



**Alphabet Soup of Missouri
Economic Development Tools**

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ATTENTION

DISCLAIMER

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ABOUT ME

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Series 50 Municipal Advisor

Previously:

- Springsted Inc.
- City of Lee's Summit, MO
- Jackson County, MO

Served on:

- TIF Commissions
- CID Boards
- KC EEZ Advisory Board



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LET'S GET STARTED

Agenda

1. The Tools	2. Evaluating Projects	3. Case studies
<ul style="list-style-type: none">- TIF- Sales tax rebate- CID/TDD/NID- Chapter 353- Chapter 100- Limited availability:<ul style="list-style-type: none">- LCRA- EEZ- OZ- NMTC	<ul style="list-style-type: none">- Factors influencing the need for due diligence- The five question framework	

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PHILOSOPHY

Why do we use incentives?

To achieve a desired outcome that is otherwise unlikely under the status quo

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PHILOSOPHY

Why is this unachievable without incentives?

The proposed project is leading the market and/or
There are identified impediments to growth

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THE TOOLS

Tax Increment Financing (TIF)

<p>How it works</p> <ul style="list-style-type: none"> - Redirection of new taxes generated to Special Allocation Fund - PAYG or Bond - 100% of new property taxes (PILOTS) - 50% of new sales and utility taxes (EATs) - 23-year max 	<p>Legal requirements</p> <ul style="list-style-type: none"> - Blighted, conservation or ED area designation - "But for" test - Plan conforms to city's comprehensive plan - Plan for relocation assistance - Cost Benefit Analysis - Not a gambling establishment 	<p>Use cases</p> <ul style="list-style-type: none"> - Retail - Office - Industrial
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THE TOOLS

Sales tax rebate

<p>How it works</p> <ul style="list-style-type: none"> - Alternative to TIF - City agrees to reimburse developer for certain costs from incremental sales taxes 	<p>Legal requirements</p> <ul style="list-style-type: none"> - Negotiate a redevelopment agreement 	<p>Use cases</p> <ul style="list-style-type: none"> - Retail
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THE TOOLS

Community Improvement District (CID)

<p>How it works</p> <ul style="list-style-type: none"> - Separate political division - District imposes: <ul style="list-style-type: none"> - Sales tax - Property tax; or - Special assessment 	<p>Legal requirements</p> <ul style="list-style-type: none"> - Petition of property owners 50% of AV and 50% per capita of all owners - Annual budget - Annual report 	<p>Use cases</p> <ul style="list-style-type: none"> - Fund public improvements <ul style="list-style-type: none"> - Landscapa, streetscape, infrastructure, parking lots, etc. - Fund public services <ul style="list-style-type: none"> - Promoting tourism - Refuse collection and disposal - Maintenance of public and private property, etc.
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THE TOOLS

Transportation Development District (TDD)

<p>How it works</p> <ul style="list-style-type: none"> - Political subdivision - District imposes: <ul style="list-style-type: none"> - Sales tax - Special assessment - Property tax - Toll 	<p>Legal requirements</p> <ul style="list-style-type: none"> - Petition of 50 registered voters w/in proposed area, or all owners of real property - Petition filed in the circuit court - Election - Annual report 	<p>Use cases</p> <ul style="list-style-type: none"> - Fund, plan, design, operate transportation-related infrastructure: <ul style="list-style-type: none"> - Road - Interchange - Intersection - Hangar - Airport - Railroad - Wharf
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THE TOOLS

Neighborhood Improvement District (NID)

<p>How it works</p> <ul style="list-style-type: none"> - Not a separate legal entity - Area which benefits from public improvement is assessed to pay for improvement 	<p>Legal requirements</p> <ul style="list-style-type: none"> - By Election: GO Bond election threshold (4/7ths or 2/3rds) - By Petition: 2/3rds of property owners by area - Afterwards: <ul style="list-style-type: none"> - Assessment roll - Public Hearing - Construction - Assessment of final costs 	<p>Use cases</p> <ul style="list-style-type: none"> - Public infrastructure improvements <ul style="list-style-type: none"> - Streets, streetscape - Water - Sewer - Flood control - Public facilities
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THE TOOLS

Chapter 353

<p>How it works</p> <ul style="list-style-type: none"> - Tax abatement <ul style="list-style-type: none"> - First 10 years: 100% abatement of the incremental increase in real property taxes on the land - Next 15 years: 50-100% abatement of increase on land and improvement - Optional PILOTS for base improvements 	<p>Legal Requirements</p> <ul style="list-style-type: none"> - "Blighted" areas - Urban Redevelopment Corp. takes title - Redevelopment agreement 	<p>Use cases</p> <ul style="list-style-type: none"> - Residential - Commercial - Industrial
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THE TOOLS

Chapter 100 tax abatement

<p>How it works</p> <ul style="list-style-type: none"> - Revenue Bonds issued - Sale/leaseback - Ad valorem taxes abated so long as bonds are outstanding - Includes personal property - Sales tax exemption on personal property, construction materials - Optional PILOTs 	<p>Legal Requirements</p> <ul style="list-style-type: none"> - Project types defined by statute - Bond issuance process 	<p>Use cases</p> <ul style="list-style-type: none"> - Warehouses - Distribution facilities - Office - Agricultural - Industrial - Multi-family residential
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OTHER TOOLS

Limited Availability

<p>Land Clearance for Redevelopment Authority (LCRA)</p> <ul style="list-style-type: none"> - Charter cities: 10 @ 100% tax abatement - Election required for formation in cities < 75,000 - Chapter 100-like arrangements available 	<p>Enhanced Enterprise Zone</p> <ul style="list-style-type: none"> - Designated zones across the state - In conjunction with MO Works - Encourages job creation - Entitled to 10 @ 50% abatement; increased levels possible 	<p>Federal Tax Credits</p> <ul style="list-style-type: none"> - New Markets - Opportunity Zones
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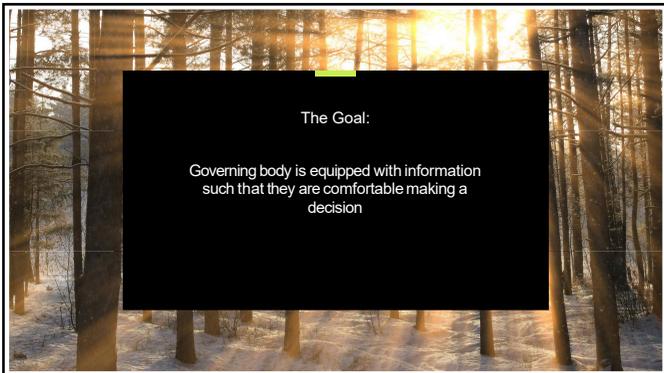
Now, forget about the tools for a moment!

How do we properly evaluate projects?

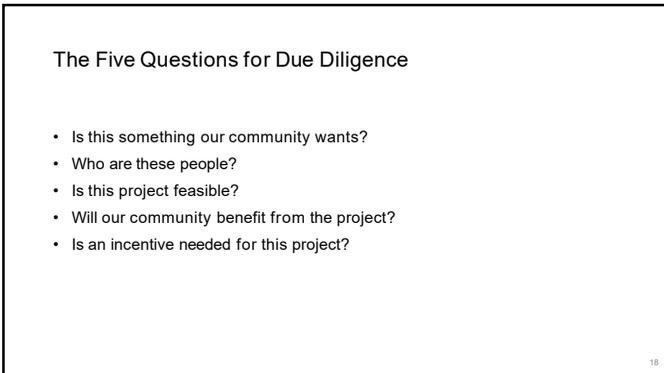
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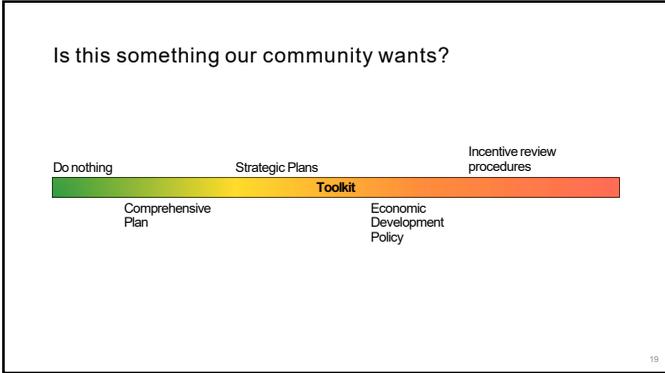
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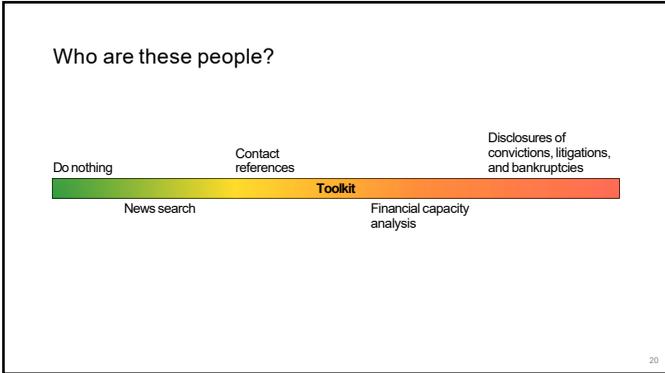
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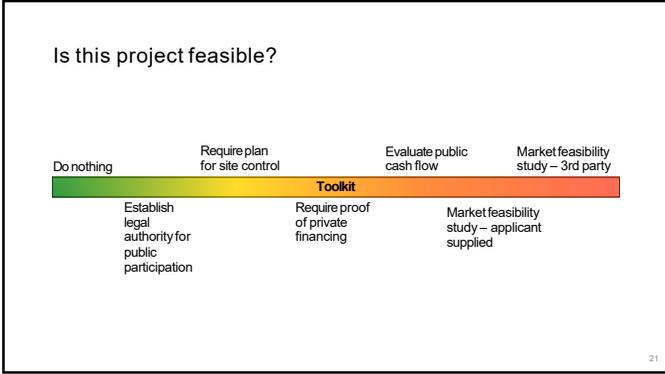
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Will the community benefit from the project?

Do nothing

Toolkit

Analysis of direct costs and benefits

Analysis of direct and indirect costs and benefits

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Is an incentive needed?

Do nothing

Internal rate of return analysis

Toolkit

Developer affidavit

Negotiation with applicant

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CASE STUDY

New subdivision

A local developer requests a NID to assist with public infrastructure for a new subdivision. Local residents are already concerned about sprawl and increased traffic in the city.

Is this something our community wants?

Who are these people?

Is this project feasible?

Will the community benefit from the project?

Is an incentive needed?

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Shopping center redevelopment

A new developer to the local market is requesting a TIF and CID to redevelop one of several blighted shopping centers in town.

- Is this something our community wants?
- Who are these people?
- Is this project feasible?
- Will the community benefit from the project?
- Is an incentive needed?

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Boutique hotel

A hotelier proposes to build a luxury boutique hotel in a town reliant on tourism dollars. Incumbent hotels are worried about market cannibalization. The incentive request is in excess of 25% of total project costs

- Is this something our community wants?
- Who are these people?
- Is this project feasible?
- Will the community benefit from the project?
- Is an incentive needed?

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Data center

An internet company is deciding whether to locate a data center in your community. The site selector would like to know what incentives are available. The center will create 20 jobs.

- Is this something our community wants?
- Who are these people?
- Is this project feasible?
- Will the community benefit from the project?
- Is an incentive needed?

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Case Study
Youth sports facility

A local residential developer proposes to build a mixed-use development anchored by youth sports fields. City-backed TIF Bonds, CID, and Chapter 100 incentives are requested, totaling 30% of project costs.

- Is this something our community wants?
- Who are these people?
- Is this project feasible?
- Will the community benefit from the project?
- Is an incentive needed?

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Questions?



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