



STAFF AND CONSULTANT'S REPORT TO CITY COUNCIL

DATE: NOVEMBER 13, 2015

TO: CITY OF SEDALIA CITY COUNCIL
FROM: CITY STAFF AND CONSULTANTS (LAUBER MUNICIPAL LAW, LLC)
RE: 50 HIGHWAY TAX INCREMENT FINANCING REDEVELOPMENT PLAN

Project Name: 50 Highway Tax Increment Financing Redevelopment Plan (“**TIF Plan**”)

Redevelopment Area: Consists of two areas of land connected with Highway 50 right-of-way: (1) “West site” is generally located north of Highway 50, east of Oak Grove Lane, and south of W. Main Street; and (2) “East site” is generally located south of Highway 50, east of Westwood Avenue, and west of Winchester Road. The Redevelopment Area contains approximately 5.1 acres.

BRIEF OVERVIEW

The City of Sedalia, Missouri (“**City**”), requested proposals from developers for redevelopment of all or a portion of the Redevelopment Area. The area selected for redevelopment has not been subject to growth or development for a long period of time (as evidenced by the Blight Study that was submitted with the TIF Plan). To put itself in a position to identify the best redevelopment plan in today’s market to remediate blight existing in the Redevelopment Area, the City sought competitive proposals from developers interested in developing the Redevelopment Area. Only one developer submitted an application to undertake the requested redevelopment. On October 21, 2015, a public hearing was held before the City of Sedalia Tax Increment Financing Commission (“**Commission**”). The Commission voted 10-1 to make a recommendation in opposition to the TIF Plan. Pursuant to state statute, the City Council may follow the recommendation of the Commission; or, if the City Council wishes to approve the TIF Plan, it may do so upon a two-thirds majority vote (6 votes needed to approve the TIF Plan). This summary provides an analysis of the statutory sufficiency of the proposal submitted by Star Acquisitions, Inc.

Applicant Information.

On September 18, 2015, Star Acquisitions, Inc. (“**Star**” or “**Applicant**”) submitted an application for tax increment financing (“**TIF**”) in the form of the Tax Increment Financing Plan Sedalia, Missouri (the “**50 Highway Tax Increment Financing Redevelopment Plan**” or “**TIF Plan**”). Star Acquisitions, Inc., a subsidiary of Star Development

Corporation, was founded in 2012, has its base of operations in Liberty, Missouri, and is a corporation formed for the purpose of owning, purchasing, selling, developing and leasing real and personal property. The incorporator, Timothy Harris, through Star Development Corporation, currently owns and operates over 30 commercial properties consisting of over one million square feet of commercial retail, office, warehouse and industrial space. Examples of projects Mr. Harris has worked on are: *Liberty Triangle*, Liberty, Missouri; *Mall at Fall Creek*, Blue Springs, Missouri; *2001 N. Highway 7*, Pleasant Hill, Missouri; *Liberty Landing*, Liberty, Missouri; *Platte Woods Plaza*, Kansas City, Missouri; *W. 92 Highway*, Kearney, Missouri; *Highland Plaza*, Liberty, Missouri; and *South Forrest Avenue*, Liberty, Missouri.

Project Summary.

To remediate the blighted conditions indicated in the blight study found at Exhibit 6, the TIF Plan proposes the redevelopment of approximately 5.1 acres of real property as described in the City's request for proposals. Applicant is proposing to expend approximately \$11,129,616 to develop this property that will ultimately consist of approximately 22,000 square feet of retail, restaurant, and other commercial uses. Applicant proposes to implement this development plan over a period of one (1) year (estimated completion in December 2016). As will be discussed in greater detail below, the Applicant intends to pay for this development through private funds expended by Star and others, including private financing by third-party lenders; TIF assistance; and community improvement district sales tax revenues. Applicant is seeking reimbursement of approximately 34% of the estimated total cost incurred only by the Applicant and not third parties. The proposed Redevelopment Area is depicted on the map at Exhibit 3 of the TIF Plan. Applicant's proposed redevelopment project will consist of retail, restaurant and/or other commercial uses, together with landscaping, parking and other amenities, and public infrastructure as required.

Financing Summary.

Applicant anticipates that \$11,129,616 will be expended in the Redevelopment Area through implementation of the TIF Plan. The Applicant will contribute approximately \$7.8 million through private financing and equity. The Applicant expects third parties to invest an additional \$3.3 million. To overcome extraordinary costs of redevelopment, many of which are described in the attached blight study, the Applicant is seeking assistance through tax increment financing, and community improvement district sales tax reimbursement in the cumulative amount of \$2,600,176.

The Applicant's proposal requests an approximate 23.4% incentive to investment ratio overall. This rate is common in Missouri economic development projects; most cities' TIF policies limit this ratio to 15% - 20%. According to Exhibit 4, the Applicant expects that \$7,664,616 (69%) of the \$11,129,616 of total up-front costs would be provided through bank financing and Applicant equity. The remaining \$3,465,000 (31%) will be financed by Third Party equity and debt. The Applicant's \$2,600,176 reimbursement from public incentives is requested from the following sources:

1. \$2,288,464 reimbursement from TIF revenue through the customary capture of PILOTs and EATs.
2. \$311,712 reimbursed by a 1% CID sales tax to be imposed within the TIF redevelopment area.

It should be noted that the total reimbursable project cost of \$2,600,176 does not include debt service and financing costs. By state statute, those improvements funded from CID tax revenues will be required to be generally open for public use and to have some incidence of public ownership. This type of TIF financing is commonly known as “pay-as-you-go” financing—which is characterized by the developer paying all up-front costs and only being reimbursed from TIF revenue if the redevelopment is successful.

If project revenues are realized as forecasted, Star estimates that it will take 23 years for the development to cover repayment of the requested reimbursable project costs. Once these costs have been reimbursed, the TIF can be terminated allowing the full tax revenues to flow to the taxing jurisdictions. In addition to the TIF reimbursement, Star is requesting that a CID be established in order to help pay down the TIF project sooner and pay for approximately \$311,712 of CID-eligible reimbursable project costs. The duration of the CID will coincide with the term of the TIF.

Summary of Benefit to the Taxing Jurisdictions.

Tax increment financing is generally based on the concept that redevelopment of a disadvantaged area will result in an incremental increase in tax revenues. All or a portion of these incremental increases in revenue are captured for the period of time necessary to pay for the incentives required for the redevelopment to occur, which time cannot exceed 23 years from when capture of the incremental increase commenced. The incremental increases in property tax revenues are distributed as “payments in lieu of taxes” which are commonly referred to as “PILOTs.” The incremental increases in economic activity taxes (the most common type is sales tax), which are commonly referred as “EATs.” The annual PILOTs and EATs captured by the TIF District are the amount above tax collections within the redevelopment area in the year before tax increment financing is activated. This prior year tax level is considered the “base.”

Base-year ad valorem property tax revenues and sales tax revenues will continue to pass through to the taxing jurisdictions affected by this proposed TIF plan if it were to be approved. The affected taxing jurisdictions include: the City of Sedalia, Pettis County, the Pettis County R-XIII School District (Dresden), the Sedalia School District 200, Johnson Grass, the Pettis County Library, Pettis County Ambulance District, and the State Fair Community College. A full list of affected taxing jurisdictions is presented in the Cost Benefit Analysis provided at Exhibit 10 of the TIF Plan.

According to the TIF Plan, the initial total equalized assessed value of the real estate within the redevelopment project area is \$214,730 for the 2014 tax year. It is estimated that the total equalized assessed value of the real estate within the Redevelopment Area will be approximately \$1,807,000 upon completion of the redevelopment projects. The sales tax revenues in the redevelopment area in 2014, the year prior to the year in which this plan would be adopted, was \$0. The total Payments in Lieu of Taxes and Economic Activity Taxes generated by the Redevelopment Project during the anticipated twenty-three (23) years duration of the TIF Plan are estimated to be \$1,790,088 and \$2,513,121 respectively, for a total of \$4,303,209. Receipts from the CID sales tax add another \$1,297,094 for total project revenues of \$5,600,303. Upon completion of the TIF Plan, and the payment of all Reimbursable Project Costs, tax revenue from the proposed Redevelopment Area will be paid to all taxing jurisdictions within such area.

At Exhibit 10 Star provides the statutorily required Cost-Benefit Analysis which shows the impact on the affected taxing jurisdictions if the proposed redevelopment project is not built and if it is built. The first page of Exhibit 10 compares the total revenues expected by all taxing jurisdictions, cumulatively, if the proposed project is built. This table estimates that, in aggregate, the local taxing jurisdictions would see an increase of approximately \$8.4 million in revenues over the 23-year period after activation of the first redevelopment project if the project is built.

CHANGE TO TIF PLAN AFTER CLOSE OF PUBLIC HEARING

As permitted in Section 99.825.1, RSMo, a change was made to the TIF Plan after the close of the TIF Commission's hearing on October 21. After the TIF Commission hearing, but prior to the adoption of an ordinance approving a plan, changes to TIF plans may be made; provided, that they do not enlarge the exterior boundaries of the TIF area; substantially affect the general land uses established in the plan; or substantially change the nature of the redevelopment projects. If such a change is made, notice of the change must be given by mail to each affected taxing jurisdiction and by publication in a newspaper at least 10 days prior to the adoption of the changes by ordinance.

During the public hearing process it was discovered that the TIF amortization schedule (a spreadsheet depicting amortization of the TIF reimbursement) found in Exhibit 7 of the TIF Plan contained some formulas that were miscalculating principle and interest payments. The TIF amortization schedule in Exhibit 7 was revised to correct the formulas and replaces the original TIF amortization schedule that was filed with the TIF Plan. The changed figures in the TIF amortization schedule in Exhibit 7 are not substantial in the totality of the Plan. Notice of the change was published in the *Sedalia Democrat* on November 9, 2015. Additionally, notices and a new TIF amortization schedule were mailed to each of the affected taxing jurisdictions on November 6, 2015.

REVIEW PROCESS OF THE TIF APPLICATION

To initiate the process for receipt and review of proposals for the remediation of blight in the requested redevelopment area, the City, on behalf of the TIF Commission, solicited proposals from developers for plans to redevelop the area and to implement those plans as submitted. As is common with applications of this type, the City received one proposal, which is analyzed for this report. In accordance with the City's adopted TIF procedures, Star has submitted an executed funding agreement to the City to provide a funding source for costs incurred by the City in reviewing and considering its TIF Plan proposal. The City, on behalf of the TIF Commission, mailed the statutorily required 45 day notice of the TIF Commission public hearing to the affected taxing jurisdictions. Statutorily required notices were published in the *Sedalia Democrat* and were sent via certified U.S. mail to the affected property owners.

The City's staff and consultants have reviewed the proposed plans, and determined each to be consistent with the TIF Act and applicable City policies and requirements.

As part of City staff's due diligence in reviewing the application for TIF assistance, the City engaged Lauber Municipal Law, LLC, the City's special economic development counsel, to advise the City regarding the substantive and procedure issues related to the TIF application and approval process and also to negotiate the City's redevelopment agreement.

The City also hired Springsted Incorporated as the City's financial and economic development advisor. As part of its services related to review of the proposed TIF, Springsted performed an independent "but for" test in the form of an internal rate of return analysis of the TIF Plan by reviewing and analyzing Star Acquisition's estimated costs and operating revenues. Springsted has prepared a separate report regarding this issue that is included with your materials.

In order for the TIF Plan to be adopted, state statutes require that the City Council make the following six findings:

1. The redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and 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 tax increment financing. Such a finding shall include, but not be limited to, a detailed description of the factors that qualify the redevelopment area or project pursuant to this subdivision and an affidavit, signed by the developer or developers and submitted with the redevelopment plan, attesting that the provisions of this subdivision have been met;
2. The redevelopment plan conforms to the comprehensive plan for the development of the municipality as a whole;
3. The estimated dates, which shall not be more than twenty-three years from the adoption of the ordinance approving a redevelopment project within a redevelopment area, of completion of any redevelopment project and retirement of obligations incurred to finance redevelopment project costs have been stated, provided that no ordinance approving a redevelopment project shall be adopted later than ten years from the adoption of the ordinance approving the redevelopment plan under which such project is authorized and provided that no property for a redevelopment project shall be acquired by eminent domain later than five years from the adoption of the ordinance approving such redevelopment project;
4. A plan has been developed for relocation assistance for businesses and residences;
5. A cost-benefit analysis showing the economic impact of the plan on each taxing district which is at least partially within the boundaries of the redevelopment area. The analysis shall show the impact on the economy if the project is not built, and is built pursuant to the redevelopment plan under consideration. The cost-benefit analysis shall include a fiscal impact study on every affected political subdivision, and sufficient information from the developer for the commission established in section 99.820 to evaluate whether the project as proposed is financially feasible;
6. A finding that the TIF Plan does not include the initial development or development of any gambling establishment.

The TIF Commission held a public hearing on October 21, 2015 at which it heard and considered all protests, objections, comments and other evidence presented. Note that a representative of the Pettis County Transportation Committee of Pioneer Trails Regional Planning Commission submitted a Review of Proposed Highway 50 and Main TIF Project dated October 20, 2015. A copy of this report accompanies this staff report. The TIF Commission voted 10-1 to make a recommendation in opposition to the TIF Plan at the conclusion of the public hearing. The City Council may follow the TIF Commission's

recommendation and vote in opposition to the TIF Plan; or, the City Council may vote to approve the TIF Plan upon a two-thirds vote of the Council (6 members must vote for the TIF Plan in order for said plan to be approved).

ANALYSIS OF REQUIRED STATUTORY FINDINGS

FINDING # 1 - A finding must be made that the development area on the whole is a blighted area, a conservation area, or an economic development area, and 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 tax increment financing.

Blight Designation

Exhibit 6 of the TIF Plan contains a blight study, dated July 1, 2015, prepared by Polsinelli PC, Development Analysis Department (“**Polsinelli**”). This study concludes that the proposed redevelopment area on the whole meets the TIF statutory requirements for a “blighted area” due to the predominance of blighting factors existing in the proposed redevelopment area. The study further concludes that these blighting factors have resulted in an economic or social liability and/or constitute a menace to the public health, safety, morals, or welfare in its present condition and use.

The Polsinelli blight study provides an analysis of the West Site and East Site, made up of a total of three (3) parcels, providing evidence of the blighting conditions for the Redevelopment Area. The cumulative area of the three parcels is 5.143 acres. The study concludes that overall the Redevelopment Area constitutes an economic and social liability. Primary factors evident in the Redevelopment Area include defective or inadequate street layout; unsanitary or unsafe conditions; deterioration of site improvements; and improper subdivision or obsolete platting. (See page 23 of the Blight Study – Exhibit 6).

Specifically, Polsinelli’s blight study finds the following that make these three (3) parcels an economic liability: (1) abandoned road on the East Site and no ingress/egress points on the West Site; (2) a long open ditch bisects the East Site and pools of stagnant water exist in several locations on the West Site; (3) the West Site is irregularly shaped and does not have direct access from Highway 50; and (4) the East Site contains 2 parcels which western parcel has no access. (See pages 1-23, Section III of the Blight Study – Exhibit 6).

During the public hearing, TIF Commissioner Hutchison (representing the Dresden School District) presented a written response to the Blight Study found in Exhibit 6 of the TIF Plan. This response (Analysis of Galaxy West Redevelopment Area and Response to Blight Study – dated October 16, 2015) was prepared by John Plumb, a MO Registered Professional Engineer and Registered Land Surveyor, on behalf of James Mathewson, Gary Noland, Jeffrey Sharp MD, and Jeri Uptegrove. A copy of the blight study response accompanies this Staff and Consultants’ Report.

“But For” Test

The “but for” test requires that a finding be made that the proposed 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 tax increment financing; i.e., “but for” the use of TIF, the area is not anticipated to be developed.

As required by the TIF statute, Exhibit 11 of the TIF Plan includes the affidavit of Timothy D. Harris, President of Star Acquisitions, Inc. (the Applicant), attesting that the statutory requirements for blight for the area on the whole and the “but for” test have been met; i.e., that the area has not been subject to growth and redevelopment through investment by private enterprise, and without TIF assistance, the projects contemplated by the TIF Plan would not be reasonably expected to occur, and that the project would not be economically viable for Star without such assistance.

In addition, Springsted’s independent analysis concludes that Star Acquisition’s projected internal rate of return would be negative without TIF assistance, which is below the range of 6% to 10.75% necessary to motivate a developer to construct a project of this type in the current market. Springsted calculates Star Acquisition’s internal rate of return at 6.28% with TIF and CID assistance. As Star Acquisition’s rate of return without TIF is below the market range, Springsted concludes that the Project would not occur without a public subsidy. A copy of Springsted’s But-For Determination is provided with this Report.

Staff and Consultant Recommendation: There is sufficient evidence for the City Council to find that: 1) the proposed Redevelopment Area is a "Blighted Area" as described by state statutes; and 2) the proposed 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 tax increment financing and that the Applicant has submitted the required affidavit to that effect.

FINDING # 2 - A finding must be made that the proposed TIF Plan conforms to the comprehensive plan for the development of the City as a whole.

The City’s comprehensive plan, “The Sedalia Master Plan” was adopted by the City’s Planning and Zoning Commission in 2008 and last updated in 2014.

Chapter 4 Physical Development Plan – The Physical Development Plan serves as a guide for the planned and orderly growth of the City. Zoning changes, subdivisions, infill development, redevelopment and new development should be coordinated with the Physical Development Plan prior to making a decision. The Comprehensive Plan serves as the basis for the Zoning Ordinance.

The Future Direction Map in the Physical Development Plan indicates the Redevelopment Area along 50 Highway as a “Commerce Corridor”. Commerce Corridors are general merchandise and convenience destinations for residents community-wide in addition to highway commuters. The commercial operations in these areas often serve both Community and Regional trade areas and are often developed in an automobile-oriented development pattern. Typical existing formats are strip centers or “medium box” sites set back from the public rights-of-way. The space between is generally paved for parking. However, sometimes individual retail pad-sites are placed in front of the development site to break up the large parking lot. Little to no residential activity occurs along these corridors; however, sometimes small office and professional services are placed in these areas. These development patterns often discourage pedestrian activity through site design and their disconnection to surrounding neighborhoods.

The intent of the Comprehensive Plan is to enhance existing commerce corridors and make quality new commerce corridors more pedestrian friendly and aesthetically pleasing incorporating landscaping and site design standards among other standards following goals and strategies. It is the goal of the City that Commerce Corridors accommodate larger community and regional retail and service needs.

Chapter Five: Implementation - In order to realize the objectives set forth for the future of Sedalia, the goals outlined in Chapter 4 are set forth in an implementation matrix in Chapter Five. The implementation matrix outlines the strategies determined to reach the goals outlined in Chapter Four: Physical Development Plan. In regards to the Commerce Corridor the goals are as follows:

1. Identify ideal property owners/tenant types that do not directly compete with goals and strategies for Downtown Sedalia and future Mixed-Use Districts. (moderate priority and on-going by the City)
2. Partner with Economic Development of Sedalia-Pettis County to identify regional needs and strategize recruitment efforts and recruit needed business to Sedalia's Commerce Corridors. (high priority by the City and Other Agencies)
3. Reduce automobile impact on major corridors through site planning and development practices that encourage internal site mobility and connectivity. (high priority and on-going by the City)
4. Review and update site design standards requirements. (high priority by the City)
5. Encourage landscaping standards that incorporates shrubbery and plantings native to the region which shields pedestrians from offensive view sheds. Implement buffer requirements in new site design standards to protect conflicting land uses from coming into direct contact. Ensure that site design standards take into account pedestrian needs. (high priority for the City)

The Applicant proposes to design and construct approximately 22,000 s.f. of restaurant, retail, and/or other commercial facilities together with infrastructure, parking, landscaping and other amenities. Based upon what the applicant has submitted in its conceptual nature, without respect to the separate development review and approval process for the site and building plans set forth in the City's Zoning and Subdivision Regulations, staff believes the TIF Plan is in conformance with the City's Comprehensive Plan.

Staff and Consultant Recommendation: There is sufficient evidence for the City Council to find that the proposed TIF Plan is in conformance with the City's Comprehensive Plan.

FINDING # 3 - A finding must be made that the estimated dates for the completion of projects and retirement of obligations incurred to finance the development do not exceed twenty-three years from the time a redevelopment project is authorized, that no redevelopment project is scheduled to be authorized within ten years after of the adoption of the TIF Plan, and that no property will be secured by eminent domain later than five years from the adoption of the ordinance approving the development project.

Star proposes to undertake the remediation of blighted conditions through redevelopment of the proposed Redevelopment Area as one redevelopment project. Specific details as to the redevelopment schedule, work to be completed, and location of the Redevelopment

Area can be seen in the TIF Plan at pages 11-12, and also on the maps found at Exhibit 3. Star estimates that the entire redevelopment project will be completed by the end of December 2016, which is not more than 23 years after the date the project is estimated to be authorized, which is in late 2015. Note that the Applicant's schedule may change based on the timing of the City approvals. Depending on the weather, the Applicant anticipates starting construction in December 2015, with a caveat that due to unforeseen circumstances (i.e. the weather), construction could actually begin in early spring. The Applicant hopes to complete site work by the end of the summer 2016, and then start construction on the two in-line buildings on the West site as long as the in-line buildings are sufficiently leased. Even with construction starting in early spring 2016 versus December 2015, the project will not take more than 23 years to complete.

Under the TIF Plan, Star will initially fund the redevelopment project costs and receive reimbursement for eligible redevelopment project costs as the TIF and CID revenues are captured and re-directed. The total reimbursement amount will not exceed \$2,600,176 plus debt service and financing costs, which shall also be reimbursable as reimbursable project costs but shall not be included in the foregoing maximum amount.

As stated above, Star anticipates the redevelopment project will be completed by the end of 2016, so the adoption of an ordinance approving the last redevelopment project will not be later than 10 years after the adoption of an ordinance approving the TIF Plan. It is anticipated that the ordinance approving the TIF Plan will occur by the end of 2015. The Applicant anticipates activation of the Project in 2016 so as not to lose the first year of TIF. The anticipated date for activation of the redevelopment project is not later than 10 years after the adoption of the ordinance approving the TIF Plan.

Star owns the West Site, but does not own the two (2) lots on the East Site. In the event that Star is unable to negotiate a voluntary sale of any of these parcels, it may be necessary for the City to acquire some or all of these parcels by eminent domain. Although this proposed plan does not state the 5-year limitation on the use of eminent domain authority, the City would not attempt, and the TIF Act specifically prohibits, the acquisition of property by eminent domain later than five years from the adoption of an ordinance approving the redevelopment project. Section 99.810.1(3) is unclear about whether a proposed TIF Plan must expressly state that no property for a redevelopment plan shall be acquired by eminent domain later than five years from the adoption of the ordinance approving the redevelopment project. Because of this ambiguity, it is at least arguable that a proposed plan need not provide this express statement. The common practice for most applicants, however, is to provide such an express statement. In light of the ambiguity in Section 99.810.1(3), it appears that the TIF Plan satisfies the statutory requirement regarding the acquisition of property for a redevelopment project by eminent domain.

Staff and Consultant Recommendation: There is sufficient evidence for the City Council to find that 1) the TIF Plan contains information that dates for completion of projects and retirement of obligations incurred to finance the development are not more than twenty-three years from the adoption of the ordinance approving a development project within the development area, 2) no project is scheduled or permitted to begin more than ten years after the adoption of the ordinance authorizing the TIF

Plan, and 3) the proposed plan meets the statutory requirement regarding the acquisition of property by eminent domain.

FINDING # 4 - A finding must be made that a plan has been developed for relocation assistance for businesses and residences.

Exhibit 9 of the TIF Plan includes a relocation plan for businesses and residences within the TIF Plan redevelopment area, which satisfies the requirement for this finding. Currently, there are no businesses or residences within the redevelopment area. The relocation plan complies with State statutes and the City’s policy for relocation assistance.

Staff and Consultant Recommendation: There is sufficient evidence for the City Council to find that the Applicant has developed a plan to provide relocation assistance for businesses and residences affected by the TIF Plan.

FINDING # 5 - A finding must be made that a cost-benefit analysis has been prepared showing the economic impact of the TIF Plan on each taxing district which is at least partially within the boundaries of the development area, that the analysis shows the impact on the economy if the project is not built, as well as if it is built pursuant to the development plan under consideration, that the cost-benefit analysis includes a fiscal impact study on every affected political subdivision, and that there is sufficient information from the developer for the commission to evaluate whether the project as proposed is financially feasible.

Star has submitted a cost-benefit analysis as Exhibit 10 to the TIF Plan, which shows the economic impact of the TIF Plan on taxing jurisdictions and political subdivisions that are at least partially within the boundaries of the proposed development area. The analysis provided shows the impact on the economy if the redevelopment project is not built, or is built in accordance with the proposed TIF Plan being considered for approval on the taxing jurisdictions included. The analysis also includes a fiscal impact study on all of the affected political subdivisions and provides sufficient information to evaluate whether the proposed redevelopment project is financially feasible.

The tables in Exhibit 10 show projected revenues to the taxing entities for the period of 2015 to 2033. These projections assume two scenarios; (1) with redevelopment, and (2) without redevelopment. For the “with redevelopment” scenario, the revenues are essentially those projected for the redevelopment area if the project is built as proposed by the Applicant. No annual increases are assumed for assessed valuation and an annual increase of 1% is assumed for sales tax receipts.

For the “without redevelopment” scenario, ad valorem tax receipts stay at current rates with no increase assumption. The sales tax revenues are \$0 because there is currently no businesses in the Redevelopment Area that generate sales tax.

The total projected revenues to the taxing entities for the period from 2015 to 2038 under the “with redevelopment” scenario is \$8,355,048. For the “without redevelopment,” the total projected revenues to the taxing entities for this same period is \$335,436. This represents an increase in taxing entity receipts attributable to the project of \$8,019,612.

Financing for the TIF Plan and related redevelopment project will be by Applicant's private equity (approximately 69%) and debt and third party equity/debt (approximately 31%). Star Acquisition will also establish a community improvement district ("CID") to impose a 1% sales tax, which will produce revenues sufficient to cover an additional \$648,547 (half of this amount will be collected by the EATs). The remaining half will reimburse the Applicant for CID reimbursable project costs.

This is a pay-as-you-go TIF project which means that the Applicant will pay for all the improvements up front and receive reimbursement for certain reimbursable project costs set forth in the TIF Plan. At Exhibit 8, Star Acquisition has provided a letter from Marvin Davis, Vice President, at KCB Bank of Kansas City. The letter states that the Star Development Corporation has a longstanding relationship with KCB Bank. Further, the bank has reviewed the site plan and budget requirements of this project and is "familiar with Tax Increment Financing and Community Improvement District financing..." Lastly, the Bank is willing to finance the project. Section 99.810.1 of the TIF Act requires "evidence of the commitments to finance the project costs." Understanding there are caveats to financing the project, this letter does appear to provide sufficient evidence of the Bank's commitment to finance the project as required under the TIF Act.

The City staff and Springsted have reviewed in detail the overall financial aspects of the proposed TIF Plan and its component redevelopment project. This analysis includes assumptions regarding potential tenants and projected TIF revenues from these uses. Based on the information provided in the TIF Plan and our analysis and review, the City's staff and consultants believe that Star has provided sufficient information in the proposed TIF Plan for the City Council to evaluate the financial feasibility of this plan and its redevelopment project.

Staff and Consultant Recommendation: There is sufficient evidence for the City Council to find that 1) the Applicant has prepared a cost-benefit analysis showing the economic impact of the TIF Plan on each taxing district which is at least partially within the boundaries of the development area, 2) the analysis shows the impact on the economy if the project is not built, as well as if it is built pursuant to the development plan under consideration, 3) the cost-benefit analysis includes a fiscal impact study on every affected political subdivision, and 4) there is sufficient information for the City Council to determine if the project is financially feasible.

FINDING # 6 - A finding must be made that the TIF Plan does not include the initial development or development of any gambling establishment.

A review of the TIF Plan indicates that the initial development or development of any gambling establishment is **not** included.

Staff and Consultant Recommendation: There is sufficient evidence for the City Council to find that the TIF Plan does not include the initial development or development of any gambling establishment.

CONCLUSION

The City staff and consultants' approach in reviewing requests for TIF assistance overall has been to determine the amount of public benefit the TIF Plan will generate. Adoption and implementation of the TIF Plan and its proposed redevelopment project will benefit the public by remediating long-standing blighted conditions in the proposed redevelopment area by replacing deteriorating site improvements and removing unsanitary conditions, which together have resulted in an economic or social liability and/or menace to the public health in this area. The construction of storm water detention, water/sanitary sewer/sanitary sewer liftstation, a MoDOT deceleration lane, curbs, and parking areas and the installation of landscaping and other parking lighting throughout the area, will improve infrastructure and encourage location of retail, restaurant and other commercial uses to the area. Such uses will improve the quality of life for consumers in the City of Sedalia, most of whom are constituents of each of the affected taxing jurisdictions, for years to come.

City staff along with the assistance of its legal consultants, concludes that the TIF Plan generally provides sufficient information to demonstrate that the statutorily required six findings have been met and that the City Council has information that provides it with a sufficient basis to recommend approval of the proposed TIF Plan and associated redevelopment project and finance information.