

# **THE GRAND DIAGRAM OF TAX INCREMENT FINANCING**

**Missouri Municipal Attorneys Association**

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# THE GRAND DIAGRAM OF TIF

## *DESIGN MEETS REALITY*

WHY COULDN'T THEY HAVE CALLED IT  
BOB'S LAW?

# THE GRAND DIAGRAM OF TIF

## *DESIGN MEETS REALITY*

- No new taxes
- No increased tax rates
- No disruption of existing revenue streams

# THE GRAND DIAGRAM OF TIF

## *DESIGN MEETS REALITY*

- Vocabulary
  - PILOT – Payment in Lieu of Taxes
  - EATS - Economic Activity Taxes
  - SAF – Special Allocation Fund
  - Plan
  - Area
  - Project
  - Agreement

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

**TIF: THE WAY THE STATUTE  
WAS DESIGNED**

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY TIF: THE WAY THE STATUTE WAS DESIGNED

- 1. City establishes a TIF Commission.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

**LOCATION AND FREE ENTERPRISE RULE THE DAY**  
**TIF: THE WAY THE STATUTE WAS DESIGNED**

*2. City identifies a targeted TIF Redevelopment Area.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY TIF: THE WAY THE STATUTE WAS DESIGNED

- 3. TIF Commission reviews Plan and Redevelopment Area. TIF Plan is referred to the City Council.*



# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY TIF: THE WAY THE STATUTE WAS DESIGNED

*4. City Council approves TIF Plan.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY

### TIF: THE WAY THE STATUTE WAS DESIGNED

*5. City solicits proposal(s) from developer(s) for TIF projects in approved Redevelopment Area.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY

### TIF: THE WAY THE STATUTE WAS DESIGNED

*6. Project(s) and developer(s) selected – TIF Commission and City Council.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

**LOCATION AND FREE ENTERPRISE RULE THE DAY**

**TIF: THE WAY THE STATUTE WAS DESIGNED**

*7. TIF Agreement executed between City and developer(s) for approved TIF project(s).*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

**TIF: THE WAY IT COMMONLY  
WORKS TODAY**

# THE GRAND DIAGRAM OF TIF

## *DESIGN MEETS REALITY*

**LOCATION AND FREE ENTERPRISE RULE THE DAY**

**TIF: THE WAY IT COMMONLY WORKS TODAY**

- 1. Developer sees an opportunity in a particular location.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY

### TIF: THE WAY IT COMMONLY WORKS TODAY

*2. Developer prepares proposal for city. Commonly a draft TIF Plan and any other public funding sources (CID or TDD).*

# THE GRAND DIAGRAM OF TIF

## *DESIGN MEETS REALITY*

**LOCATION AND FREE ENTERPRISE RULE THE DAY**

**TIF: THE WAY IT COMMONLY WORKS TODAY**

*3. City reviews proposal, negotiates TIF Plan contents and TIF contract with Developer.*



# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

**LOCATION AND FREE ENTERPRISE RULE THE DAY**

**TIF: THE WAY IT COMMONLY WORKS TODAY**

*4. City solicits proposals from developers, usually only one proposal is received from initial Developer.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY

### TIF: THE WAY IT COMMONLY WORKS TODAY

*5. TIF Commission reviews TIF Plan, makes recommendation to City Council.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

**LOCATION AND FREE ENTERPRISE RULE THE DAY**  
**TIF: THE WAY IT COMMONLY WORKS TODAY**

*6. City Council approves TIF Plan.*

# THE GRAND DIAGRAM OF TIF *DESIGN MEETS REALITY*

## LOCATION AND FREE ENTERPRISE RULE THE DAY TIF: THE WAY IT COMMONLY WORKS TODAY

*7. TIF agreement with Developer is executed within parameters of approved TIF Plan.*

# THE GRAND DIAGRAM OF TIF

## *DESIGN MEETS REALITY*

### DESIGN

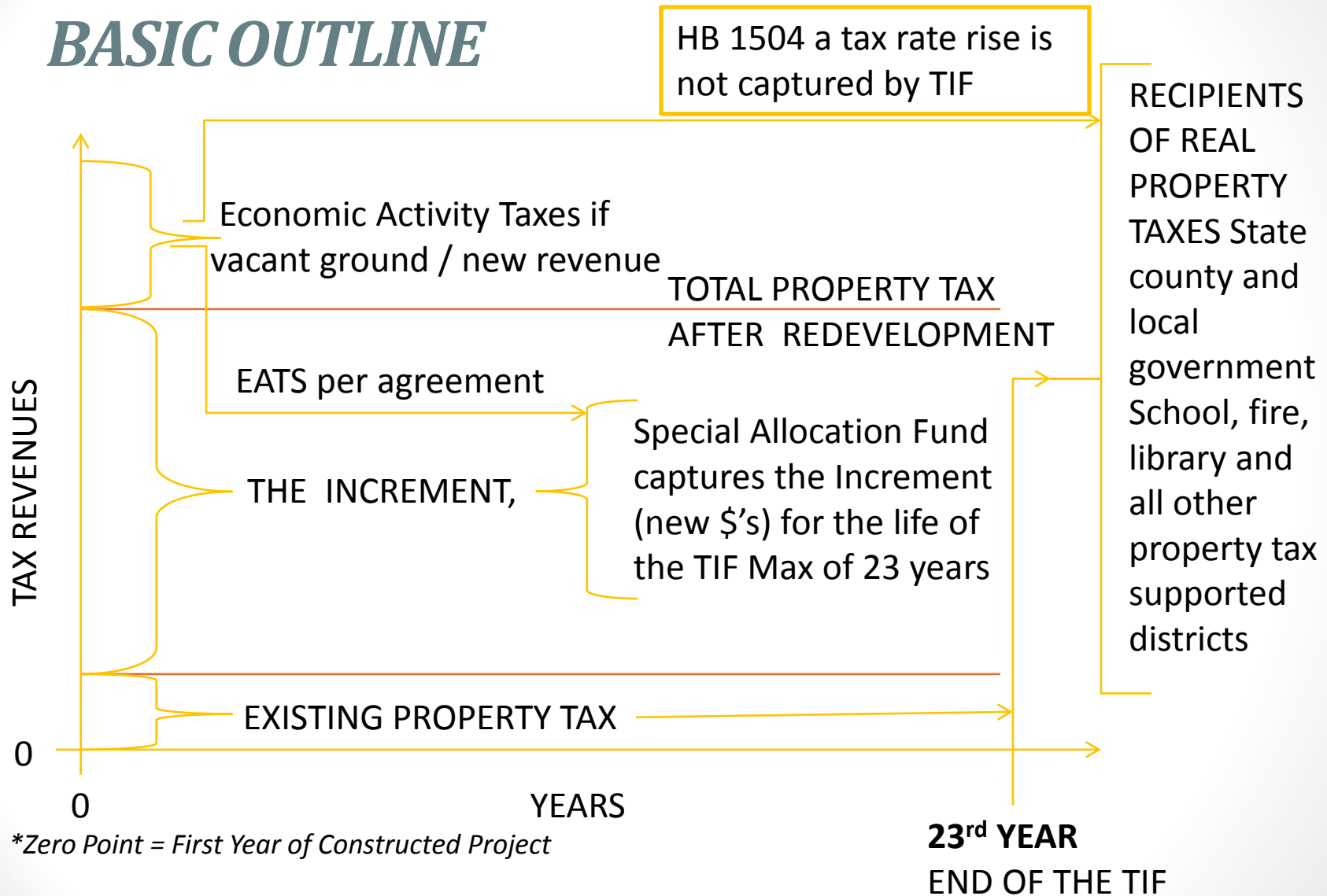
- 1. City establishes a TIF Commission.
- 2. City identifies a targeted TIF Redevelopment Area.
- 3. TIF Commission reviews Plan and Redevelopment Area. TIF Plan is referred to the City Council.
- 4. City Council approves TIF Plan.
- 5. City solicits proposal(s) from developer(s) for TIF projects in approved Redevelopment Area.
- 6. Project(s) and developer(s) selected – TIF Commission and City Council.
- 7. TIF Agreement executed between City and developer(s) for approved TIF project(s).

### CURRENT REALITY

- 1. Developer sees an opportunity in a particular location.
- 2. Developer prepares proposal for city. Commonly a draft TIF Plan and any other public funding sources (CID or TDD).
- 3. City reviews proposal, negotiates TIF Plan contents and TIF contract with Developer.
- 4. City solicits proposals from developers, usually only one proposal is received from initial Developer.
- 5. TIF Commission reviews TIF Plan, makes recommendation to City Council.
- 6. City Council approves TIF Plan.
- 7. TIF Agreement with Developer is executed within parameters of approved TIF Plan.

# THE GRAND DIAGRAM OF TIF

## BASIC OUTLINE



\*Zero Point = First Year of Constructed Project

\*The Increment = Newly created tax revenue based on the Increase in assessed valuation from new building

# THE GRAND DIAGRAM OF TIF *FLOW OF FUNDS/PILOT*

1. Plan adopted
2. Assessment of project after improvements
3. Collectors bill for base and increment
4. Payment of base disbursed to recipients as before the TIF Agreement
5. Payment of value of the increment in lieu or taxes to the collector
6. Collector forwards PILOT to city of deposit into Special Allocation Fund
7. Funds disbursed to developer for approved reimbursable project costs

-or-

7. Funds disbursed to bond redemption

# THE GRAND DIAGRAM OF TIF *FLOW OF FUNDS/EATS*

1. Agreement adopted
2. Economic (Sales) activity begins within project
3. DOR collects EATS
4. DOR pays the EATS base to recipients as before the TIF Agreement
5. DOR pays the value of the captured EATS to the City for deposit into Special Allocation Fund
6. Funds disbursed to developer for approved reimbursable project costs

-or-

6. Funds disbursed to bond redemption



# THE GRAND DIAGRAM OF TIF

## *TIF LIFECYCLE* APPLICATION AND PLAN

- Initial approach from developer to City
- Application package from Developer, City Staff review of application
- Governing Body approves funding agreement
- Governing Body may retain Planner for TIF Plan
- Governing Body retain outside counsel, if desired
- Governing Body forwards application to TIF Commission
- TIF commission meeting, set initial notices to taxing districts 45 days see 99.830.3
- Developer provides list of taxpayers of record in proposed redevelopment area
- Smaller taxing districts designate TIF commission member, number 11
- Planner make initial contact with assessor/collector, to confirm base values

# THE GRAND DIAGRAM OF TIF

## *TIF LIFECYCLE* TIF COMMISSION ACTION

- Publish notice or request for proposals 99.820.1(3)
- Deadline for submission of proposals – two week notice 99.820.1
- Draft TIF Plan to Commission members and available for public inspection
- First publication of notice of public hearing 99.830.1, not more than 30 days prior
- Public notice of TIF commission orientation meeting.
- Mail notice to taxpayers in redevelopment area, not less than 10 days prior 99.830.1
- 2x publication of notice, not more than 10 days prior to public hearing 99.830.1
- Sunshine Law public notice at least four days prior to meeting, 67.2725
- TIF commission public hearing
- TIF commission vote within 30 days after public hearing concluded 99.830.3
- TIF commission recommendation to city within 90 days of hearing 99.930.3
- If Plan, Project or Area are amended, continue the public hearing, re notice all taxing jurisdictions, seven days prior to end of public hearing and reissue Sunshine Law 4 day notice prior to continued public hearing

# THE GRAND DIAGRAM OF TIF

## *TIF LIFECYCLE PLAN AND AGREEMENT*

- Sunshine law 4 day notice of Governing Body meeting 67.2725
- Introduce ordinance to approve a plan, at least 14 days after but not more than 90 days following to commission public hearing. 99.820.1(1)
- Governing body meeting and approve TIF plan. 99.820.1(1) and 99.820.3. 2/3 to Pass if Commission votes “No”. 99.825.2
- Notification to County Assessor and County Clerk 99.855
- Negotiation of TIF Agreement with developer.
- Sunshine notice 4 days prior to governing body meeting
- Approval of Project ordinance/redevelopment agreement with developer 99.820.1(2)
- Execution of TIF Redevelopment Agreement pursuant to local ordinance

# THE GRAND DIAGRAM OF TIF

## *TIF LIFECYCLE* CONSTRUCTION / OPENING

- Developer acquires ground for project, if not already owned
- Construction begins
- Substantial completion of project, as defined by TIF agreement
- Notification to DOR re EATS
- Certificate of occupancy is issued / doors open for business
- Receipt of developers application for reimbursable project cost
- Approval / denial of reimbursable project cost application
- New tax bills from county collector
- Developer pays BASE Tax and PILOTS
- Collector forwards “Base Tax” to government recipients, and PILOTS to City
- City deposits PILOTS in special allocation fund created by TIF agreement
- Payment of reimbursable project costs from SAF as approved

# THE GRAND DIAGRAM OF TIF

## *TIF LIFECYCLE* YEARLY OPERATIONS

- New tax bills from county collector
- Developer pays BASE Tax and PILOTS
- Collector forwards “Base Tax” to government recipients  
PILOTS to City
- City deposits PILOTS in SAF created by TIF agreement
- Payment of reimbursable project costs from SAF as approved
- Repeat yearly for EATS, as received
- Repeat yearly for PILOTS as received
- City monitors performance agreements for public participation, clawbacks, performance standards this may involve review or disclosure of developer’s information, as set forth in redevelopment agreement

# THE GRAND DIAGRAM OF TIF

## *TIF LIFECYCLE* WIND UP AND CLOSE

- Computation of final year of program governed by:
  - Redevelopment agreement
  - Complete reimbursement of all reimbursable project costs
  - Exhaustion of any monies in SAF with no further funds forthcoming.
- City and developer agree on conclusion of TIF contract and wind up of Project.
- Notification to collector/end of agreement/no more PILOTS/  
all taxes to taxing entities
- Notification to DOR /end of agreement/no more EATS / all  
taxes to taxing entities
- Termination of special allocation fund.
- Close and save files as public records.

# Authors / Presenters

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**Edward Rucker** has served as City Attorney for the City of Osage Beach, Missouri, since 2008. He was the primary city negotiator for the Dierbergs Lakeview Point TIF Redevelopment Project which opened in April 2013. He holds a J.D. and Ph.D. in Political Science from the University of Missouri at Kansas City. From 2004 to 2007 he served as County Counselor for Jackson County, Missouri. During 2003-2004 he taught Political Science at Baker University. Additionally he is the founding board president of Academie Lafayette, Missouri's first charter public school.

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