it can achieve many of

the same goals as an SBD, but does not have constitutional concerns that might impact the marketability of any bonds.

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NEIGHBORHOOD IMPROVEMENT DISTRICTS

I. INTRODUCTION

What is a Neighborhood Improvement District?

A neighborhood improvement district (“NID”) is an area benefited by a public improvement and assessed to pay for that improvement. It is created by an election held or petition circulated within the proposed district. A NID may be created by a city or a county, but it is not a separate legal entity from such city or county.

Authority

Article III, Section 38(c) of the Missouri Constitution and Sections 67.453 to 67.475 of the Revised Statutes of Missouri (the “Neighborhood Improvement District Act”) authorize the creation of NIDs by cities or counties.

Kinds of Projects

Only **public** facilities, improvements or reimprovements can be financed with a NID. The improvement must confer a benefit on property within the district, but the improvement is not required to be located in the district. Projects may include, but are not limited to:

1. Acquisition of property.
2. Improvement of streets, gutters, curbs, sidewalks, crosswalks, driveway entrances and structures, drainage works incidental thereto and service connections from sewer, water, gas and other utility mains, conduits or pipes.
3. Improvement of storm and sanitary sewer systems.
4. Improvement of street lights and street lighting systems.
5. Improvement of waterworks systems.
6. Improvement of parks, playgrounds and recreational systems.
7. Landscaping for streets or other public facilities.
8. Improvement of flood control works.
9. Improvement of pedestrian and vehicle bridges, overpasses and tunnels.
10. Improvement of retaining walls and area walls on public ways.
11. Improvement of property for off-street parking.
12. Acquisition and improvement of other public facilities or improvements.

13. Improvements for public safety.

II. FORMATION PROCESS

A NID may be created either by election or by petition of property owners.

By Election

A neighborhood improvement district must be approved by the percentage of electors within the proposed district voting thereon required for general obligation bonds (four-sevenths at an election held on general municipal election day or any primary or general election, and two thirds at all other elections). The resolution or ordinance calling the election and notice of election must include the following information:

1. Project name.
2. General nature of proposed improvement.
3. Estimated cost. *The estimated cost should include all costs, including financing costs. It does not include interest on the general obligation bonds.*
4. Boundaries of proposed district. *The boundaries of the area to be assessed may be described by metes and bounds, streets or other sufficiently specific description.*
5. Proposed method of assessment, including any provision for the annual assessment of maintenance costs for the improvement in each year in each year during the term of the bonds issued for the improvement and after the bonds issued for the original improvement are paid in full. *The cost of the improvements must be apportioned against the **property** in the district in accordance with the benefits accruing to the property by reason of the improvement and may be assessed equally per front foot, per square foot or any other reasonable assessment plan.*
6. Statement that final cost will not exceed the estimated cost by more than twenty-five percent (notice of election only).

By Petition

The petition signed by the owners of record of at least two-thirds by area of all real property located within the proposed district is submitted to the governing body of the city or county. The State Auditor requires a certification of the acreage or square footage in the district and the acreage or square footage owned by the signers of the petition. The petition must include the following information:

1. Project name.
2. General nature of proposed improvement.
3. Estimated cost.
4. Boundaries of proposed district.

5. Proposed method of assessment, including a provision for the annual assessment of maintenance costs for the improvement in each year during the term of the bonds issued for the improvement and after the bonds issued for the original improvement are paid in full.
6. Number of years over which the assessments for the improvement can be paid.
7. Notice that names of signers may not be withdrawn later than seven days after petition filed.

The petition must be signed by all owners of record of a parcel of property for that parcel to be counted. Each owner of record of real property located in the proposed district is allowed one signature. Any person, corporation, or limited liability partnership owning more than one parcel of land located in such proposed district shall be allowed only one signature on the petition. In the case of property owned by a corporation or partnership, evidence of the authority of the person signing on behalf of such entity should be presented with the petition. An affidavit of the person or persons circulating the petition should also be submitted with the petition.

Remaining Steps to Form the District

After the election is held or petition is submitted, the governing body will proceed with the following actions:

1. Order preparation of plans and specifications.
2. Prepare a preliminary assessment roll.
3. Hold a public hearing regarding the proposed project. Notice of the hearing must be published not more than 20 days and not less than 10 days before the hearing, and must include the following information: (a) project name; (b) date, time and place of hearing. (c) general nature of improvements; (d) revised estimated cost (or, if available, final cost); (e) boundaries of district; and (f) statement that written and oral objections will be considered at the hearing. Notice must also be mailed to owners of record or property within district and shall also be sent to the Department of Revenue.
4. Order improvements to be made.
5. Issue temporary notes, if needed.
6. Construct the project.
7. Compute final costs and assessments.
8. Submit the following information to the state auditor and the Department of Revenue: (1) a description of boundaries and (2) the average assessment made against the real property within the district.
9. Assess final costs.
10. Mail notice of assessments and provide property owners the opportunity to pay up front.

Recording Requirement

Any municipality that creates a NID must file certain information with the county recorder of deeds prior to levying special assessments or enforcing liens arising from special assessments. This information includes:

1. The names of the property owners within NID at the time of recording.
2. The name of the governing body of the city or county establishing the NID and the title of any official or agency responsible for collecting or enforcing any special assessments.
3. The legal description of the NID boundaries.
4. The identifying number of the resolution or ordinance creating the NID.

III. FINANCING OF IMPROVEMENTS

Bonds issued in connection with NID projects are a form of general obligation bonds. The bonds are payable as to both principal and interest from the assessments and, if not so paid, from current income and revenue and revenues and surplus funds of the city or county that formed the district. The city or county is not authorized to impose any new or increased ad valorem property tax to pay principal of or interest on the bonds without voter approval from the entire city or county. If the city or county uses funds on hand to pay debt service, the issuer can reimburse itself from assessments at a later date.

The bonds are general obligation bonds, and count against the issuer's legal debt limit at the time that the governing body has found the formation of the district advisable. Until bonds are actually issued, 125% of the project cost is counted against the debt limit. NID bonds can only be issued in an amount of up to 10% of the assessed valuation of the issuer. The maturity of the bonds is limited to 20 years.

For NIDs established after August 28, 2022, the governing body shall not order any assessment made on any real property within NID until the governing body submits the description of boundaries and the average assessment to be made.

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PROPERTY TAX ABATEMENT UNDER CHAPTER 353, RSMO.

I. INTRODUCTION

Under Chapter 353 of the Revised Statutes of Missouri, real property tax abatement is available within “blighted areas.” An Urban Redevelopment Corporation is created under the general corporations laws of Missouri and, once created, it has the power to operate one or more redevelopment projects pursuant to a city-approved or county-approved (if St. Louis County or Jackson County) redevelopment plan.

Under this program, an eligible city or county may approve a redevelopment plan that provides for tax abatement for up to 25 years, thus encouraging the redevelopment of the blighted area. To be eligible for the abatement, the Urban Redevelopment Corporation must take title to the property to be redeveloped. During the first 10 years of tax abatement, (1) 100% of the incremental increase in real property taxes on the land are abated, (2) 100% of the real property taxes on all improvements are abated, and (3) the property owner continues to pay real property taxes on the land in the amount of such taxes on such land (without considerable improvements) in the year before the Urban Redevelopment Corporation takes title.

During the next 15 years, between 50% and 100% of the real property taxes on all land and all improvements are abated. Payments in lieu of taxes (“PILOTS”) may be imposed on the Urban Redevelopment Corporation by contract with the city or county, as applicable, to achieve an effective tax abatement that is less than the abatement established by statute. PILOTS are paid on an annual basis to replace all or part of the real estate taxes that are abated. PILOTS will be allocated to each taxing district according to their proportionate share of ad valorem property taxes. The Urban Redevelopment Corporation may take title to lots, tracts or parcels of property within the redevelopment area in phases, in order to maximize the tax abatement during a phased redevelopment project.

Effective August 28, 2018, ambulance, fire protection districts and counties imposing a property tax for the purpose of operating a 911 center providing emergency or dispatch services can annually set a reimbursement rate between 50% and 100% of the amount of their entities’ ad valorem real property tax revenues they would have received in the absence of tax abatement prior to the time the assessment is determined. If a plan is amended, these entities have the right to recalculate their reimbursement.

II. PROCEDURES FOR APPROVING TAX ABATEMENT

The following is a summary of the basic steps for the approval of a development plan:

Preparation of Tax Impact Statement

The statute requires the governing body to hold a public hearing regarding any proposed development plan. Before the public hearing, the governing body must furnish to the political subdivisions whose boundaries include any portion of the property to be affected by tax abatement (1) notice of the scheduled public hearing and (2) a written statement of the impact on ad valorem taxes such tax abatement will have on the political subdivisions.

The tax impact statement must include, at a minimum, an estimate of the amount of ad valorem tax revenues of each political subdivision that will be affected by the proposed tax abatement.

Preparation of Development Plan

The proposed developer usually will assume responsibility for preparation of the development plan. This document identifies the proposed redevelopment area, the redevelopment projects to be undertaken, the program to be carried out to remove the blighting influences within the area, and the estimated project costs. The plan will include or incorporate by reference the characteristics that qualify the area as “blighted” under Missouri law.

Chapter 353 defines a blighted area as “that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate or outmoded design or physical deterioration have become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.”

Public Hearing

Before approving a development plan, the governing body of the city or county must hold a public hearing. The governing body must adopt an ordinance establishing the procedures for giving notice of the public hearing. Notice of the hearing must be given to each affected taxing district affected by the development plan.

Preparation of Redevelopment Agreement

The Redevelopment Agreement describes the Urban Redevelopment Corporation’s obligations to carry out the development plan. Among the provisions that typically are included in the Redevelopment Agreement are (1) procedures for acquiring property, including prerequisites to the use of condemnation; (2) the period for which tax abatement will be provided; (3) the time period within which the redevelopment corporation can carry out the project; and (4) procedures for the corporation to transfer title to property in the area.

Under Missouri’s condemnation laws, (1) an Urban Redevelopment Corporation cannot acquire property through condemnation, unless the corporation entered into a redevelopment agreement before December 31, 2006, (2) farmland that is declared blighted cannot be acquired by eminent domain and (3) blight must be evaluated on a parcel-by-parcel basis, if any property in the redevelopment area will be acquired through (or under the threat of) condemnation.

Adoption of Ordinance by Governing Body

Following the public hearing, the governing body can approve a development plan and Redevelopment Agreement by adoption of an ordinance. Among other matters, the ordinance must make findings that the area described in the development plan is “blighted” under Missouri law, that a relocation plan has been developed for displaced persons, and that the Redevelopment Agreement establishes the time within which property in the area must be acquired.

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PROPERTY TAX ABATEMENT UNDER CHAPTER 100, RSMO.

I. INTRODUCTION

General

Cities, counties, towns and villages in Missouri are authorized, pursuant to Article VI, Section 27(b) of the Missouri Constitution and Sections 100.010 to 100.200 of the Revised Statutes of Missouri (the “Act”) to issue revenue bonds to finance projects for private corporations, partnerships and individuals. There are two primary reasons to issue revenue bonds under the Act. First, if the bonds are tax-exempt, it may be possible to issue the bonds at lower interest rates than those obtained through conventional financing. Second, even if the bonds are not tax-exempt, ad valorem taxes on bond-financed property may be abated so long as the bonds are outstanding. Such tax abatement may result in a significant financial benefit to a company. *This memo focuses primarily on the issuance of taxable industrial development bonds issued for the purposes of the abatement of ad valorem taxes.*

Types of Projects

The Act permits any city, county, town or village (referred to herein as a “Municipality”) to issue bonds to finance the costs of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, services facilities which provide interstate commerce and industrial plants. Article VI, Section 27(b) of the Missouri Constitution also authorizes such bonds to be issued for other types of commercial facilities. In connection with such projects, the bond proceeds may be used to finance land, buildings, fixtures and machinery.

Revenue Bonds

Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from the project. The Municipality applies the proceeds from the sale of the bonds to purchase, construct, improve or equip an eligible project. In exchange, the company promises to make payments that are sufficient to pay the principal and interest on the bonds as they become due. Thus, the Municipality merely acts as a conduit for the financing.

II. TAXATION OF BOND-FINANCED PROPERTY

Property Tax Exemption

Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Missouri Revised Statutes, all property of any political subdivision is exempt from taxation. In a typical revenue bond transaction, the Municipality holds fee title to the project and leases the project to the company benefitting from the tax abatement. Although the Missouri Supreme Court has held that the leasehold interest is taxable, it is taxable only to the extent that the economic value of the lease is less than the actual market value of the lease. See *Iron County v. State Tax Commission*, 437 S.W.2d 665 (Mo. 1968)(*en banc*) and *St. Louis County v. State Tax Commission*, 406 S.W.2d 644 (Mo. 1966)(*en banc*). If the rental payments under the lease agreement equal the actual debt service payments on the bonds, the leasehold interest should have no “bonus value” and the bond-financed property should be exempt from ad valorem taxation and personal property taxation so long as the bonds are outstanding. Bonds may be issued to finance real property, personal property, or both.

The Municipality and the company may determine that partial tax abatement – but not full tax abatement – is desirable. If partial tax abatement is offered, the Municipality and the company will enter into an agreement for the company to make payments in lieu of taxes equal to the difference between the abatement amount and the taxes otherwise due. The amount of payments in lieu of taxes is negotiable to any amount. The payments in lieu of taxes are payable by December 31 of each year, and are distributed to the Municipality and to each political subdivision in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law.

Effective August 28, 2018, ambulance, fire protection districts and counties imposing a property tax for the purpose of operating a 911 center providing emergency or dispatch services can annually set a reimbursement rate between 50% and 100% of the amount of their entities' ad valorem real property tax revenues they would have received in the absence of tax abatement prior to the time the assessment is determined. If a plan is amended, these entities have the right to recalculate their reimbursement.

Sales Tax Exemption

Under Section 144.054.3 of the Missouri Revised Statutes, a company may apply to the Missouri Department of Economic Development (“Department of Economic Development”) to receive a sales tax exemption on all personal property purchased through a revenue bond transaction. According to the Department of Economic Development, to receive this exemption, the personal property must qualify as a “project” under the Act, which includes: (1) warehouses, (2) distribution facilities, (3) research and development facilities, (4) office industries, (5) agricultural processing industries, (6) service facilities that provide interstate commerce, and (7) industrial plants, including the associated real estate, building, fixtures, and machinery. Additionally, the personal property that is classified as machinery and used directly in a manufacturing process is entitled to a sales tax exemption without prior approval from the Department of Economic Development.

The municipality may also furnish the company with a sales tax exemption certificate, so that materials used in constructing any real property improvements can be exempt from sales taxes.

III. STRUCTURE OF THE TRANSACTION

Issuance and Sale of Bonds

The Municipality issues its bonds pursuant to a trust indenture entered into between the Municipality and a bank or trust company acting as trustee. Revenue bonds, like issues of conventional corporate securities, are sold by two basic methods – public offerings or private placements. If the company has access to the regional or national securities markets, it may retain an investment banker as underwriter and sell the bonds publicly. The size and financial condition of the company are the primary factors that determine the company's ability to utilize a public offering. As an alternative to a public offering, the company may wish to place the bonds with a sophisticated purchaser. A private placement is very similar to a long-term bank loan. If bonds are being issued at a taxable interest rate for the sole purpose of receiving tax abatement, it is common for the company or the company's commercial lender to purchase the bonds. The bond proceeds are deposited with the trustee bank in a separate trust account to be used to purchase and construct the project.

Conveyance of Property to Municipality and Lease-Back to Company

Concurrently with the closing of the bonds, the company will convey to the Municipality title to the site on which the industrial development project will be located. The Municipality must be the legal owner of the property while the bonds are outstanding in order for the property to be eligible for tax abatement. At the same time, the Municipality will lease the project site, together with all improvements thereon (including the project), back to the Company pursuant to a lease agreement. The lease agreement will require the company acting on behalf of the Municipality, to use the proceeds of the bonds to purchase and construct the project. The company will be unconditionally obligated to make payments to the trustee in amounts that will be sufficient to pay principal and interest on the bonds as they become due.

Under the lease agreement, the company typically: (a) unconditionally agrees to make payments sufficient to pay the principal of and interest on the bonds as they become due; (b) agrees, at its own expense, to maintain the project, pay all taxes and assessments with respect to the project and maintain adequate insurance; (c) has the right, at its own expense, to make certain additions, modifications or improvements to the project; (d) may assign its interests under the agreement or sublease the project while remaining responsible for payments under the agreement; (e) covenants to maintain its corporate existence during the term of the bond issue; and (f) agrees to indemnify the Municipality for any liability the Municipality might incur as a result of its participation in the transaction.

Payments in Lieu of Taxes

If the Municipality and the company determine that partial tax abatement is desirable, the Municipality and the company will enter into an agreement providing for the company to make “payments in lieu of taxes” to the Municipality and other taxing entities. The amount of payments in lieu of taxes is negotiable.

IV. PROCEDURE FOR ISSUING BONDS

The following is a summary of the basic steps required for the issuance of taxable bonds under the Act for the purpose of providing tax abatement:

Approval of the Project

Upon a determination by the Municipality to proceed with the financing, the Municipality normally adopts a resolution (referred to as a “resolution of intent” or “inducement resolution”) stating the Municipality’s willingness and intent to issue bonds for the project. Thereafter, the Municipality must provide notice to each taxing district of the Municipality’s intent to approve a “plan for industrial development” for the project. The plan must identify the primary terms of the proposed transaction, and must include a cost-benefit analysis that shows the impact of the proposed tax abatement on each taxing district.

Preparation of Legal Documents

Gilmore & Bell prepares the basic legal documents necessary for the bond issue, as described in “Structure of the Transaction” above. These documents will be reviewed by and supplemented with information and comments received from the parties to the financing, including the Municipality, the company, the trustee bank, any bank or any investment banker that may be involved and their respective counsel.

Approval of Documents and Issuance of Bonds

After an investment banker or other purchaser (which may be the company) has agreed to purchase the bonds, the final details of the bond issue are determined and the basic documents will be finalized. The Municipality and the company will each adopt resolutions approving the legal documents and authorizing the issuance of the bonds at the specified interest rates and terms.

Preparation of Closing Documents

In addition to the basic legal documents discussed above, numerous other “closing documents” are necessary for the closing of a bond issue. Such documents include certificates relating to the existence of authority to execute and deliver documents and the absence of material litigation, corporate resolutions, opinions of counsel and evidence of payment for and receipt of the bonds. Gilmore & Bell will assist in the preparation and collection of the necessary closing documents.

Closing

The last step in the transaction is the closing itself, at which the Municipality delivers the bonds to the purchaser in exchange for payment of the purchase price of the bonds. The bond proceeds are paid over to the trustee bank, to be disbursed in accordance with the provisions of the trust indenture to pay the costs of the project. At the closing, Gilmore & Bell will deliver to the bond purchasers its opinion to the effect that the bonds have been validly issued under applicable state law and, if applicable, that the interest on the bonds is exempt from state and federal income taxation.

V. ADVANTAGES OF REVENUE BOND FINANCING

From the Municipality’s standpoint, industrial development revenue bond financing is a useful tool to induce responsible new industries to locate in the area, as well as encouraging companies already in the area to remain, by assisting them in improving their present facilities or in building new ones. The end result is often a combination of increased job opportunities, existing job retention and large-scale capital investment.

From the company’s standpoint, the principal advantage of industrial development revenue bond financing depends on the purpose for which the bonds are being issued. The company can receive significant financial incentives in the form of property and/or sales tax abatement on the bond-financed property. Additionally, if the bonds are tax-exempt, the cost of funds provided by revenue bonds generally is significantly below that of other alternatives because the interest paid to holders of such bonds is exempt from federal and state income taxation.

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LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY

I. PURPOSE

A Land Clearance for Redevelopment Authority (an “Authority”) may be created to assist counties and municipalities to redevelop blighted or insanitary areas for residential, recreational, commercial, industrial or for public uses. The LCRA Law (§§ 99.300 to 99.715, RSMo.) is premised upon the concept that the menace of blight is beyond remedy and control solely by regulatory process in the exercise of the police power and cannot be dealt with effectively by the ordinary operations of private enterprise without the aids provided in the LCRA Law. The LCRA Act is intended to be a broad grant of authority by which a municipality, to the greatest extent it determines to be feasible in carrying out the provisions of the LCRA Act, is afforded maximum opportunity, consistent with the sound needs of the municipality as a whole, to the rehabilitation or redevelopment or renewal of areas by private enterprise.

II. CREATION

Before an Authority may operate in a city or county, the governing body of the city or county must (1) find that one or more “blighted” or “insanitary” areas (each defined in the statute) exist in such community and that the redevelopment of such area or areas is necessary in the interest of the public health, safety, morals or welfare of the residents of such community and (2) approve the conduct of business by the Authority by ordinance or resolution. Although any municipality or county can authorize the operation of an LCRA, any municipality that contains less than 75,000 inhabitants is required to obtain majority voter approval to allow the Authority to operate. Regional authorities may also be created where two or more cities or counties cooperate to do so.

III. GOVERNANCE

An Authority is governed by a board of five commissioners appointed by the mayor for a municipal authority or county commission for a county authority. Commissioners must be taxpayers who have resided in the city or county forming the Authority for at least 5 years. In a regional Authority, each city or county appoints one commissioner. If there are an even number of communities represented in a regional Authority, those commissioners appoint one additional commissioner.

IV. POWERS

The LCRA Law provides for the financing of any land clearance or urban renewal project. The powers of an LCRA are exercised by its 5-member Board of Commissioners who must each be a taxpayer that has lived in the community for at least five years. The city must appoint Commission members to create staggered four-year terms.

An LCRA possesses a powers that related to blight clearance and redevelopment, including:

1. Prepare or cause to be prepared and recommend redevelopment plans and urban renewal plans to the governing body of the community within its area of operation and undertake and carry out land clearance projects and urban renewal projects within its area of operation.

2. Arrange or contract for the furnishing or repair, by any person or agency, public or private, of services, privileges, works, streets, roads, public utilities or other facilities for or in connection with a land clearance project or urban renewal project.
3. Purchase, lease, obtain options upon, acquire by gift, grant, bequest, devise, eminent domain or otherwise, any real or personal property or any interest therein.
4. To make plans to carry out a program of voluntary repair and rehabilitation of buildings and improvements, plans for the enforcement of state and local laws, codes, and regulations relating to the use of land and the use and occupancy of buildings and improvements.
5. To make plans to carry out a program of compulsory repair, rehabilitation, demolition, or removal of buildings and improvements.
6. Issue bonds for any of its corporate purposes including the payment of principal and interest upon any advances for surveys and plans for land clearance projects.
7. Make or have made all surveys, studies and plans, but not including the preparation of a general plan for the community, necessary to the carrying out of the purposes of this law.

An LCRA may delegate to a municipality or other public body any of the powers or functions of the authority with respect to the planning or undertaking of a land clearance project or urban renewal project in the area in which the municipality or public body is authorized to act, and the municipality or public body is authorized to carry out or perform such powers or functions for the LCRA.

A “land clearance project” includes any work or undertaking to acquire blighted or insanitary areas or portions thereof; clearing any such areas by demolition or removal of structures and improvements thereon and to install, construct or reconstruct streets, utilities, and site improvements essential to the preparation of sites for uses in accordance with a redevelopment plan; retain, sell or lease the land; and develop, construct, repair or improve residences, houses, buildings, structures and other facilities.

An “urban renewal project” includes any surveys, plans, undertakings and activities for the elimination and for the prevention of the spread or development of insanitary, blighted, deteriorated or deteriorating areas and may involve any work or undertaking for such purpose constituting a land clearance project or any rehabilitation or conservation work, or any combination of such undertaking or work in accordance with an urban renewal project.

“Rehabilitation or conservation work” is also defined in the statute and may include such things as carrying out plans for rehabilitation of buildings and other improvements, acquiring real property and demolition and clearing of such property to accomplish certain enumerated purposes; developing buildings and other structures; installing improvements necessary for carrying out the urban renewal project; and the disposition of the urban renewal project and related land.

V. FUNDING MECHANISMS

Generally

An Authority may issue bonds and may secure any of such obligations by mortgage, pledge, assignment or deed of trust of any or all of the property and income of the Authority, respectively. Bond issues of the Authority in excess of \$10,000,000 must be sold at public sale. The Authority may pledge all or any part of its gross or net rents, fees or revenues from land clearance projects to secure the repayment of bonds.

Any property held by the Authority in fee simple is subject to property tax abatement. A developer could enter into a financing arrangement similar to Chapter 100 where the developer receives the benefit of the abatement during the period any bonds remain outstanding. An Authority may acquire real property and lease the property to a redeveloper, who would then use the property and not pay *ad valorem* property taxes.

Property Tax Abatement in Constitutional Charter Cities

Sections 99.700 through 99.715, RSMo, provides a 10-year tax abatement process that is available in constitutional charter cities. The abatement covers 100% of the increased value of the property after abatement, as compared to the certified value before the abatement commenced. The property owner continues to annually pay taxes during this ten-year period based on the value of the property before redevelopment started.

A property owner submits plans to the LCRA which show that the applicant is engaged in new construction or rehabilitation pursuant to an approved redevelopment plan or urban renewal plan. § 99.700. The LCRA reviews the plans for construction/rehabilitation and issues a "certificate of qualification for tax abatement" to the applicant. § 99.700. The applicant notifies the county assessor of the qualification for tax abatement. § 99.705. The LCRA must issue a copy of the plans to the assessor. § 99.705. Then, the County assessor shall "issue a statement as to the current assessed valuation of the then existing real property covered by the plans."

The phrase "current assessed valuation" means the valuation of the property before new construction or rehabilitation begins, regardless of whether the new construction or rehabilitation is partially or totally complete at the time that the assessor receives the notice of qualification for abatement from the property owner. *20th & Main Redev. Partnership v. Kelley*, 774 S.W.2d 139 (Mo. 1989). This is the proper interpretation of the phrase "current assessed valuation" because the statute is to be construed liberally to effectuate the purpose of tax abatement. *Id.* The property is not to be assessed based on partially complete or completed rehabilitation at the time the assessor receives notice. *Id.*

The *Kelley* opinion notes that it would be a good practice to file a certificate for tax abatement prior to the start of new construction or rehabilitation, but failure to do so should not ruin the intended effect of the statute. The county must look back to the last valuation before new construction or rehabilitation started. In the *Kelley* case, the developer applied for tax abatement after an assessment date on which the rehabilitation was 90% complete, but still received abatement based on the pre-rehabilitation assessed value of the property.

The county assessor's statement of the value serves as the maximum assessed valuation of all real property included in the plans for a period of ten years from the date on which the statement is issued by the county. § 99.710.

Calculation of the 10-Year Abatement Period (Charter Cities)

Based on the *Kelley* case, the county should look to the January 1 assessment before the rehabilitation or new construction commenced. The facts of the *Kelley* case illustrate how this should work:

Jan. 1, 1985 – Assessed value of the subject property was \$46,080 (taxes due were \$2,186).

Aug. 1985 – Respondent purchased property, rehabilitation started.

Jan. 1, 1986 – Assessed value of the property was \$251,940 (taxes due were \$12,551), rehabilitation was 90% complete.

July 1986 – Owner received certificate of abatement from LCRA, owner delivered certificate to county assessor.

The county argued that taxes should be paid in 1986 based on the higher assessed value as of Jan. 1, 1986, because the county received the certificate in July 1986. The owner argued that the assessed value should be the lower Jan. 1, 1985 value because that was the value before the rehabilitation started.

The court agreed with the property owner, and the \$46,080 assessed value from 1985 was used for the purpose of calculating abatement. “‘The current assessed valuation of the then existing real property’ [in Section 99.705] does not refer to the valuation of the property when the certificate is presented to the assessor, as appellants would have us believe. An interpretation along these lines would render the remaining wording of the statute void of meaning, and would counter the intent of the legislature. * * * We hold that 99.705 provides that the valuation of the property *before* rehabilitation begins is the applicable number which is to be used for determining tax relief.” *Kelley*, 774 S.W.2d at 141 (emphasis in original).

The *Kelley* case is not specific on how the 10-year period is calculated, but a rule can be drawn from the case. Section 99.715 provides that abatement is effective “each year for a period of ten years from the date on which the statement [of abatement] was issued.” The court held in *Kelley* that the taxes due for the year 1986 were \$2,186 (based on the 1985 value), so presumably the first year of the 10-year period was 1986, starting on January 1, 1986. The general rule from this case would be that the first year of the 10-year period is the calendar year during which the certificate of qualification is issued, not a partial year, and the abatement continues for nine more calendar years after the year that the certificate is issued.

Property tax exemption for periods longer than 10 years may also be available through the issuance of industrial revenue bonds to finance certain property, similar to the tax exemption allowed under Chapter 100, RSMo. LCRAs in St. Louis City and Kansas City have issued industrial revenues bonds to finance the acquisition of certain real and personal property. This property is then titled in the name of the LCRA (and is therefore tax-exempt) and leased to a private company. The lease payments made by the private company are then used to pay debt service on the bonds.

VI. OTHER CONSIDERATIONS

No real property can be acquired by the Authority until a plan is adopted by the governing body. An Authority may use the power of eminent domain to acquire any interest in any real property that is necessary to the redevelopment plan. All property including funds of an Authority shall be exempt from levy and sale by virtue of an execution, and no execution or other judicial process can be against the Authority's property. An authority is immune from any judgment which would be a charge or lien upon its property.

An Authority is a separate political entity required to comply with all Missouri laws applicable to political subdivisions (e.g., public meetings, Sunshine Law requirements, annual budgets, etc.). At least once a year the Authority must file a report of its activities with the city or county clerk where the Authority is located. Also, every five years the governing body of the city or county is to have a hearing to determine whether the Authority is making satisfactory progress under the time schedules in plans that have been approved.

A city which approves a land clearance project is granted certain additional powers by the LCRA Act which aid in the purposes of the plan, including causing parks, playgrounds, recreational, community, educational, water, sewer or drainage facilities, or any other works which it is otherwise empowered to undertake, to be furnished in compliance with a redevelopment plan. A city is also expressly authorized to plan or replan, zone or rezone any part of the city or make exceptions from building regulations and ordinances to carry out the plan.

Many provisions of the LCRA Act are similar to the Planned Industrial Expansion Authority ("PIEA") Act. However, the PIEA Act is available only to cities with a population of at least 400,000 or to cities that have adopted a charter under Article VI, Section 19 of the Missouri Constitution. Additionally, the PIEA Act is focused on industrial development.

* * * * *

LOCAL OPTION ECONOMIC DEVELOPMENT SALES TAX

I. INTRODUCTION

A Local Option Economic Development Sales Tax may be levied, subject to voter approval, at a rate of up to one-half of one percent (0.5%) by any city, town, village or county (collectively, a “municipality”) pursuant to Section 67.1305, RSMo. If approved by the voters, the sales tax will become effective on the first day of the second calendar quarter following the election. If not approved by the voters, a proposal for a Local Option Economic Development Sales Tax may not be resubmitted to the voters for twelve (12) months.

Certain municipalities, including Springfield, Joplin, St. Joseph, Buchanan County, Jasper County, all cities within Jasper County, Butler County and all cities within Butler County, may levy a Local Option Economic Development Sales tax, subject to voter approval, at a rate of up to one-half of one percent (0.5%) pursuant to Section 67.1303, RSMo., in lieu of the sales tax levied pursuant to Section 67.1305, RSMo. The provisions in Section 67.1303, RSMo., differ slightly from the provisions of Section 67.1305, RSMo., presented in this memorandum. If your municipality is able to levy a Local Option Economic Development Sales Tax pursuant to either Section 67.1303, RSMo., or Section 67.1305, RSMo., please consult with a Gilmore & Bell attorney to determine which sales tax will best serve your municipality’s needs.

II. PROCEDURES FOR IMPLEMENTATION

After the Local Option Economic Development Sales Tax is approved by the voters, the municipality levying the tax must create an Economic Development Tax Board. The membership of this Board is dependent upon whether the sales tax was levied by a city, town, village or county, as shown in the following table:

	Levied by City/Town/Village ¹		Levied by County
School Districts	1	2	1
City/Town/Village	3	5	0
County	1	2	4
All Cities/Towns/Villages within County	0	0	2
TOTAL MEMBERS:	5	9	7

¹ An Economic Development Tax Board established by a City/Town/Village must consist of at least 5 members, but may be increased to 9 members. The number of members must be designated in the ordinance imposing the sales tax.

The purposes of this Board are to (1) develop and consider economic development plans, economic development projects and designations of economic development areas, (2) hold public hearings, and (3) make recommendations to the governing body of the municipality concerning economic development plans, economic development projects and designations of economic development areas. However, the governing body of the municipality levying the Local Option Economic Development Sales Tax will make all final funding determinations.

Before making any recommendations to the governing body of the municipality, the Economic Development Tax Board must hold a public hearing concerning the proposed economic development plan, economic development project or designation of an economic development area. Section 67.1305, RSMo.,

does not provide any direction concerning the content of economic development plans or projects, the factors for considering the designation of an economic development area, or even procedures for giving notice of the public hearing. Accordingly, we suggest that the governing body of the municipality levying the sales tax pass a resolution, ordinance or order addressing these items concurrently with the establishment of the Economic Development Tax Board.

III. USE OF SALES TAX REVENUES

The use of Local Option Economic Development Sales Tax revenue is subject to several restrictions:

1. Sales tax revenue may not be used for any retail development project, except for the redevelopment of downtown areas or historic districts.
2. At least twenty percent (20%) of the revenue must be used for projects directly related to long-term economic development preparation, including but not limited to the following:
 - a. Acquisition of land;
 - b. Installation of infrastructure for industrial or business parks;
 - c. Improvement of water and wastewater treatment capacity;
 - d. Extension of streets; and
 - e. Providing matching dollars for state or federal grants.
3. Remaining revenue may be used for, but is not limited to, the following:
 - a. Marketing;
 - b. Providing grants and low-interest loans to companies for job training, equipment acquisition, site development and infrastructure;
 - c. Training programs to prepare workers for advanced technologies and high skill jobs;
 - d. Legal and accounting expenses directly associated with the economic development planning and preparation process; and
 - e. Developing value-added and export opportunities for Missouri agricultural products.
4. Not more than twenty-five percent (25%) of revenue may be used annually for administrative purposes, including staff and facility costs.
5. Sales tax revenue may be used outside of the boundaries of the municipality imposing the tax if:
 - a. The municipality imposing the tax or the state receives significant economic benefit from the economic development plan, economic development project or the designation of the economic development area; and

- b. An agreement is entered between all municipalities participating in the economic development plan, economic development project or the designation of the economic development area detailing the authority and responsibilities of each municipality.
- 6. When imposed in a tax increment financing (TIF) district, Local Option Economic Development Sales Tax revenue is not captured by TIF.
- 7. When imposed in any special taxing district, including but not limited to TIF, Neighborhood Improvement Districts or Community Improvement Districts, Local Option Economic Development Sales Tax revenue may not be used for the purposes of the special taxing district unless recommended by the Economic Development Tax Board and approved by the governing body of the municipality levying the tax.

IV. REPORTING REQUIREMENTS

The Economic Development Tax Board and the governing body of the municipality levying the Local Option Economic Development Sales Tax must make a public report at least annually on the use of the sales tax revenue and the progress of any economic development plan, economic development project or the designation of the economic development area.

Additionally, no later than March 1 of each year, the Economic Development Tax Board must submit to the Joint Committee on Economic Development (a joint committee of the Missouri General Assembly) a report that includes the following information for each economic development project funded:

- 1. A statement of the project's primary economic goals.
- 2. A statement of the total Local Option Economic Development Sales Taxes received during the immediately preceding calendar year.
- 3. A statement of the total expenditures during the preceding calendar year in each of the following categories:
 - a. Infrastructure improvements;
 - b. Land and/or buildings;
 - c. Machinery and equipment;
 - d. Job training investments;
 - e. Direct business incentives;
 - f. Marketing;
 - g. Administration and legal expenses; and
 - h. Other expenditures.

V. REPEAL OF SALES TAX

The governing body of the municipality levying the Local Option Economic Development Sales Tax may choose to submit the question of repeal of the sales tax to the voters on any election date. Additionally, whenever the governing body of the municipality receives a petition signed by ten percent (10%) of registered voters of the municipality voting in the last gubernatorial election calling for an election to repeal the sales tax, the governing body must submit the question of the repeal to the voters at the next available election date.

If a majority of the voters approve the repeal, the repeal of the sales tax will become effective on December 31 of the calendar year in which the voters approved the repeal.

* * * * *



MEMORANDUM

DATE: September 28, 2023

TO: Mark Perkins, City Administrator

FROM: Lori Obermoeller, Director of Finance

SUBJECT: Olia Village Projected Costs

The attached spreadsheet shows the projected expenditure costs to the City for the Olia Village project. I have made the following assumptions:

- Personnel costs include the mid-point for the position, the costs for benefits & an annual 3% inflation factor
 - o 1 Public Works Maintenance Worker
 - o 1 Inspector (only for 3 years)
 - o 2 Police Officers
- All annual maintenance costs include a 3% inflation factor
 - o Street Maintenance for striping, snow plow & signs
 - o Vehicle Maintenance includes fuel, tires, etc.
- All Capital Infrastructure & Vehicle includes a 3% inflation factor
 - o One additional police vehicle to be sold and replaced every 3 years
 - o Infrastructure includes slab & curb replacements, crack sealing, patching & other improvements

I would be pleased to respond to any questions.

Olia Village
City's Projected Costs
as of September 28, 2023

	Personnel 1st Year	Maintenance 1st Year	Capital Expend. Over 20 years	20-Year Costs with 3% Inflation
<u>Public Works Department</u>				
1 Maintenance Worker	\$76,696			\$2,060,850
Construction Management for 1st Year Only		\$260,000		\$260,000
Annual Street Maint		\$31,500		\$846,417
Capital Improvements - 20 Year Costs			\$2,316,606	\$2,316,606
Total Public Works Department	\$76,696	\$291,500	\$2,316,606	\$5,483,873
<u>Community Development Department</u>				
1 Inspector (3 years)	\$96,550			\$298,426
Total Planning Department	\$96,550	\$0	\$0	\$298,426
<u>Police Department</u>				
2 Police Officers	\$220,904			\$5,935,773
1 Vehicle every 3 yrs (includes equip. & change-over)			\$496,528	\$496,528
Annual Vehicle Maintenance		\$7,136		\$191,747
Total Police Department	\$220,904	\$7,136	\$496,528	\$6,624,048
<u>Grand Total by Category</u>	\$394,150	\$298,636	\$2,813,134	\$12,406,347



DEPARTMENT OF PUBLIC WORKS OFFICE MEMO

DATE: September 28, 2023

TO: Jason Jaggi, Director of Community Development

CC: Mark Perkins, City Administrator

FROM: Jim Heines, Director of Public works

SUBJECT: Olia Village - Cost Projections for Construction Management Services and Long-term Maintenance of Proposed Public Streets

Background

Public Works staff has been asked to evaluate the long-term (20-years) financial impact to the city regarding the day-to-day maintenance and Capital cost if the proposed public streets in Olia Village are dedicated to and accepted by the City. The following report is based upon the acceptance of approximately 3 lane miles of concrete pavement with vertical curb.

Most of the proposed roads are two-lanes and a minimum of 26 feet wide. However, there are isolated sections of road where additional 12 to 13 foot wide lanes are proposed. The concrete road pavement is to be 8 inches thick and placed on 4 inches of compacted crushed stone.

Sidewalks, trails and street lights, on-street parking and street trees will be privately maintained under the terms of the proposed development.

Construction Inspection

During the clearing and grubbing phase of the project, minimal inspections will be necessary. Therefore, our current staff should be able to keep up with the added work. However, when we get to the grading, compacting subgrade and base and placing the concrete pavement portions of the project it will require full time inspections and project management. Public Works has obtained pricing for these services from one of our consultants for \$4,500-\$5,000 per week. We anticipate these services will be required for approximately a one-year period while the public improvements are being constructed.

Estimated one-time cost for Construction Management*	\$234,000-\$260,000
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Annual Maintenance

Public Works Maintenance staff will manage routine maintenance of pavement, street signs, striping, and snow plow of the proposed public streets in Olia Village. Currently Public Works staff is at their limits regarding their maintenance capabilities and any additional maintenance responsibilities will require an additional staff member to add available manhours to maintain the proposed pavement and associated services.

Costs for one year maintenance service is listed below in 2023 dollars:

<u>Item</u>	<u>Cost</u>
Striping	\$ 15,000.00
Snow Plow	\$ 15,000.00
Sign Maintenance	\$ 1,500.00
<u>Maintenance Worker 1 annual salary plus benefits</u>	<u>\$ 76,696.05</u>
Total one-year cost*	\$ 108,196.05
 Total 20-year cost using 3% inflation value	 \$2,907,268.38

Capital Improvements

Capital Improvements include isolated concrete slab replacement or even full replacement of sections of the roadway. It is likely that these costs will be minimal during the early life (0-10 years) of the concrete pavement, however later in our 20-year projection period it is likely that the road network will require an increasing level of attention. Public Works staff reached out to our pavement management consultant, IMS to evaluate the capital cost to maintain proposed public roads over the next 20 years.

IMS submitted the 20-year projection in two parts to represent the different levels of increasing capital replacement needs. These projected costs include slab and curb replacements, crack sealing, patching, and other capital improvements. A 3% inflation value to project future costs:

<u>Time period</u>	<u>Cost</u>
0-10 year total cost	\$ 192,437.00
<u>10-20 year total cost</u>	<u>\$2,123,569.00</u>
Total 20-year cost	\$2,316,606.00

Summary

The addition of the proposed public streets in Olia Village will cause a significant impact on the Department of Public Works budget as well as staffing levels. The day-to-day maintenance items and costs, capital replacements costs over a 20-year period, and the one-time cost for construction inspection/management have been identified above. The total 20-year financial impact to the budget is listed below:

<u>Item</u>	<u>Cost</u>
One-time construction inspection/management cost	\$ 260,000.00
Total annual maintenance cost over 20-years	\$2,907,268.38
<u>Total capital improvement cost over 20-years</u>	<u>\$2,316,606.00</u>
Total projected financial impact over 20-years	\$5,483,874.38

*Costs based on 2023 dollar value.



MEMORANDUM

DATE: September 11, 2023
TO: M. Perkins, City Administrator
FROM: J. Hartman, Chief of Police
SUBJECT: Service Impacts – Olia Village Development

Brief Background

As the re-zoning application process for the proposed development known as “Olia Village” develops, I would like to submit the following for consideration, concerning the potential impact this development may have on police services.

The expected increase in the residential population that would result from this development is estimated to be approximately 2,000, according to a recent presentation from the developer. This will certainly impact requests for police services in this sector of the city. In addition to the impact of the increased population, it is reasonable to expect there will be an increase in call volume due to the mixed-use nature of the development (hotels, restaurants, office space, retail).

Point of Reference: History of Staffing Since the Last Annexation

The last significant staffing increase for the Police Department was in 1994, after an annexation. The staffing, after annexation, was 50 full-time officers. The population was approximately 16,500. At that time, the Police Department was also providing police services to the Village of Westwood. The Police Department dropped to 49 full-time officers after the City of Frontenac was awarded the contract to patrol the Village of Westwood.

Summary: Very little has changed with regard to Police Department staffing in the last 30 years.

Point of Reference: Current Police Department Staffing and Organizational Chart

The current staffing for the Police Department is 50 full-time commissioned officers, 5 full-time civilian staff, and 2 part-time civilian staff. There are two divisions within the Police Department, the Patrol Division and the Support Services Division.¹ This memorandum will focus on the impact this development will have on the Uniformed Patrol Division.

There are 37 positions allocated to the Uniformed Patrol Division (74% of authorized staffing). There are four squads referred to as A, B, C, and D squads. Each squad has two (2) Sergeants and five (5) Police Officers.

Providing support to the patrol squads are two (2) Traffic Safety Officers (TSOs), two (2) Impact Unit Officers (currently unstaffed), and one (1) K-9 Officer. There are two (2) “layover” Police Officer positions that provide additional patrol support that are also currently unstaffed. The Patrol Division is commanded by a Captain (Commander) and Lieutenant (Deputy Commander)

¹ For reference, the Police Department Organizational Structure can be viewed here:
<https://www.crevecœurmo.gov/DocumentCenter/View/8021/CCPD-Organizational-Chart---FY-2023-2024?bidId=>

Point of Reference: How Patrol Division Resources Are Allocated

The city is broken down into four (4) patrol sectors. When a uniformed patrol shift has full staffing, one officer is assigned to each sector and one officer is given city-wide directed patrol responsibility. The Sergeants are responsible for the supervision of the officers on their squads. Having two Sergeants and five Police Officers on each squad provides a (very slim) cushion to maintain a minimum staffing of four Patrol Officers and one Sergeant on any given shift. It also allows supervisors to be on two different calls at the same time, which is occasionally required.

The Officers in the Patrol Division assigned to support roles (TSOs, Layover, Impact Unit, K-9) can fill in as sector cars when staffing falls below minimum on any given shift. The most common reason for falling below minimum staffing on shifts is when one officer is off due to scheduled vacation leave or training, and there is an unexpected injury or illness that prevents another scheduled officer from being able to work their shift. It is not ideal for a Sergeant to cover a sector when there is an unexpected Patrol Officer shortage. When assigned to a sector, the Sergeant has a diminished capability to supervise officers, which is a critical component of a police department that prizes professionalism and accountability.

Determining Appropriate Police Department Staffing – Brief Introduction to Concepts and Research

There are a lot of variables to consider when answering this question. Some examples include crime rates, anticipated growth or decline, officer/population ratios, call volume, community policing style, organizational work ethic, officer distribution, and response time (or the public's expectation regarding response time).

In a report analyzing police department staffing completed by ICMA, five models for determining the appropriate staffing levels for Police Departments were examined²:

1. Crime Trends
2. Per Capita
3. Minimum Staffing
4. Authorized Budget Level
5. Workload Based

The research presented in this report recommends a “workload-based” approach to determine proper staffing. From an assumed starting point that the current authorized staffing for the Creve Coeur Police Department is appropriate, it is logical to assume that the Olia Village development will require an increase in authorized staffing to maintain the current levels of police service that the Police Department provides the city. What is unknown or difficult to predict is the exact impact the development will have on police services.

Since this Olia Village development has not been approved or completed, no data has been (or can be) collected to definitively conclude the impact this development will have on police workload. Reaching a conclusion would require evaluating factors such as call volume, (number of calls), total service time (number of officer minutes needed to handle a call), and the saturation index (ratio of dedicated call time to discretionary time). Therefore, I cannot confidently state this development will require (“X”) number of additional staff.

Although data is not available to determine how the Olia Village development (and other developments currently in discussion) will impact police service levels, I can confidently conclude that it would be poor planning to wait

²“An analysis of police department staffing: How many officers do you really need?” ICMA Center for Public Safety Management White Paper. Retrieved from: https://icma.org/sites/default/files/305747_Analysis%20of%20Police%20Department%20Staffing%20-%20McCabe.pdf

until the project is complete and data is collected before making a staffing adjustment recommendation. The Patrol Division's cushion for maintaining minimum staffing when there is an unexpected illness or injury is slim. This development will certainly put extra strain on call volume, service time, and the saturation index.³ A proactive approach will better ensure that the quality of police services CCPD provides continues to meet the community's expectations, compared to a reactive approach.

Recommendations

Recommendation #1: Proactively increase authorized staffing from 50 to 52 commissioned officers for the fiscal year 2024-2025.

These two positions would be assigned to where they are most needed, in the Uniformed Patrol Division as Patrol Officers. To balance all four squads, the two existing layover positions would also be shifted to individual patrol squads as Patrol Officers, resulting in one more patrol officer on each squad for a total of two (2) Sergeants and six (6) Police Officers on each squad. This will provide the Police Department sufficient time to have additional staffing already in place before the completion of the development. After the completion of the project(s), it also provides the Police Department the ability to expand to 5 sectors, if the data collected supports a realignment in the sector boundaries to smooth the workload across all sectors and maintain the optimal 60/40 saturation index. Even if the data results in increasing the staffing beyond 52 commissioned officers, the Police Department can implement a 5-sector plan with an authorized staffing of 52.

Two additional benefits of a modest staffing increase during the planning phase of the development(s)

- 1) The increased staffing provides the Patrol Division with additional resources and less reliance on the Traffic Safety Unit or Impact Unit to cover patrol sectors, thus leaving those specialized units more time to focus on their missions.
- 2) After the completion of the project, if data supports increasing the staffing beyond 52, it is more manageable to implement staffing increases in small steps as opposed to one large leap.

Recommendation #2: 1 year after the development is complete, re-evaluate Police Department staffing to determine whether the data supports a further increase in staffing, a decrease in staffing, or no change in staffing.

In conclusion, I believe the prudent public safety decision is to proactively increase staffing incrementally, beginning with a small increase once it is certain that the project(s) are moving toward development. The alternative is to wait for the project to be completed, then wait to determine the impact on demand for police services. I can predict with confidence that call volume will increase, service time will increase, the saturation index will be negatively impacted, and the sector boundaries will need to be re-evaluated. Having the organization chart set in place to absorb these impacts as the project is being completed is responsible planning.

After the project is complete, if an evaluation of the factors that impact staffing results in a recommendation to decrease staffing, those positions can be eliminated by attrition. If research supports a further increase in staffing, it is more manageable if the Police Department has already taken an incremental step to increase staffing as opposed to a large leap. If the data indicates, after the project is complete, that a staffing level of 52 officers is appropriate, the Police Department has lost nothing and is in a good position to continue the high level of service the community expects.

³ According to ICMA, patrol staffing is optimally deployed when the SI is slightly less than 60%. When the SI is greater than 60%, it indicates that patrol manpower is largely reactive, and overburdened with workload demands. (Reference for this recommendation noted in footnote #1)

Recommendation #3: Increase the number of fully marked⁴ patrol vehicles in the Police Department fleet from fifteen (15) to sixteen (16). Marked patrol vehicles are a critical resource in providing police services to the community. An aggravating factor to consider regarding this recommendation is the changing landscape of the auto industry. Finding and acquiring new police vehicles has been especially challenging due to the lack of availability. With the added staffing to uniformed patrol, comes the need for additional police vehicles to respond to calls. Adding an additional marked patrol vehicle to the fleet provides extra insurance that the Police Department will have enough vehicles in working order to respond to calls for police service.

The Police Department fleet, with the addition of a marked patrol vehicle, is outlined below:

Patrol Vehicles (fully marked): 16

Traffic Safety Unit Vehicles (unmarked)⁵: 2

Administrative Police Vehicle⁶: 4

Investigations Bureau Vehicles: 4

Motorcycle Units: 2⁷

⁴ A “fully marked” patrol vehicle is a “pursuit rated” police vehicle equipped with all required emergency equipment, including highly visible reflective lettering and lightbar mounted on the roof.

⁵ An “unmarked” patrol vehicle is a “pursuit rated” police vehicle equipped with all required emergency equipment, absent the highly visible reflective lettering and the lightbar mounted on the roof. (Emergency lighting is clearly visible when activated, but are covert when not activated). It is planned that these vehicles will be replaced this fiscal year due to high mileage, and the new unit vehicles will have ghost (subtly reflective) “police” lettering, with covert lighting.

⁶ Administrative and Investigations Bureau vehicles are civilian models, equipped with covert lights and siren. They are not pursuit rated.

⁷ One motorcycle unit will be sold this fiscal year, reducing the number to one.

**Olia Village
City's Projected Costs
as of September 28, 2023**

	Personnel 1st Year	Maintenance 1st Year	Capital Expend. Over 20 years	20-Year Costs with 3% Inflation
<u>Public Works Department</u>				
1 Maintenance Worker	\$76,696			\$2,060,850
Construction Management for 1st Year Only		\$260,000		\$260,000
Annual Street Maint		\$31,500		\$846,417
Capital Improvements - 20 Year Costs			\$2,316,606	\$2,316,606
Trash and Recycling (130 townhomes)				\$550,800
Total Public Works Department	\$76,696	\$291,500	\$2,316,606	\$6,034,673
<u>Community Development Department</u>				
1 Inspector (3 years)	\$96,550			\$298,426
Total Planning Department	\$96,550	\$0	\$0	\$298,426
<u>Police Department</u>				
2 Police Officers	\$220,904			\$5,935,773
1 Vehicle every 3 yrs (includes equip. & change-over)			\$496,528	\$496,528
Annual Vehicle Maintenance		\$7,136		\$191,747
Total Police Department	\$220,904	\$7,136	\$496,528	\$6,624,048
<u>Grand Total by Category</u>	\$394,150	\$298,636	\$2,813,134	\$12,957,147

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Annual Inflation	3%						
Inflation	1.03						
1 year Street Maintenance worker	\$31,500	\$31,500	\$32,445	\$33,418	\$34,421	\$35,454	\$36,517
Inspector	\$76,696	\$76,696	\$78,997	\$81,367	\$83,808	\$86,322	\$88,912
2 Police Officers	\$96,550	\$96,550	\$99,447	\$102,430			
	\$220,904	\$220,904	\$227,531	\$234,357	\$241,388	\$248,629	\$256,088

Patrol Vehicle	\$64,800	\$64,800			\$66,744		
Annual Vehicle Maintenance	\$7,136	\$7,136	\$7,350	\$7,571	\$7,798	\$8,032	\$8,273

Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
\$37,613	\$38,741	\$39,903	\$41,100	\$42,333	\$43,603	\$44,911	\$46,259	\$47,647
\$91,579	\$94,326	\$97,156	\$100,071	\$103,073	\$106,165	\$109,350	\$112,631	\$116,010
\$263,771	\$271,684	\$279,835	\$288,230	\$296,877	\$305,783	\$314,956	\$324,405	\$334,137
\$68,746			\$70,809			\$72,933		
\$8,521	\$8,776	\$9,040	\$9,311	\$9,590	\$9,878	\$10,174	\$10,479	\$10,794

Year 16	Year 17	Year 18	Year 19	Year 20	Total
\$49,076	\$50,548	\$52,065	\$53,627	\$55,235	\$846,417
\$119,490	\$123,075	\$126,767	\$130,570	\$134,487	\$2,060,850
					\$298,426
\$344,161	\$354,486	\$365,121	\$376,074	\$387,357	\$5,935,773

\$75,121			\$77,375		\$496,528
\$11,118	\$11,451	\$11,795	\$12,149	\$12,513	\$191,747