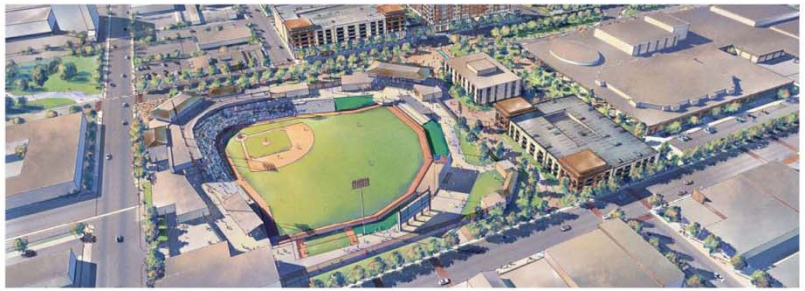


Tax Increment Financing

November 7, 2012







Wallace Bajjali
Development Partners, LP

Discussion Overview

- Tax Increment Financing (“TIF”) Described
- TIF Basics
- Uses for TIF Fund
- TIF Limitations
- TIF Frequently Asked Questions
- Proposed TIF
  - Base Philosophy
  - Goals
  - Area Assessment
  - Boundaries
  - Projects
  - Anticipated Revenue
- Summary

TIF Described

- Tax increment financing:
  - Is an economic development tool available to local governments
  - Is used to finance needed structural improvements and/or enhanced infrastructure
  - Requires a project plan and a defined area
  - Is usually undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the area
  - **Is not an increase in tax rates**
  - Captures the increases in taxable value as a source of funds to pay for identified projects
  - **It does not reduce the tax revenue being collected by a taxing entity**
  - Participating local taxing units (City, County…) determine what percentage of their tax increment, if any, they will commit to repayment of the cost of financing the public improvements

TIF Basics

- The governing body of a municipality is required to establish a TIF Commission, composed of certain members including representatives of other local taxing authorities within the redevelopment project area as defined by state statute

- The municipality is responsible for the approval of ordinances (or resolutions if a county) that establish a comprehensive Redevelopment Plan, and for approval of the specific TIF Redevelopment Project

TIF Basics - Continued

- Responsibilities of the TIF Commission are many, and may include:
  - Creating the Redevelopment Plan and TIF Redevelopment Project parameters
  - Holding required public hearings
  - Preparing economic impact reports and revenue projections
  - Blight studies
  - Other documents to justify the need for TIF and as required by state statutes governing Local TIF projects

Uses for TIF Funds

- TIF may be used to pay certain costs incurred with a redevelopment project. Such costs may include, but are not limited to:
  - Professional services such as studies, surveys, plans, financial management and legal counsel
  - Land acquisition, demolition of structures and debris removal
  - Rehabilitating, repairing existing buildings on site
  - Building necessary new infrastructure in the project area such as streets, sewers, parking and lighting
  - Relocation of resident and business occupants located in the project area

TIF Limitations

- TIF does not increase property tax rates
- Is not an open ended funding tool - may not be used to fund projects or activities not qualified under the statute
- A TIF district (the redevelopment area) must qualify under one of three designations provided for in the TIF Act
  - "blighted area"
  - "conservation area"
  - "economic development area"

TIF FAQ

- **Why is a TIF a good solution for part of Joplin's redevelopment?**

  A TIF or Tax Increment Financing helps fund projects based on the future tax base those projects will help generate. A TIF helps ensure that part of the taxes from this district are re-invested in this district

- **Is this a new tax?**

  No, a TIF is not a new tax

- **Will the TIF make my property tax rate increase?**

  No

FAQ - Continued

- **What is the "but-for" test?**

  It means that "but-for" the TIF the project would not happen as quickly, to as high a standard, to the same quality or degree or perhaps at all

- **Does a TIF mean tax $ are being "Given away"**

  No. Because of the **"<u>but for</u>"** test, the dollars the TIF receives would not be collected = you can't give away what you wouldn't have had without the TIF

- **Who is the beneficiary of the TIF Funds?**

  The Joplin Redevelopment Corporation would receive funds from the TIF to undertake specific projects

FAQ - Continued

- **What are the benefits of a TIF?**

  There are many benefits from using a TIF. Among them are:

  – Incremental revenue is reinvested in the TIF district
  – Revenue from future projects funds specific identified qualifying projects and activities
  – It does not rely upon new taxes
  – It is a means of aligning the goals and objectives of the governing entities participating in the TIF
  – It requires a formal plan
  – It does not reduce the revenue received by the taxing jurisdictions
  – It assists in making qualifying projects occur that could not occur without the TIF

Proposed TIF - Base Philosophy

- Private investment in rebuilding a devastated area of any city is inordinately expensive and inherently risky
- Assuming the challenge of achieving appropriate and necessary site assembly is addressed, there will still be overwhelming risks relative to potential rewards to be overcome by the owners and investors in new housing as well as job-producing businesses
- Utilizing the TIF will capture increases in value created by projects that would not other wise occur to fill funding gaps to invest in those projects
- Investment will be in qualifying public projects which would be a part of the project costs, but have the effect of lowering the cost of the project and making them viable

Proposed TIF - Goals

The City's primary objectives for this Redevelopment Plan are:

- To facilitate redevelopment of the area
- To cure the economic underutilization of the area
- To alleviate those conditions that cause the area to be a "Blighted Area"
- To further the objectives of the City's Comprehensive Plan
- To encourage a full recovery of the area from the May 22, 2011 tornado that encourages additional and quality redevelopment activity within the area and promotes the economic health and independence of the City and other taxing districts

Proposed TIF - Goals

The following objectives also form the basis for the Redevelopment Plan:

- Relocate, upgrade and/or refurbish utilities and other infrastructure facilities serving the area
- Enhance the tax base by inducing development of the area to its highest and best use, to the benefit of taxing districts, and to encourage private investment in surrounding areas
- Promote health, safety, order, convenience, prosperity, and the general welfare, as well as efficiency of economy in the process of development
- Increase property values in the area
- Stimulate employment opportunities and increased demand for services in the area

Proposed TIF - Area Assessment

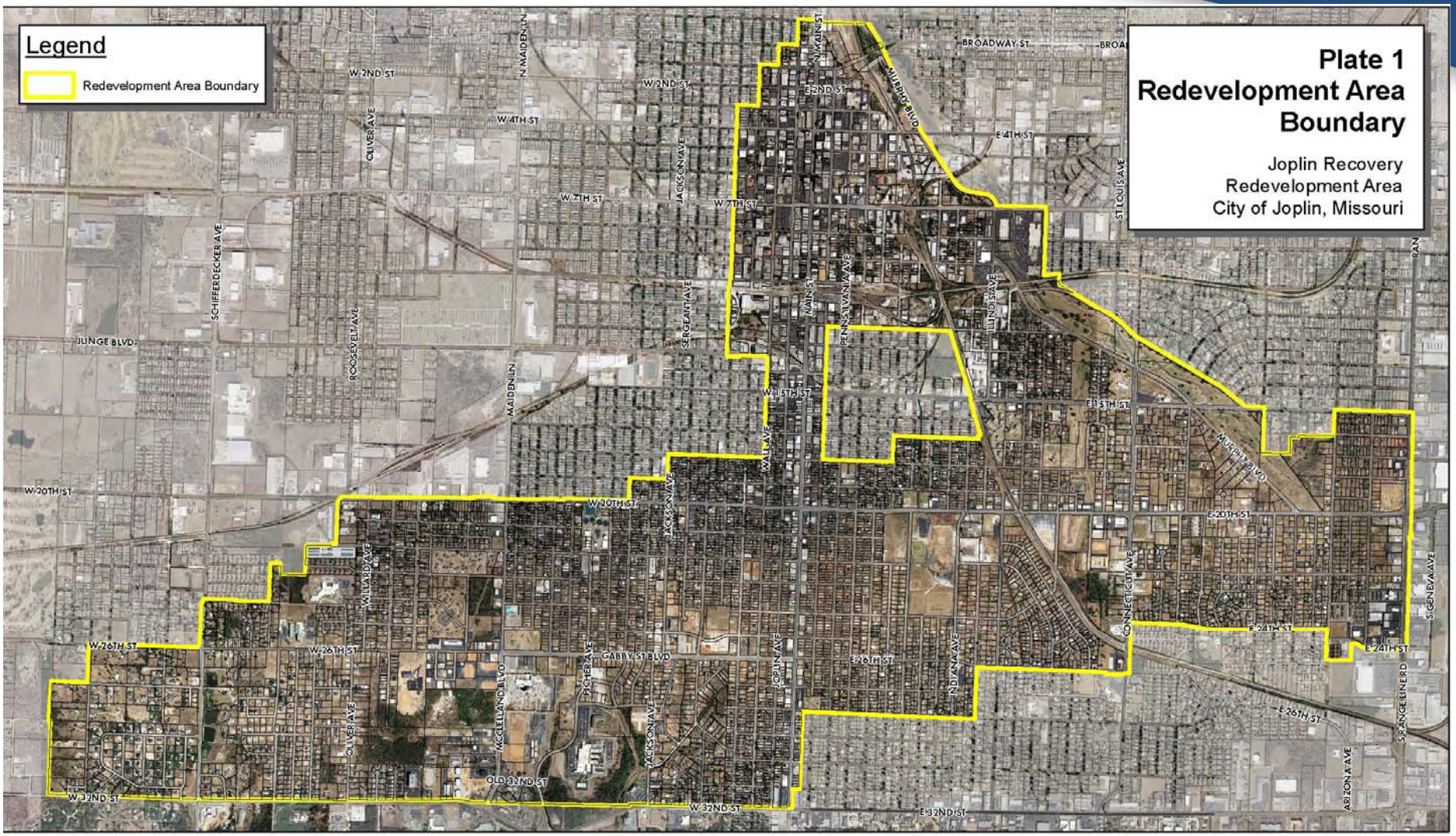
TABLE 1
BLIGHT ANALYSIS SUMMARY
Joplin Recovery Redevelopment Project
Joplin, Missouri

Condition	Parcels	% of Total
Total Parcels	6,129	100%
Site Analysis		
Deteriorated Site Improvements*	1,094	18%
Unsanitary and Unsafe Conditions*	205	3%
Improper Subdivision and Obsolete Platting*	306	5%
Conditions which Endanger Life and Property by Fire, etc.*	59	1%
Tornado Damaged Properties		
Catastrophic Damage*	1,508	25%
Extensive Damage*	964	16%
Moderate Damage	847	14%
Limited Damage	857	14%
Total Impacted by Tornado	4,176	68%
* Properties Depicted on **Plate 2 - Parcel Conditions**	3,616	59%
* Acreage Depicted on **Plate 2 - Parcel Conditions**	1,454	62%

Source: Site Analysis by PGAV Planners and Olsson Associates in August 2012 and FEMA damage assessment from May 22, 2012 tornado recovery.

Proposed TIF – Boundaries

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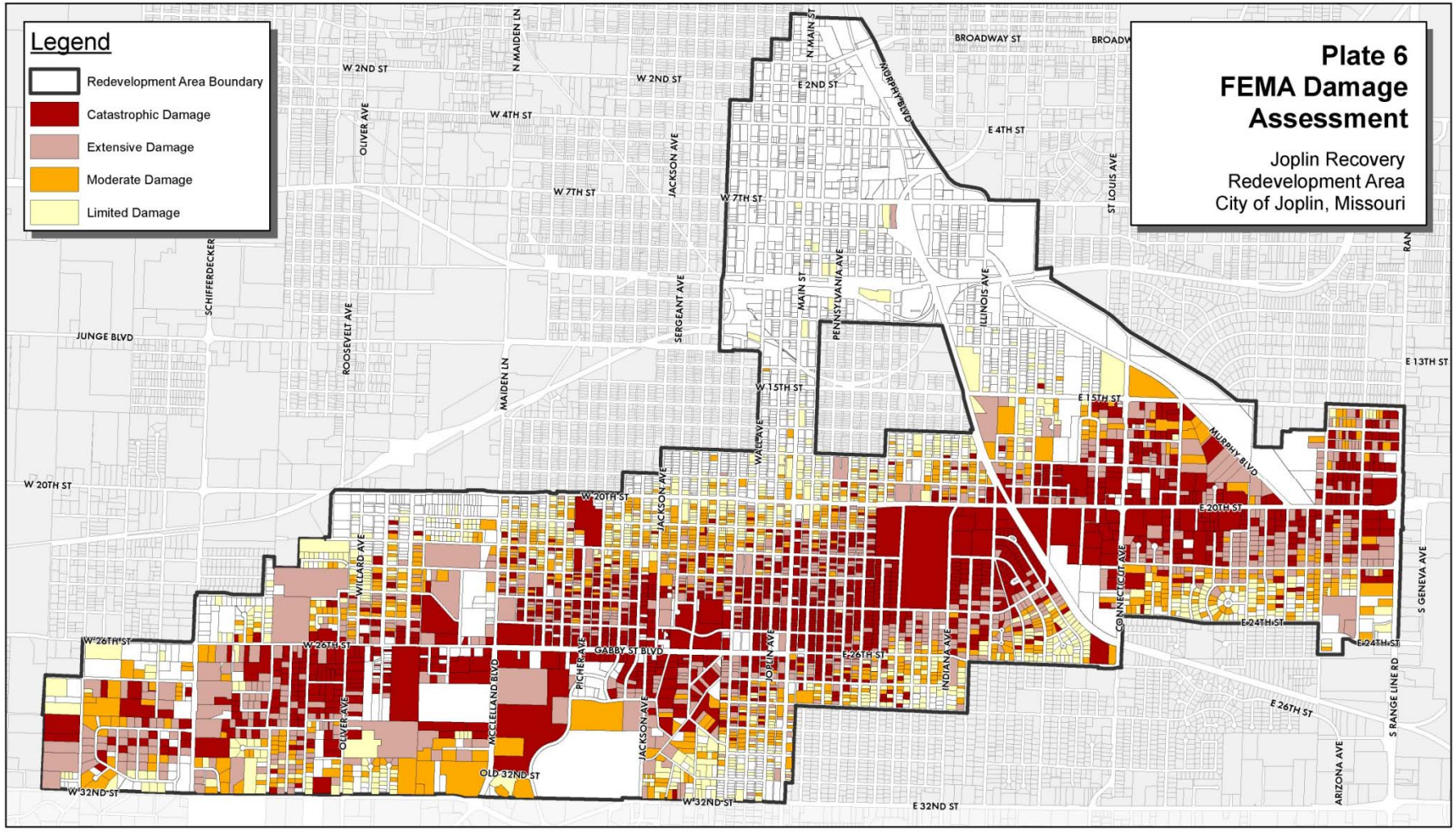


JOPLIN

PGAV PLANNERS

October 2012

Proposed TIF – Boundaries



Source: FEMA damage assessment data provided by the City of Joplin.

October 2012

Proposed TIF - Projects

Estimated Redevelopment Project Costs for the Redevelopment Area include the cost of all of the following:

- Land acquisition
- Building construction, demolition, and rehabilitation of various types as well as removal of existing improvements and grading
- Required infrastructure improvements, such as street improvements, curb and sidewalk improvements, storm and sanitary improvements, sustainable and “green” infrastructure, and upgrading utilities
- Qualifying Administrative Costs
- Ancillary Expenses such as loan fees, construction loan interest, permit and inspection fees, appraisals, title insurance, surveying, soils engineering and compaction, architect/engineer fees, environmental testing and remediation, etc

TABLE 2
ESTIMATED REDEVELOPMENT PROJECT COSTS
Joplin Recovery Redevelopment Project
Joplin, Missouri

Redevelopment Project Cost Items		
Land Acquisition	$	30,000,000
Market Rate Single-Family Housing	$	162,500,000
Principal Reduction Plan Housing	$	40,000,000
Affordable Multi-Family Housing	$	19,000,000
Market Rate Multi-Family Housing	$	37,000,000
Senior Living	$	10,000,000
Senior Living - Assisted Living/Memory Care	$	25,000,000
Salvation Army Homes	$	1,500,000
Mixed Use Residential over Retail/Commercial	$	56,000,000
Medical Office	$	74,000,000
Downtown Education Complex	$	73,000,000
Library/Theatre Complex	$	20,000,000
Government Office Facility	$	45,000,000
SPARK Performing and Visual Arts Center	$	68,000,000
Hotel and Convention Center	$	70,000,000
Multi-Purpose Event Venue & Sports Complex	$	55,000,000
Neighborhood Infrastructure	$	8,000,000
School Facilities	$	12,000,000
Total Project Costs	**$**	**806,000,000**

Source: Wallace-Bajjali Development Partners

Proposed TIF - Anticipated Revenue

TABLE 3
ANTICIPATED REDEVELOPMENT PROJECT COSTS
AND FINANCING SOURCES
Joplin Recovery Redevelopment Project
Joplin, Missouri

Redevelopment Project Financing Sources		
Redevelopment Project Costs to be Reimbursed from Local Tax Increment Financing	$	42,000,000
Redevelopment Project Costs to be Reimbursed from State Tax Increment Financing	$	15,000,000
Total Tax Increment Financing Assistance (State + Local Tax Increment Financing)	$	57,000,000
Total Redevelopment Plan & Project Implementation Costs to be Financed by funding other than Tax Increment Financing	$	749,000,000
Total Redevelopment Project Costs [1]	$	806,000,000

[1] Source: Wallace-Bajjali Development Partners

Summary

- TIF's are valuable and powerful tools available to local jurisdictions
- **TIF's are not a new tax**
- TIF's are used to induce development
- **TIF's do not reduce the amount of tax revenue presently being collected by participating taxing entities**
- Therefore, the tax revenues that are foregone to induce improvement in a redevelopment area are not really "lost". They might never have been realized were it not for the investment assistance to overcome extraordinary conditions relating to cost of property acquisition, land clearance, public infrastructure construction, or other problems encumbering the redevelopment area.

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QUESTIONS ?