

**POLICY FOR THE CONSIDERATION AND
EVALUATION OF TAX INCREMENT FINANCING APPLICATIONS**

A. General Policy.

1. It is the policy of the City and the Commission to consider judicious use of TIF for those projects that demonstrate a **substantial and significant public benefit** by constructing public improvements in support of developments that will eliminate blight, strengthen the economic and employment base of the City, positively impact surrounding areas and tax revenues, create economic stability, facilitate economic self sufficiency, implement the Comprehensive Plan and economic development strategy of the City and create new jobs and retain existing employment.
2. Care will be exercised in the use of TIF to thoroughly evaluate each project to ensure that the benefits that will accrue from the approval of the project are appropriate in relation to the TIF incentive provided to and the costs that will result from the project, and that the project, viewed from this prospective, benefits the City as a whole.
3. Each project, and the location at which it is proposed is unique and, therefore, every proposal shall be evaluated on its individual merit, including its potential impact on the City's service levels, its overall contribution to the City's economy and its consistency with the City's goals and objectives as expressed in the Comprehensive Plan and other adopted or City endorsed planning or strategic documents.
4. Each project should be evaluated as to potential economic benefit.
5. As a general principle, a project requesting TIF assistance should have a **ratio of three (3) to one (1)** in comparing potential increased revenue to the City from all sources to the value of the incentives provided, measured over the term of the TIF project.
6. TIF will generally be reserved for projects that do not qualify for alternative methods of financing or where TIF assistance is deemed by the City and the Commission to be the preferred method of providing economic development incentives to the project.
7. All TIF applications must clearly comply with the requirements of the Missouri TIF Statute.
8. All TIF projects must be consistent with the City's Comprehensive Plan.

B. Policy Guidelines. The following criteria are to be used by the City and the Commission to evaluate TIF applications:

1. Each TIF application must demonstrate that "but for" the use of TIF, the project is not feasible and would not be completed without the proposed TIF assistance.
2. **Applications for projects that will be using TIF assistance for only public infrastructure will be favored.** In any event, TIF assistance shall be used to complete all required public infrastructure prior to consideration of TIF assistance for any other portion of project costs. This limitation may be modified if the project is determined to be a vital contribution to the attainment of a substantial and significant public benefit identified in this policy.
3. All TIF applications requesting the issuance of bonds or notes shall be required to demonstrate that the payments in lieu of taxes and/or the economic activity taxes expected to be generated will be sufficient to provide a **debt coverage factor of at least 1.25 times the projected debt service** on any tax increment bonds or notes. This limitation may be modified for projects that involve the redevelopment of existing structures or the assembly and clearance of land upon which existing structures are located.
4. The total amount of **TIF assistance provided for a project should not exceed fifteen percent (15%) of the total project costs.** This limitation may be modified for projects that involve the redevelopment of existing structures or the assembly and clearance of land upon which existing structures are located. TIF assistance should be limited to hard costs associated with the project and soft costs associated with retaining professional assistance in relation to project, (i.e., engineering, architectural, legal, services); with the hiring of third party project management; and with associated project financing. Soft costs in total should not exceed 7% of total TIF reimbursable costs.
5. Each TIF application shall include evidence that the applicant:
 - a. Has thoroughly explored alternative financing methods.
 - b. Has the financial and technical ability to complete and operate the project.
 - c. Will be liable for, or **contribute equity of at least fifteen percent (15%) of the total cost of the project or provide a performance bond for the completion of the project.** Projects with equity contributions from the developer in excess of fifteen percent (15%) will be viewed more favorably.
6. In evaluating the employment potential of a given enterprise, the following shall be taken into consideration: (a) number of additional employees that will be hired as a result of the project and whether they are likely to be hired from the local population; (b) skill and education levels required for the jobs expected to be created by the project; (c) range of salary and compensation for jobs expected to be created by the project; and (d) potential for executive relocation. **TIF projects**

that create jobs with wages that exceed the community average will be encouraged.

7. **TIF applications for the redevelopment of vacant property**, in areas where the project will further the goals and policies of the Comprehensive Plan, and/or reasonable evidence is presented that the project will serve as a catalyst for further high quality development or redevelopment, **will be viewed favorably.**
8. **TIF applications for retail and service commercial projects should be limited to those projects that encourage an inflow of new customers from outside the City or that will provide services or fill retail markets that are currently unavailable or in short supply in the City.** New or expanded industrial and manufacturing projects will be given more favorable consideration than new or expanded warehouse type uses based upon the projected employment per square foot.
9. **TIF applications for the development of commercial, office and industrial projects that would stabilize existing commercial, office and industrial areas** that have or will likely experience deterioration will be favored.
10. **TIF applications for new residential development projects will be strongly discouraged unless** there is a limited number of residential units, which are creatively integrated into commercial or retail projects; or the size and scope of the residential development extends significant City infrastructure to areas of the City not adequately served by existing infrastructure and the development uses other public funding methods to reduce the length of the TIF. **TIF applications for the redevelopment of existing residential areas will be generally disfavored.**
11. TIF applications that include the development of business areas, or the redevelopment of existing business areas, shall include information as to the business type of the major tenants of the TIF area. In addition, a thorough market analysis should be completed that identifies: (1) the population areas from which the project will draw; and (2) the businesses of similar types that would be competing with the TIF area businesses.
12. Generally, **TIF applications that encompass a project area of less than ten (10) acres will not be favorably considered.**
13. Notwithstanding the foregoing, TIF applications that, based upon the above guidelines, would not otherwise be favorably considered or do not meet any of the above referenced criteria, shall be **viewed favorably** by the City and the Commission **if the application clearly demonstrates that the project as a whole or a portion of it is of vital interest to the City and will significantly assist** the City by eliminating blight, financing desirable public improvements, strengthening the economic and employment base of the City, positively

impacting surrounding areas, creating economic stability, facilitating economic self sufficiency, and implementing the Comprehensive Plan and economic development strategy of the City.

The TIF Plan must identify eligible reimbursable expenses in relation to such project. The City will not reimburse the applicant for expenses related to TIF improvements made prior to the date on which the City Council approved the TIF Plan.

C. Accountability. TIF applications shall include the following:

1. If the TIF application is being recommended based upon specifically delineated benefits that are projected to flow to the City as a result of the development, such as increased employment opportunities, increased ad valorem or economic activity taxes, or construction of public infrastructure, language will be included in the development agreement that stipulates that the City's assistance to the developer may be reduced if satisfactory evidence is not shown that the degree, nature and/or quality of the benefits have been generated to the City by the project.
2. If businesses are to be relocated from other areas of the City or from another area within a taxing jurisdiction represented on the Commission for evaluation of the redevelopment project, the base year activity for purposes of determining the tax increments for both real property and economic activity taxes shall be the last twelve (12) month period at the business' current location, immediately preceding the relocation. To accomplish this intent, a surplus will be declared that will have the same effect as if the previous level of taxes in the last year at the previous location continued to be available to all taxing jurisdictions after the relocation.

D. Method of Financing. TIF applications may request that TIF assistance be provided in one of two forms:

1. Special obligation bond or note financing; or
2. Direct reimbursement of project costs.

In deciding which method of financing to use, the prevailing factors in making the determination shall be the total costs and the security for the bonds. **The City will not guarantee special obligation bonds or notes.** Credit enhancement on any bonds or notes will be viewed favorably. The City will have the final decision on the method of financing. The arrangement of bond financing shall be the responsibility of the applicant. **The City's full cost of reviewing and processing the application shall be paid by the applicant,** pursuant to a funding agreement executed by the City and the developer of the project, but a portion of such costs may be reimbursable from TIF proceeds prior to funding improvement costs.

The City generally requires that all bonds be sold at competitive sale although a negotiated sale is also acceptable.

In either case, the applicant is required to provide the City, in writing, with the name and address of the financial institution, or of the individual to whom reimbursements are to be forwarded. Any changes to this party must be provided in writing as well.

E. Economic Activity Taxes.

1. The applicant must provide adequate documentation to determine the economic activity taxes collected within the project area for each year during the term of the project.
2. Economic activity taxes shall not include, to the extent such exclusion is permitted by law, franchise fees paid by utilities or other utility taxes collected either from private utilities or as payments in lieu of taxes from publicly owned utilities.
3. Economic activity taxes will be collected starting on the first day of the month following approval of the TIF Plan.

F. Payments in Lieu of Taxes.

1. Payments in lieu of taxes (PILOTS) will be collected starting on January 1st following the year in which the project is activated by the City Council.

G. Term.

1. The maximum period for which a TIF can be established is twenty-three (23) years.
2. The projected term of the TIF shall be a factor. **Shorter terms will be more favorably viewed than longer terms.** TIF applications that provide for complete payout in less than twelve (12) years will be preferred.

H. Monitoring. Each project shall be monitored on an annual basis to determine compliance with the performance standards included in the development agreement. A copy of all written monitoring reports shall be provided to all of the other taxing jurisdictions.