City of Chesterfield

Finance and Administration Committee of the Whole
Record of Proceeding
June 7, 2021

The Finance and Administration Committee of the Whole met on June 7, 2021. Those in attendance included: Chairperson Michael Moore, Ward III; Council Committee Member Barbara McGuinness, Ward I; Council Committee Member Aaron Wahl, Ward II; Council Committee Member Gary Budoor, Ward IV; City Administrator Mike Geisel; and Finance Director Jeannette Kelly. Those also in attendance included: Mayor Bob Nation; Councilmember Mary Monachella, Ward I; Councilmember Dan Hurt, Ward III; Councilmember Tom DeCampi, Ward IV; City Attorney Chris Graville; Director of Public Works/City Engineer Jim Eckrich; Director of Planning Justin Wyse; Police Chief Ray Johnson; Director of Parks, Recreation and Arts Thomas McCarthy; Director of Finance Jeannette Kelly; Assistant Director of Finance John Hughes; and City Clerk Vickie McGownd. There were approximately 7 other attendees.

Councilmember Mary Ann Mastorakos, Ward II, was absent.

[Councilmember Aaron Wahl, Ward II, arrived at 5:11 p.m.]

Chairperson Michael Moore called the meeting to order at 5:00 p.m.

Approval of Minutes

Chairperson Moore asked if there were any comments or changes to the May 10, 2021 F&A Committee Minutes. Hearing none, Councilmember McGuinness made a motion, seconded by Councilmember Wahl, to approve the May 10, 2021 F&A Committee minutes. A voice vote was taken with a unanimous affirmative result and the motion was declared passed.

Overview of Frequently Used Economic Development Tools

Special Counsel Robert Klahr, Armstrong Teasdale LLP, presented an overview of the following frequently used economic development tools and explained the guidelines, uses and limitations for each (presentation attached):

- Tax Increment Financing (TIF)

- Tax Abatement – Industrial Development – Chapter 100
- Tax Abatement – Urban Redevelopment – Chapter 353
- Special Taxing Districts - Community Improvement District (CID)
- Special Taxing Districts – Transportation Development District (TDD)
- Special Taxing Districts – Neighborhood Improvement District (NID)
- Special Taxing Districts – Special Business District (SBD)

Mr. Klahr also discussed specific project examples where the City of Chesterfield has been involved in the past.

City Administrator Geisel was directed to schedule another F&A Committee Meeting of the Whole to discuss the contents of his memorandum and further advise City Council.

Adjournment

The meeting was adjourned at 6:21 p.m.

Respectfully submitted:

MOGeisel	Vickie McGownd
Mike Geisel	Vickie McGownd
City Administrator	City Clerk

APPROVED: 6/21/2021

Overview of Frequently-Used Economic Development Tools

June 7, 2021

Presented by Robert D. Klahr

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314-552-6683

Frequently-Used Economic Development Tools

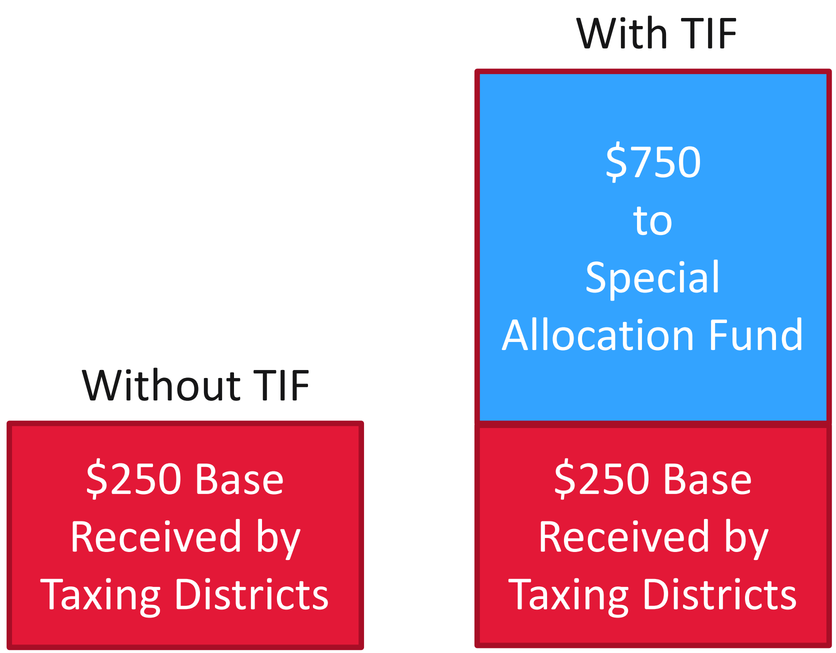
- **Tax Increment Financing (TIF)**
- **Tax Abatement**
  - Industrial Development – Chapter 100
  - Urban Redevelopment – Chapter 353
- **Special Taxing Districts**
  - Transportation Development Districts (TDD)
  - Community Improvement Districts (CID)
  - Neighborhood Improvement Districts (NID)
  - Special Business Districts (SBD)
- **Project Examples**

Tax Increment Financing

- **Uses incremental tax revenues generated by development to finance certain project costs**
  - 100% of <u>incremental</u> Payments in Lieu of Taxes (PILOTS)
  - 50% of <u>incremental</u> Economic Activity Taxes (EATS)
- **Available for “blighted” or “conservation” areas**
  - **Conservation area** – 50% of buildings are at least 35 years old
  - **Blighted area** – an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, 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, morals, or welfare in its present condition and use

PILOTS Illustration

- Assumptions:
  - Total real property tax levy - $5.00/$100 of Assessed Value
  - Assessed Value Before Development - $5,000 (results in $250 in revenue)
  - Assessed Value After Development - $20,000 (results in $1,000 in revenue)



Redevelopment Project Areas

Redevelopment Area (2021)

Redevelopment Project Area 1
2021-2044

Redevelopment Project Area 2
2022-2045

Redevelopment Project Area 3
2023-2046

Redevelopment Project Area 4
2041-2064

What can TIF pay for?

- Land acquisition
- Demolition, clearing and grading
- Costs to rehabilitate buildings
- Construct public improvements
- Construct private improvements
- Studies, surveys, plans and specifications
- Professional services
- Financing costs
- Relocation costs

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Industrial Development – Chapter 100

- **Principal Benefits:**
  - Real property tax abatement
  - Personal property tax abatement
  - Sales tax exemption on construction materials
- **Property is conveyed to the city, rendering it tax-exempt**
- **Bonds are issued, but primarily is a tax abatement tool**
  - Without a vote, bonds cannot be paid from city's general fund
- **Used for industrial, warehouse/distribution, office headquarters and other commercial projects**

Urban Redevelopment – Chapter 353

- **Traditional urban redevelopment tool – originally adopted in the 1940s**
- **Blight finding required**
- **Principal Benefit:**
  - Real property tax abatement
  - Personal property tax abatement <u>not</u> available
  - Sales tax exemption <u>not</u> available
- **Property is conveyed to a separately formed corporation, rendering it tax-exempt**
- **Can be used for all classes of property (commercial, industrial, residential)**

TIF vs. Chapter 100/Chapter 353

- **Method of Assistance**
  - TIF – incremental taxes are paid and "reallocated" to pay project costs
  - Chapter 100/Chapter 353 – taxes are abated
- **Revenues affected**
  - TIF – real property tax, sales tax (<u>not</u> personal property tax)
  - Chapter 100 – real property tax, personal property tax, possibly sales tax
  - Chapter 353 – real property tax (<u>not</u> personal property tax or sales tax)
- **Typical uses**
  - TIF – retail/commercial property for redevelopment
  - Chapter 100 – industrial, office, other commercial property
  - Chapter 353 – all classes of property for redevelopment

Special Taxing Districts – Community Improvement District (CID)

- **Separate Entity**
  - Political subdivision
  - Nonprofit corporation
- **Formation process**
  - Petition of requisite percentage of property owners within proposed CID boundaries
  - City adopts ordinance after a public hearing
- **Governed by a Board of Directors**
  - Appointed by the City or Elected by Voters within the CID
  - Composed of property owners, business owners or registered voters
- **New Revenue Sources**
  - Sales tax (up to 1%)
  - Property tax
  - Special assessment (only source of revenue for a nonprofit CID)

Special Taxing Districts – CID

- **What can a CID pay for?**
  - Public improvements within the CID boundaries
    - Streets, traffic signals, parking lots, parking garages
    - Utilities, stormwater, storm sewer
    - Parks, trees, landscaping
  - Other improvements within the CID boundaries if within a "blighted area"
    - Demolition and removal of existing buildings or structures
    - Renovation, reconstruction or rehabilitation of existing buildings or structures
  - Various services within the CID boundaries
    - Security
    - Cleaning and maintenance
    - Refuse collection and disposal

Special Taxing Districts – Transportation Development District (TDD)

- **Separate Political Subdivision**
- **Formation process**
  - Petition to County Circuit Court
    - 100% of property owners or 50 registered voters within proposed TDD boundaries; or
    - Two or more local transportation authorities (ex. city and county)
  - Court enters order after court proceedings
    - If petition filed by all property owners, no election required
    - Otherwise, election of qualified voters within TDD boundaries required
- **Governed by a Board of Directors**
  - Elected by the qualified voters; or
  - Presiding officer of each local transportation authority and, if fewer than four local transportation authorities, an additional appointee of each local transportation authority
- **New Revenue Sources**
  - Sales tax (up to 1%)
  - Property tax (up to $0.10 per $100 assessed valuation)
  - Special assessment
  - Fees or tolls

Special Taxing Districts – TDD

- **What can a TDD pay for?**
  - Can finance only transportation projects
    - bridge, street, road, highway, access road, interchange, intersection, signing, signalization;
    - parking lot, garage;
    - bus stop, light rail, or other mass transit
  - All projects must be transferred to applicable transportation authority upon completion
    - Missouri Department of Transportation if it is to be merged into state highway system
    - Local transportation authority must approve project if it will own upon completion

Special Taxing Districts – Neighborhood Improvement District (NID)

- **Not a separate entity**
- **Formation process**
  - Petition of requisite percentage of property owners; or
  - City may call for an election of qualified voters within proposed NID boundaries
  - City adopts ordinance after a public hearing
- **No Board of Directors**
- **New Revenue Source**
  - Special assessments
  - City may issue “limited” general obligation bonds repaid from assessments and other unencumbered funds of the city

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Special Taxing Districts – NID

- **What can a NID pay for?**
- Only public facilities (although need not be located within the NID boundaries)
  - Property acquisition
  - Streets, gutters, curbs, sidewalks, crosswalks, driveway entrances and structures
  - Service connections from sewer, water, gas and other utility mains
  - Storm and sanitary sewer systems
  - Street lights and street lighting systems
  - Parks, playgrounds and recreational systems
  - Landscaping
  - Flood control works
  - Retaining walls and area walls on public ways
  - Off-street parking
  - Other public facilities or improvements
  - Improvements for public safety
- Improvement must confer a benefit on property within the district

Special Taxing Districts – Special Business District (SBD)

- **Separate Political Subdivision**
- **Formation process**
  - Petition of one or more property owners within the proposed SBD
  - City adopts ordinance after a public hearing
- **City's governing body serves as legislative body with input from an advisory board or commission**
- **New Revenue Sources**
  - Real property tax (up to $0.85 per $100 assessed valuation)
  - Business license tax (up to 50% of any business license tax imposed by the city)

Special Taxing Districts – SBD

- **What can a SBD pay for?**
  - Public improvements (including on-going maintenance)
    - Streets, sidewalks, parking lots, parking garages
    - Parks, trees, landscaping
    - Common area improvements
  - Various services
    - Security
    - Cleaning and maintenance
    - Promotion of business activity

Recent Legislative Amendments

- **Senate Bill 153**
  - Adopted May 14, 2021
  - Delivered to Governor May 25, 2021
- **Amends various statutes involving economic development tools**
  - Creates a uniform definition for "blighted area" using TIF Act
  - Requires a third-party study to determine qualifications for "blighted area"
  - Various changes to CID Act
    - CID duration limited to 27 years
    - If CID has no residents, the board must have at least one director who is a resident of the city
    - Competitive bidding required for construction contracts over $5,000
    - Additional information required in petition to form CID and in annual reports
    - Annual reports must be filed with the State Auditor (in addition to Department of Economic Development and city clerk, as previously required)

Project Examples

- **Chesterfield Valley TIF**
  - Tax increment revenues used to finance 500-year levee and related pump stations, various transportation improvements, utilities and wetland mitigation

Project examples (continued)

- **Chesterfield Valley TDD**
  - TDD sales tax used to finance (a) intersection at Long/Wildhorse Creek/Kehrs Mill Roads, (b) Levee trail, (c) Chesterfield Airport Road intersection, (d) Wildhorse Creek Road realignment, (e) mass transit and (f) Long Road interchange at I-64

Project examples (continued)

- **Chesterfield Blue Valley CID**
  - CID sales tax used to finance roads, utilities, public infrastructure and common areas in connection with the development of Simon Premium Outlet

Project examples – Chapter 100

- **Reinsurance Group of America Headquarters**
  - Real property tax abatement to provide for the development of RGA's headquarters in exchange for on-going job creation requirements

Project examples (continued)

- **Broadmoor NID**
  - NID assessments used to finance street and parking lot replacement within the Broadmoor Condominiums

Questions?