

TIF and IRBs Financing Meadowbrook Redevelopment

Presented by:

Gary Anderson
Gilmore & Bell, P.C.

Adam Pope
Columbia Capital Management, LLC

Tax Increment Financing (TIF) Basics

- Economic development tool available to cities
- Uses *incremental* property tax revenues, sales tax and transient guest tax revenues generated within a specific geographic area to pay certain eligible development costs
- Revenues are used to pay for redevelopment project costs – either by paying bonds or by pay-as-you-go

Two-Step Process for Implementing TIF

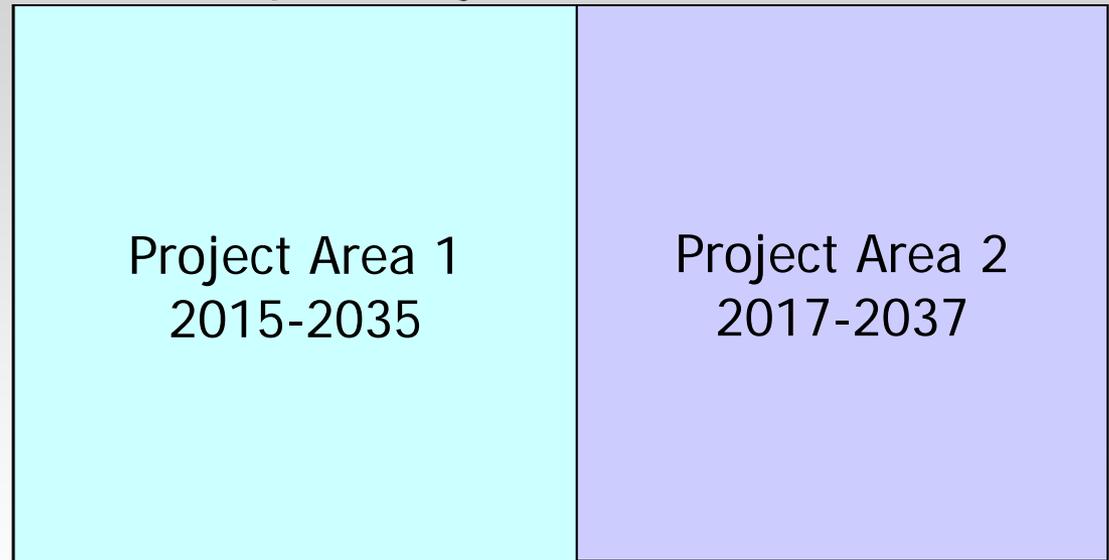
- ***Step #1: City Establishes a TIF District***
 - Establishes geographic boundaries for collection of Tax Increment
 - Sets Base Year Assessed Value
 - Identifies Project Area(s) within TIF District
 - District may have one or more Project Areas
- ***Step #2: City Approves a Project Plan***
 - No Tax Increment may be spent on project costs until a Project Plan is approved

Redevelopment District vs. Project Area

- “TIF District” = Redevelopment District
- District can have one or multiple Project Areas

– Examples:

Redevelopment
District with
Single Project
Area;
coterminous
boundaries



Redevelopment District with Multiple
Project Areas

Key Definitions – K.S.A. 12-1770a

- Redevelopment District or “TIF District”
 - The specific area declared to be an eligible area in which the city may develop one or more redevelopment projects
- Redevelopment District Plan
 - The preliminary plan that identifies all of the proposed redevelopment project areas and identifies in a general manner all of the buildings, facilities and improvements that are proposed to be constructed or improved in each redevelopment project area within the Redevelopment District

Key Definitions – K.S.A. 12-1770a

- Redevelopment Project Area or “Project Area”
 - An area designated by the city within a Redevelopment District
- Redevelopment Project Plan
 - The approved project to implement a project plan for the redevelopment of a redevelopment project(s) in a redevelopment district
- Redevelopment Project
 - The approved project to implement a project plan within an established redevelopment district

Key Definitions – K.S.A. 12-1770a

- Eligible Redevelopment Project Costs:
 - Land Acquisition
 - Site Work and infrastructure
 - Parking and landscaping
- Certain costs not eligible
 - Buildings
 - Developer and developer consultant fees
 - Salaries for local government employees

Formation and Sample Timeline

Step #1

- ✓ Resolution Calling Public Hearing on Redevelopment District – Day 1
- ✓ Mailed Notice to Taxing Districts – Day 5
- ✓ Mailed Notices to Property Owners – Day 5
- ✓ Published Notices – Day 25
- ✓ Public Hearing on Redevelopment District – Day 35
- ✓ Ordinance Approving Redevelopment District – Day 35

Step #2

- ✓ Redevelopment Plan prepared and submitted to City – Day 60
- ✓ Negotiation of Redevelopment Agreement – Days 60 – 90
- ✓ City Resolution Calling Public Hearing on Redevelopment Plan – Day 70
- ✓ Mailed Notice to Taxing Districts – Day 75
- ✓ Mailed Notices to Property Owners – Day 75
- ✓ Published Notices – Day 91
- ✓ Public Hearing on Redevelopment Plan – Day 101
- ✓ Ordinance Approving Redevelopment Plan and Agreement – Day 101

Creating the Redevelopment District

- Where can you create a Redevelopment District?
 - Blighted Area and certain other areas
 - Conservation Area
 - At least 50% of structures are more than 35 years old that is not yet blighted, but may become blighted due to 2 or more of the following factors:
 - Dilapidation, obsolescence or deterioration of the structures
 - Illegal use of individual structures
 - Presence of structures below minimum code standards
 - Building abandonment
 - Excessive vacancies
 - Overcrowding of structures and community facilities or
 - Inadequate utilities and infrastructure
 - City plans to engage consultant to prepare conservation area study

Creating the Redevelopment District

- Governing body adopts Resolution
 - Give notice of public hearing (date, time and place)
 - Legal description of proposed District and Project Area boundaries
 - Describes District Plan
 - Identifies in a general manner all buildings facilities and improvements to be constructed, by Project Area
 - Designate time and place where description and map of District can be inspected
 - State that governing body will consider findings necessary to establish the District

Creating the Redevelopment District

- Mail Resolution via certified mail, return receipt requested to:
 - County Commission
 - Board of Education of any school district that levies taxes within the District
 - All owners and occupants of land within the District
 - Mail must be sent not more than 10 days following date the Resolution is adopted
- Publish Resolution in Official City Newspaper
 - Map of District must be published with the Resolution
 - Publish once
 - Not less than one week or more than two weeks prior to the hearing date

Creating the Redevelopment District

- Governing body holds Public Hearing
 - County Commission and Board of Education have 30 days following public hearing to adopt a resolution finding that the District will have an adverse effect
 - If resolution is adopted, District may not be created
- Governing Body adopts Ordinance establishing the District
 - Findings that District is an Eligible Area
 - Findings that the conservation, development or redevelopment of the District is necessary to promote the general and economic welfare of the City
 - Legal Description of District and any Project Areas
 - Describe District Plan

Key Definitions – K.S.A. 12-1770a

- Real Property Taxes
 - All taxes levied on an ad valorem basis upon land and improvements thereon
- Base Year Assessed Valuation or “BYAV”
 - The assessed valuation of all real property within the boundaries of a redevelopment district on the date the redevelopment district was established
- Tax Increment
 - The amount of real property taxes collected from real property located within a redevelopment district that is in excess of the amount of real property taxes which is collected from the base year assessed valuation

Allocating Taxes

- Tax Increment is captured beginning with first payment of taxes after TIF District is established

Base Taxes

Base Year Assessed Valuation
x Current Mill Levy _____

Base Taxes

Base Taxes are allocated to each taxing subdivision.

Tax Increment

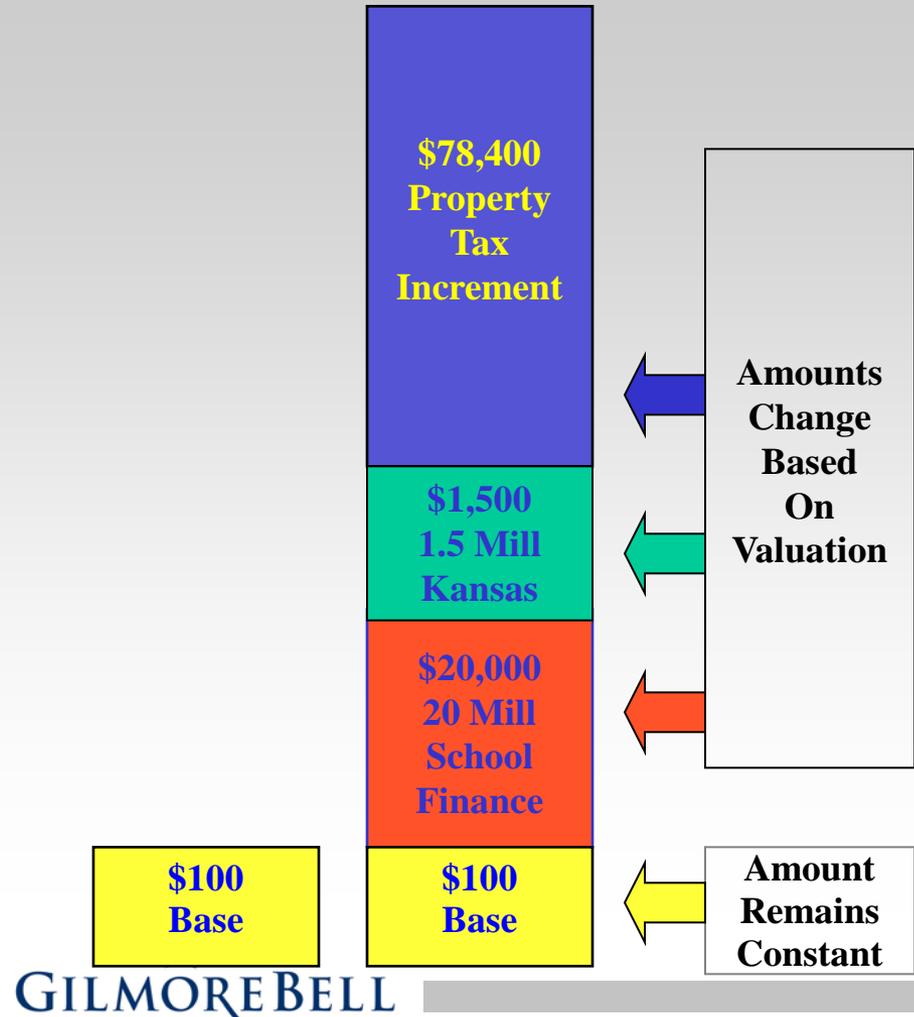
Current Assessed Valuation
- Base Year Assessed Valuation
Increase in Assessed Valuation
x Current Mill Levy _____

Tax Increment

Tax Increment is paid by County Treasurer to City Treasurer for deposit to special TIF Fund.

The “Base” and the “Increment”

<u>Base</u>	
Property Assessed Value -	\$1,000
Total Mill Levy - \$100/\$1000 of Assessed Value	
Total Tax Revenue -	\$100
<u>Property Tax Increment</u>	
Total Assessed Value After Development -	\$1,000,000
Total Mill Levy - \$100/\$1000 of Assessed Value	
Total Revenue -	\$100,000
Less Base	(100)
Less 20 Mills	(20,000)
Less 1.5 Mills	(1,500)
Total Increment -	\$78,400



Allocating Taxes

- City may continue to capture and use Tax Increment until earlier of:
 - Completion of project, including payment of all TIF Bonds and project costs; or
 - 20 years from date of approval of Project Plan

Preparing a Project Plan

- What are TIF-eligible costs (i.e. Redevelopment Project Costs)?
- What revenues can be used to pay Redevelopment Project Costs?
- How can Redevelopment Project Costs be financed?
 - Special Obligation Bonds
 - General Obligation Bonds – Public Sale of GO Bonds
 - Pay-As-You Go

Preparing a Project Plan

- Prepare the Project Plan
 - Feasibility Study
 - Describe all eligible Redevelopment Project Costs to be paid from Incremental Tax Revenues
 - Describe expected Incremental Tax Revenues and other available revenues to be used for the Project over the 20-year life of the Project Plan
 - Show that the revenues will be sufficient to pay the Redevelopment Project Costs
 - Reference the District Plan to which the Project Plan relates
 - Legal description and map of Project Area
 - Relocation assistance plan (see KSA 12-1777)
 - Detailed description of buildings and facilities to be constructed or improved within the Project Area
 - State whether GO bonds may be used to finance Project Costs
 - Any other information necessary to advise public of the intent of the Project Plan

Approving a Project Plan

- Deliver the Project Plan to:
 - Board of County Commissioners
 - Board of Education of any school district levying taxes within the Project Area
- Planning Commission considers Project Plan
 - Makes finding that Project Plan is consistent with City's comprehensive plan

Approving a Project Plan

- Governing body adopts Resolution
 - Give notice of public hearing (date, time and place)
 - Legal description of District and Project Area
 - Provide date District was established
 - State that the Project Plan, including a summary of the feasibility study, relocation assistance plan and financial guarantees of the prospective developer and a description and map of the Project Area are available for inspection during regular office hours in the City Clerk's office
 - If applicable, state that GO bonds may be issued to finance the Project Plan

Approving a Project Plan

- Mail Resolution via certified mail, return receipt requested to:
 - County Commission
 - Board of Education of any school district that levies taxes within the Project Area
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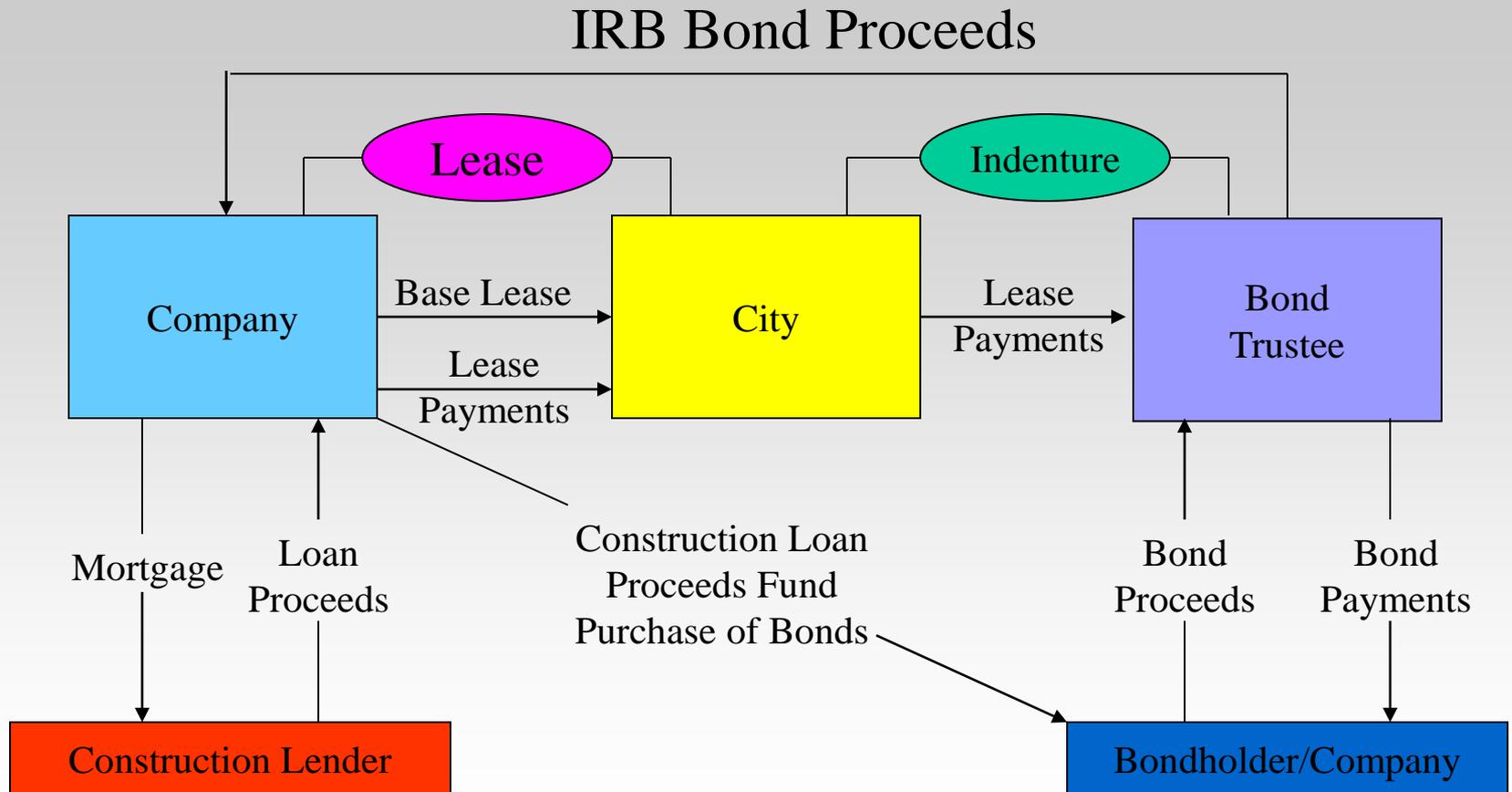
Approving a Project Plan

- Governing body holds Public Hearing
 - No protest rights of County/School District
 - No GO bonds may be issued if City Clerk receives protest petition signed by 3% of qualified voters within 60 days following public hearing unless approved by City voters at an election
- Governing Body adopts Ordinance approving the Project Plan
 - 2/3 vote of governing body required
- Notify County Clerk, Assessor and Treasurer that Project Plan approved

Industrial Revenue Bonds (IRBs)

- To be used solely for sales tax exemption on construction materials
- Payable from lease payments made by the company to the City
- Base lease from company to City and City leases back to developer
- Leases and bonds only outstanding during construction period
- City has NO liability on the IRBs

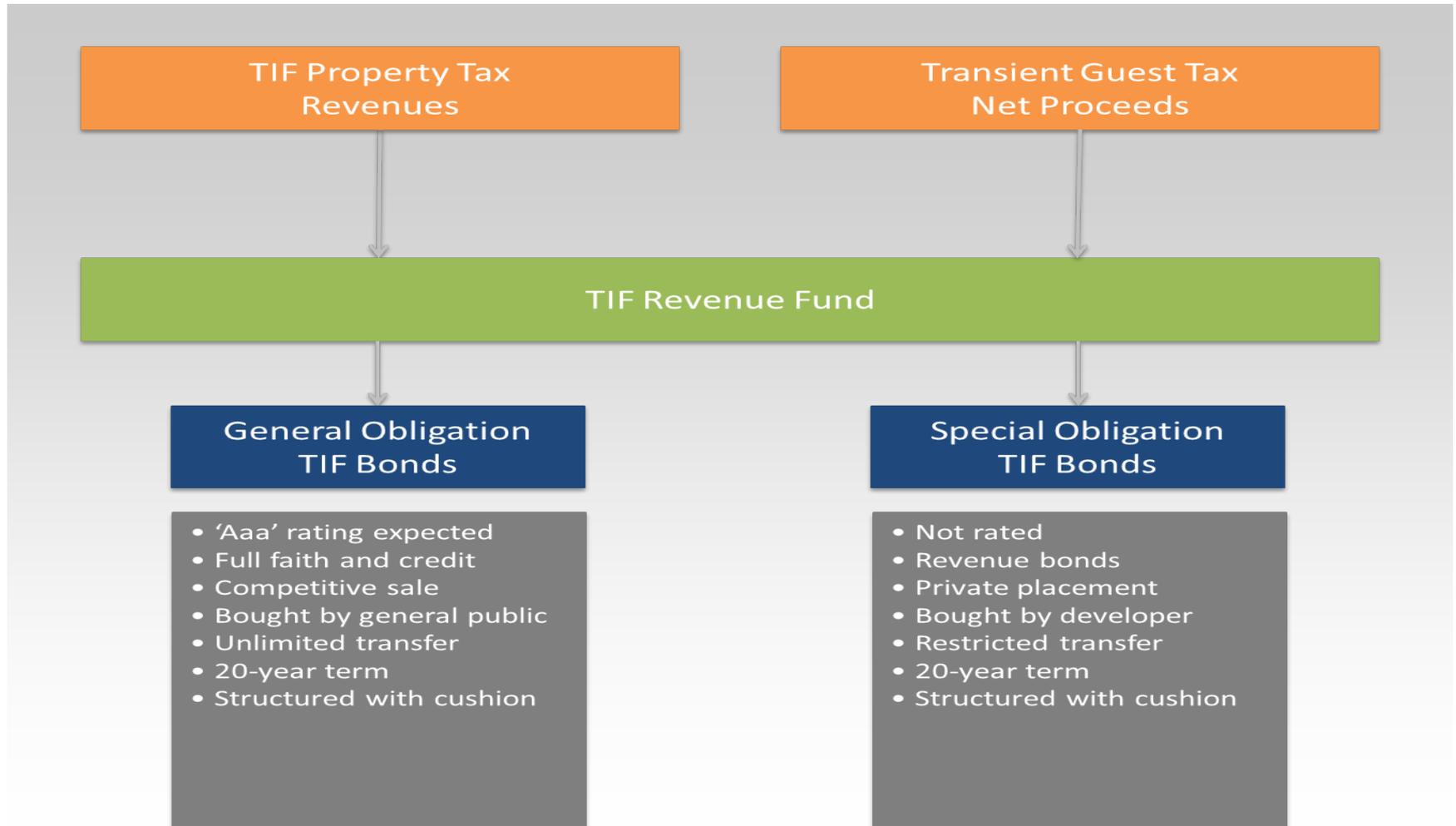
IRB Diagram



Transient Guest Tax

- City will be requested to adopt a Transient Guest Tax that will be imposed on the Inn
- Will be adopted by a Charter Ordinance
- Transient Guest Tax Revenues will be used in part for programming events on the park property and in part to pay debt service on the TIF Bonds.

Meadowbrook TIF Revenue Flow



Questions?