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TIF Financing and Use by the City of Olathe

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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

What Can You Pay For with TIF?

- Eligible Redevelopment Project Costs:
 - Land acquisition
 - Site work and infrastructure
 - Parking and landscaping
 - Sports complex and museums
- Certain costs not eligible
 - Buildings
 - Developer and developer consultant fees
 - Salaries for local government employees
 - Property taxes
 - Any personal property

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
 - Conservation Area
 - Pre-1992 Enterprise Zones
 - Certain other areas

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
- Mailed and published notice given to property owners, County and School District

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

Allocating Taxes

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

Base Taxes

$$\frac{\text{Base Year Assessed Valuation} \times \text{Current Mill Levy}}{\text{Current Mill Levy}}$$

Base Taxes

Base Taxes are allocated to each taxing subdivision.

Tax Increment

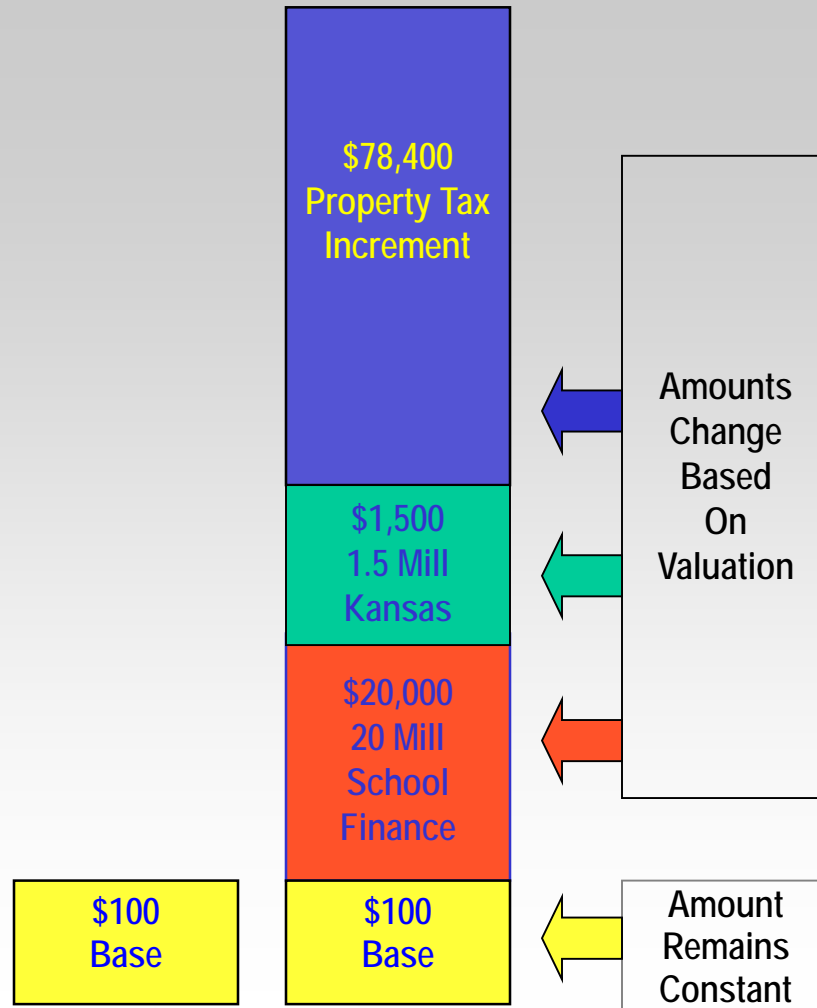
$$\frac{\text{Current Assessed Valuation} - \text{Base Year Assessed Valuation} \times \text{Current Mill Levy}}{\text{Current Mill Levy}}$$

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

- 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

Policy Considerations

- Have an Economic Incentives Policy approved by governing body (GFOA Best Practices)
 - Performance standards
 - Monitoring and compliance

Olathe Embassy Suites Project

- Combination of Incentives Utilized:
 - TIF
 - Community Improvement District (CID)
 - Industrial Revenue Bond (IRB) Sales Tax Exemption on Construction Materials and Furniture, Fixtures and Equipment (FFE)
 - City issued CID general obligation bonds

CID Structure

- City issued taxable CID GO Bonds
- CID created and imposed both a 2% CID sales tax and CID special assessments on the project
- Special assessments only payable if revenues insufficient (used as a backstop)

Olathe Soccer Complex

- Combination of Incentives Utilized:
 - TIF (property tax, sales tax and transient guest tax)
 - CID 1% Sales Tax
 - IRBs – sales tax exemption for construction materials and fee for all new buildings
 - 10-year property tax abatement for 9 soccer fields

Questions?