

SEPTEMBER 16, 2015
MINUTES OF THE
TAX INCREMENT FINANCING COMMISSION MEETING
CITY HALL ANNEX, 520 MAIN STREET

Chairman Fred Hastie called the meeting to order at 7:00 p.m.

Roll Call

Belton TIF Commission Members present were: Chairman Fred Hastie; Commissioners: Pete Peterson, Ed Maurer, Rob Elkins, and Ron Branan; Councilman Chet Trutzel; Belton School Board Representatives Jerry Miller and Hal Berger (sitting in for the absent Carol Shutt); and Cass County Representatives Michael Smith and Commissioner Jimmy Odom. A quorum was present.

Also present were: Brad Foster, Assistant City Manager; Aaron March, TIF Attorney representing the City of Belton; and Andrea Cunningham as secretary.

Chairman Hastie acknowledged key guests in the audience: Mayor Jeff Davis; Ron Trivitt, City Manager; Megan McGuire, City Attorney; Jay Leipzig, Economic and Community Development Director. Chairman Hastie recognized other attendees: Councilmen Jeff Fletcher and Robert Newell; Karen Fletcher, Belton School Board Member; and Dr. Andrew Underwood, Superintendent of the Belton School District.

Commissioner Peterson motioned to approve the minutes of the August 26, 2015, Commission meeting, Councilman Trutzel seconded. All present voted in favor. **The minutes were approved.**

7:03 p.m. – Chairman Hastie called the public hearing to order. The hearing is being held to hear all protests, objections, comments, and other evidence to consider the **Cedar Tree Tax Increment Financing (TIF) Plan.**

Roll call was taken of all the taxing jurisdictions.

- **Belton TIF Commission Members present:** Chairman Fred Hastie; Commissioners: Pete Peterson, Ed Maurer, Rob Elkins, and Ron Branan; Councilman Chet Trutzel.
- **Belton School Board Representatives present:** Jerry Miller and Hal Berger (sitting in for the absent Carol Shutt).
- **Cass County Representatives present:** Michael Smith and Commissioner Jimmy Odom.

Aaron March, TIF Attorney representing the City of Belton, reminded the Commission of the procedures for the public hearing. It is best practice to engage in all questions during the public hearing. Once the public hearing is closed it can't be re-opened. If more time is needed ask for a continuance. Once the public hearing is closed, the Commission can choose to adopt the resolution.

City Staff Report

Brad Foster, Assistant City Manager, gave the staff report. It is attached and made part of these minutes. Jay Leipzig, Economic and Community Development Director, said the City has been working the Lane 4 Property Group for about two years. This development team has high standards for their projects. They've done many projects in the Kansas City area.

Developer Presentation

Chase Simmons with Polsinelli Law Firm, representing Lane 4 Property Group, gave a presentation. One of the challenges that aging shopping centers face is that it's hard to justify to tenants an overnight increase in rent. There's going to need to be about a 40% rent premium to make this project work. An additional piece of land was purchased for a possible phase 2 project, although phase 2 is undecided at this point. (It should be noted that Subway restaurant is not included in this TIF project. That site is privately owned.)

Over the life of the TIF, all of the taxes (base taxes, the pass through 25%, and all new taxes) will be divided as 65% to the districts and 35% to the developer. We have a healthy tax base already. In the past 10 years or so, the taxes on this property have been stagnant. It could be better. There needs to be a major reinvestment.

If only Phase 1 is included, it will be at a 23.7% public assistance. If Phase 2 is included (which is undecided), it will be at a 13.57% city assistance. And repayment is within the 12 years.

Brandon Buckley with Lane 4 Property Group gave a presentation. Lane 4 acquired the property from a group out of Des Moines IA. It was purchased in September 2013. For the past two years, we've been working with architects on plans. In looking at the location, this property is really underutilized. This is an opportunity to get higher-end tenants and fill the vacancies.

Money can be used in very strategic ways to get a return.

1. Landscaping
2. Public areas – patio space. It's possible to bring in a restaurant. People will drive a distance for a good restaurant.

How this is different than the green space development?

1. There are current tenants. It's possible we can do some buy outs or we may just have to wait until their leases are up. Some of the tenants have 10-20 year leases. A redevelopment can pull in the higher-end tenants. These tenants bring in more taxes by attracting more sales.
2. We've also included tenant improvement money. We don't know exactly what's going to happen.

We've been talking to a high end family restaurant/bar & grill. They are interested, but it's contingent on the redevelopment. We've talked to some other anchor tenants too. Generally speaking, we're not looking to "kick out" the current tenants. But the mix has to be right. The market responds better to certain tenants.

The rent amount will be based on the type of tenant. By redeveloping the site, the sales should offset the rent payments. We would expect little vacancy at this site with the renovations.

Valbridge did a blight study. They found many factors of blight. Inadequate Street layout/parking lot layout; unsafe/unsanitary conditions; deteriorations; improper subdivision/obsolete platting. There is economic liability and cost to update all of this. It's clear that no one is going to update this site without a TIF. Chairman Hastie added that blight is a key justification for doing a TIF.

The previous owner did renovations in 1992 and 1994. When we bought it, we pointed out the deferred maintenance issues and they were hit hard on the sale price. It was poor management and a lack of maximized value. We pay attention to all of these details. We take pride in our centers. We shoot for a timeless design. It's classic and well done. We use natural materials for the façade. It will be a first-class project. Councilman Trutzel said the façade is only the outside. We also need to address the electrical, etc. Brandon Buckley said he realizes this. They won't be coming to you later for more money. It will be taken care of it. Councilman Trutzel added that this façade design falls in line with the N Scott Corridor Plan.

Public Comments

Andrew Underwood, Superintendent of the Belton School District, talked about the current TIFs and the fact they are either underperforming or have been amended thereby adding more years for payoff.

Councilman Trutzel added that this TIF is different because it's not going from green space to commercial use. The green space tax rate is considerably lower. This TIF will be renovation construction.

Brad Foster said the Belton Towne Center TIF would have been paid off by now, but we did road improvements and water/sewer improvements. It extended the life of the TIF because the improvements were vitally needed. Belton Gateway is underperforming because there is only one business there right now. It's still being built out. The area by Price Chopper was built when the market was down. It has performed as well as expected, but it's making enough to pay its debt.

Discussion by Commission

Chairman Hastie – I like the façade and structure pictured. I hope it turns out this way. This site is 38 years old. It was probably the first shopping center in Belton. Lane 4 has to meet our TIF requirements, of course, but I wouldn't want to see this as a ghost town in 10 years. This is a new type of TIF for us. We need to look at what it will do and if it meets the "but for" criteria.

County Commissioner Odom – When we decided to move the Price Chopper, the Belton school district wasn't getting any tax money originally. The old site is in the Ray-Pec school district. Now Price Chopper is in the Belton district. We need to take this opportunity to give the shopping center a face lift.

Councilman Trutzel – I am supportive of Lane 4’s choice. They could go anywhere and they came here.

Commissioner Elkins asked about reimbursable expenses. What documents are required in terms of the TIF? Aaron March answered that TIF contracts require proof of payment and invoices. Within the line items that are reimbursable, they are allowed to move savings inter-categorically. The 5% interest is a fixed interest. Lane 4 will certify the costs they’ve incurred to the City. Historically, Brad and Jay have evaluated them. There’s a standard way to do this.

Councilman Trutzel motioned to enter into record the city staff report, the applicant presentation, and tax increment financing plan, including all exhibits. County Commissioner Odom seconded. All present voted in favor.

Being no further input, Councilman Trutzel moved to close the public hearing. Commissioner Peterson seconded. All present voted in favor. The public hearing was closed at 8:45 p.m.

RESOLUTION NO. 09-16-15-1: RESOLUTION OF THE TAX INCREMENT FINANCING COMMISSION OF BELTON, MISSOURI, RECOMMENDING: APPROVAL OF THE CEDAR TREE TAX INCREMENT FINANCING REDEVELOPMENT PLAN TO THE CITY COUNCIL OF BELTON, MISSOURI; DESIGNATION OF I-49 INVESTORS, LLC AS REDEVELOPER OF THE TIF PLAN AND REDEVELOPMENT PROJECT AND EXECUTION OF AN AGREEMENT BETWEEN I-49 INVESTORS, LLC AND THE CITY FOR THE IMPLEMENTATION OF THE CEDAR TREE TAX INCREMENT FINANCING REDEVELOPMENT PLAN.
Presented by Councilman Trutzel, seconded by Commissioner Elkins. Discussion.

Chairman Hastie – does it meet the criteria of blight? Yes, we understand that it’s blight.

Chairman Hastie – does it meet the “but for”? We trust the recommendation from the attorney and city staff who have gone over all the paperwork.

Commissioner Maurer added the “but for” can be said about many properties. There’s always risk involved. It seems like we’re giving a lot of TIFs.

County Commissioner added that if you look at the surrounding areas (Cerner in Kansas City, Raymore, Grandview, Peculiar) the market is huge for development. If we don’t offer opportunities, they will just go somewhere else.

Commissioner Maurer said Transwest, Hampton Inn, Casey’s, the old Walmart area – they didn’t use TIF money.

Chairman Hastie asked do you want the whole pie, some of the pie, or none of the pie. It’s better to have something, instead of nothing. It will help the taxing districts.

Councilman Trutzel said the developers have a lot of money invested in this already. They’re on the hook for this. They’re still obligated to pay the majority of what we’re discussing.

Commissioner Maurer asked if they do Phase 2, can they come back and ask for more money? Brad Foster answered they can build without TIF or they can amend their TIF. If they build it out, it will increase the tax monies.

Commissioner Elkins said if TIF is absolutely necessary to bring in big players, then we need to be sure we have good co-tenants.

Jerry Miller moved to call for the question. Councilman Trutzel seconded. All present voted in favor.

The Commission was polled and all members present voted in favor of approving the resolution. **The resolution passed.**

RECOMMEND DESIGNATION OF PROJECT AREA 1 AND AUTHORIZATION OF TAX INCREMENT FINANCING WITHIN SUCH PROJECT AREA. Presented by Commissioner Elkins, seconded by County Commissioner Odom. All present voted in favor.

RECOMMEND DESIGNATION OF I-49 INVESTORS, LLC AS THE REDEVELOPER TO IMPLEMENT REDEVELOPMENT PROJECT 1 OF THE CEDAR TREE TAX INCREMENT FINANCING PLAN. Presented by Councilman Trutzel, seconded by County Commissioner Odom. All present voted in favor.

Being no further business, Councilman Trutzel moved to adjourn at 9:10 P.M. Commissioner Peterson seconded. All present voted in favor. Meeting adjourned.

Andrea Cunningham, TIF Commission Secretary

STAFF REPORT TO THE CITY OF BELTON TIF COMMISSION
CEDAR TREE TAX INCREMENT FINANCING REDEVELOPMENT PLAN

TIF Commission Public Hearing Date: September 16, 2015

1. Public Notice

In accordance with Section 99.830 of the Revised Statutes of Missouri, Staff prepared and delivered all required notices of this public hearing and a Request for Proposals (RFP) to undertake redevelopment of the proposed Redevelopment Area. Aside from the applicant, I-49 Investors, LLC ("the Redeveloper"), there were no qualified responses to the RFP.

2. Introduction

The purpose of this hearing is for the Commission to consider recommending to the City Council the approval or denial of the proposed Cedar Tree Tax Increment Financing Redevelopment Plan ("TIF Plan") and the designation of the Redeveloper as the redeveloper to implement the TIF Plan.

3. Redevelopment Area

The Redevelopment Area consists of approximately 14 acres of property generally located at the northwest corner of I-49 and Missouri State Highway 58. *See* TIF Plan **Exhibit 2A**.

4. General Description of the TIF Plan and Redevelopment Project

A. Redevelopment Plan

This TIF Plan proposes to redevelop approximately 92,000 square feet of retail at the existing Cedar Tree Shopping Center together with related private and public infrastructure.

B. Redevelopment Project

The Redevelopment Area contains one (1) Redevelopment Project and one Redevelopment Project Area. Redevelopment Project 1 proposes the renovation of approximately 92,000 square feet of retail space within Redevelopment Project Area 1. Redevelopment Project 1 also includes improvements of landscaping along Boatman's Plaza and Highway 58, mill and overlay of Powell Parkway to enhance the roadway and construction and reconstruction of all support facilities within the Redevelopment Area such as utilities, parking lots, street improvements, sidewalks, drainage as well as storm water detention.

5. Estimated Redevelopment Costs and Reimbursable Costs

Total Redevelopment Project Costs are estimated to be approximately **\$12,513,370**. See TIF Plan **Exhibit 4**.

The maximum amount of Reimbursable Project Area 1 Costs to be paid for under this Plan through TIF Revenue and CID Revenue is \$2,967,703 plus interest on the advance funding of such costs at a rate of five percent (5%) per annum. Interest will be calculated annually and certified as a Reimbursable Project Cost. In all regards, the amount paid to the Redeveloper shall not exceed a net present value of \$2,967,703, using a five percent (5%) discount rate. The TIF Plan will terminate at the earlier of December 1, 2031 or the payment to the Redeveloper of a net present value amount of \$2,967,703 using a five percent (5%) discount rate.

6. Projected Public Finance Revenue

a. **PILOTs.** The TIF Plan proposes that 25% of the annual Payments in Lieu of Taxes (PILOTs) collected be declared as surplus revenue under the TIF Act and returned to the Taxing Districts. (Following completion of the project, the annual average 25% PILOTs surplus returned to the Taxing Districts is approximately \$65,000, and the annual average surplus payment to the School District is approximately \$45,000.) After deducting the 25% surplus, the estimated total gross PILOTs generated by the Redevelopment Projects over the duration of the TIF Plan is **\$1,285,105**

b. **EATS.** The estimated total gross Economic Activity Taxes (EATs) generated by the Redevelopment Project over the duration of the TIF Plan (including that portion of CID Revenue captured as EATs) is **\$3,372,156**

c. **CID Revenue.** It is the intent of this Plan, that the Redeveloper will pursue creation of one or more CID(s) whose boundaries will include some portion or all of the Redevelopment Area, and which CID will authorize the imposition of a CID Special Assessment of up to \$2.00 per square foot of buildings constructed within the boundaries of the CID, thereby generating CID Revenue. This Plan anticipates the CID will remain ongoing after the termination of the Plan, to fund costs pursuant to the CID and the approved contract between the City and the CID.

d. **Total Public Revenue.** The estimated total gross Public Financing Revenue generated by the Redevelopment Projects over the duration of the TIF Plan and available to fund or reimburse project costs is **\$4,657,261**

e. **Bonds.** This Plan does not authorize the issuance of Bonds or other obligations to finance Redevelopment Project Costs. The Plan proposes that such TIF Revenue, as well as CID Revenue, if any, as are annually collected be pledged to reimburse or pay for Reimbursable Project Costs in whatever amounts such annually collected amounts allow ("pay as you go").

7. Redevelopment Schedule

The Redeveloper anticipates that construction of the Project 1 improvements will be completed by October 31, 2016. See **Exhibit 13** to the TIF Plan. In no event shall any ordinance approving

a Redevelopment Project be adopted later than ten (10) years from the adoption of the ordinance approving this TIF Plan.

8. Finding of Blighted Area

The TIF Plan, pursuant to the Existing Conditions Study (Blight Study) performed by Valbridge Property Advisors and attached to the TIF Plan as **Exhibit 9**, and Redeveloper's Affidavit attached to the TIF Plan as **Exhibit 12**, concludes that the Redevelopment Area is a blighted area under the TIF Act.

To find that the Redevelopment Area is blighted, the Commission must find that at least one (and preferably more than one) of the following blighting factors exists at the site in its present use and condition:

- a. Predominance of defective or inadequate street layout;
- b. Unsanitary or unsafe conditions;
- c. Deterioration of site improvements;
- d. Improper subdivision or obsolete planning; or
- e. Conditions which endanger life or property by fire or other cause.

The Commission must then find that a causal connection exists between the blighting factor(s) and at least one of the following, *i.e.*, the factor(s) must be shown to either:

- a. Retard the provision of housing accommodation;
- b. Constitute an economic or social liability; or
- c. Constitute a menace to the public health, public safety, public morals, or public welfare in its present condition and use.

Staff believes that the Blight Study and the Redeveloper's Affidavit, in addition to material to be presented by Redeveloper or its consultants at the hearing, provide factual information which could allow the Commission to make a finding that the Redevelopment Area is a blighted area.

9. Finding the Area Conforms to the City's Comprehensive Plan

Staff believes that the TIF Plan is consistent with the City's Comprehensive Plan, meeting the following objects of the Comprehensive Plan: (1) planning for orderly commercial growth; (2) provide a high-quality development that addresses basic community needs; (3) encourage infill and modernization of existing commercial districts; and (4) cluster large commercial uses to minimize impact on surrounding uses and traffic patterns. Additionally, the Comprehensive Plan contemplates commercial development of the Redevelopment Area, consistent with the proposed commercial uses under the TIF Plan.

10. But-For Analysis

The TIF Plan includes a “But-For” financial analysis, attached to the TIF Plan as **Exhibit 8**, concluding that the project will produce the following internal rates of return (IRR) to the Redeveloper with and without Public Revenue Financing:

IRR with Public Revenue Financing	10.70%
IRR without Public Revenue Financing	-1.91%

A private redeveloper would not pursue this redevelopment for a -1.91% return. The Redeveloper has represented that it would pursue this project for the 10.70% return. Accordingly, based upon the facts and further based upon the Redeveloper's Affidavit attached as **Exhibit 12** of the TIF Plan stating that the project would not occur without Public Financing Revenue, Staff believes that the "but-for" test has been satisfied.

11. Cost-Benefit Analysis

The TIF Plan includes a cost-benefit analysis attached to the TIF Plan as **Exhibit 7**. The analysis concludes that the Project will result in a positive benefit of approximately \$22,457,007 to the taxing districts over the life of the TIF Plan, as measured by real property taxes (excluding PILOTs captured by the TIF Plan), surplus 25% PILOTs returned to the Taxing Districts, and the 50% portion of EATs uncaptured by the project.

12. Compliance with City TIF Policy

It is the policy of the City to consider the judicious use of TIF for those projects which demonstrate a substantial and significant public benefit by constructing public improvements in support of developments that will, by creating new jobs and retaining existing employment, eliminate blight, strengthen the employment and economic base of the City, increase property values and tax revenues, reduce poverty, create economic stability, facilitate economic self sufficiency, and implement the Comprehensive Plan and economic development strategy of the City. The Commission may consider whether these goals are satisfied by the proposed TIF Plan.

A). Policy Considerations.

The City's Economic Development Policy states TIF assistance generally should not exceed 15% of the total project costs. However, this threshold may be waived in circumstances where the developer: (a) has a proven track record in completing successful projects comparable in scope and scale; (b) documents the developer's financial capacity to complete the proposed project; (c) demonstrates that tenant commitments are already in place for a significant portion of the proposed project; and, (d) documents evidence of substantial public benefit (ex: infrastructure), and other key components of the street master plan.

The TIF Plan raises the following policy considerations:

a. **Percentage of TIF Assistance.** The Redeveloper has indicated future development, estimated at \$9,360,000, may occur to the north of Redevelopment Project Area 1 which may include a hotel or other development. If this occurs without TIF assistance, the public participation is estimated to decrease from 23.72% to 13.57%.

b. **Pay-Off Period.** The TIF Policy provides that TIF Applications which provide for a complete payout in less than twelve (12) years will be preferred. This TIF Plan projects a pay-off of the Project 1 Obligations by the earlier of the payment of payment to the Redeveloper of a net present value amount of \$2,967,703 using a five percent (5%) discount rate or December 1, 2031 (16 years).

13. Required Findings for TIF Plan Approval

In order for the TIF Plan to be adopted, the TIF Act requires that the City Council make the following findings, and that the Commission make recommendations as to each of the following findings (these findings are set forth in greater detail in the attached draft Resolution recommending approval of the TIF Plan):

- a. The Redevelopment Area on the whole is a blighted area under the Act.
- b. The Redevelopment Area has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of TIF as described in the TIF Plan.
- c. The TIF Plan conforms to the City's comprehensive plan.
- d. The estimated dates of completion of the Redevelopment Projects and retirement of obligations, if any, incurred to finance Redevelopment Project Costs have been stated in the TIF Plan and are not more than twenty-three (23) years from the adoption of any ordinance approving the Redevelopment Projects within the Redevelopment Area, no ordinance approving a Redevelopment Project shall be adopted later than ten (10) years from the adoption of the ordinance approving the TIF Plan.
- e. The TIF Plan includes a relocation assistance plan for businesses and residences.
- f. The TIF Plan includes a cost-benefit analysis showing the economic impact of the TIF Plan on each taxing district, showing the impact on the economy if the project is not built, and is built pursuant to the TIF Plan, and including sufficient information from the redeveloper for the Commission to evaluate whether the Redevelopment Projects are financially feasible.
- g. The TIF Plan does not include the initial development or redevelopment of any gambling establishment.
- h. The Redevelopment Area includes only that property which will be directly and substantially benefited by the proposed project improvements.

Staff has concluded that items (b)-(h) are satisfied, and that the Commission may find that item (a) is satisfied based upon the information contained in the Blight Study, the Redeveloper's affidavit, and additional materials presented at the hearing by the Redeveloper.

14. Designation of Redeveloper

Should the Commission choose to recommend approval of the TIF Plan, it may further recommend the designation of applicant, I-49 Investors, LLC, as the Redeveloper for the Redevelopment Project as described in the TIF Plan.

ACTIONS RECOMMENDED:

- A. CLOSE THE PUBLIC HEARING REGARDING THE PROPOSED CEDAR TREE TAX INCREMENT FINANCING REDEVELOPMENT PLAN. **(Do not close public hearing if the hearing is to be continued. If hearing is continued, Commission must do so by motion, second and vote to a specific time, place and date)**
- B. ADOPT RESOLUTION NO. 9-16-15-1 RECOMMENDING TO THE CITY COUNCIL THAT THE CEDAR TREE TAX INCREMENT REDEVELOPMENT PLAN BE APPROVED AS PRESENTED.
- C. RECOMMEND DESIGNATION OF PROJECT AREA 1 AND AUTHORIZATION OF TAX INCREMENT FINANCING WITHIN SUCH PROJECT AREA.
- D. RECOMMEND DESIGNATION OF I-49 INVESTORS, LLC AS THE REDEVELOPER TO IMPLEMENT REDEVELOPMENT PROJECT 1 OF THE CEDAR TREE TAX INCREMENT FINANCING REDEVELOPMENT PLAN.