

TARGETING & COMBINING ECONOMIC DEVELOPMENT TOOLS

Identifying the Best Tools

- Know what tools are available and what the use and/or implementation requirements are
- Understand time necessary to implement
- Get help if you need it (your staff, DED, MDFB, RPC, attorneys, planning consultants)

Identifying the Best Tools

- Determine the goals and objectives of the targeted area or project:
 - Development of predominantly vacant properties with physical challenges and/or lack of infrastructure to support development
(be careful with this one – it can be a public perception minefield)
 - Redevelopment of property with existing obsolete or deteriorated structures or other site improvements
 - Rehabilitation of buildings with historic or architectural character
 - Some combination of the above

Identifying the Best Tools

- Evaluate the potential major revenue sources that might be generated from the development/redevelopment program
(Typically property tax, sales tax, utility tax, personal property tax)
- Determine who levies what taxes, the applicable rates, and estimate the amount presently coming from the area

Identifying the Best Tools

- Based on the revenue sources identified, estimate the revenue that would be generated from the new development/re-development
- Determine type and amount of project development costs that must be covered to make project economically feasible
(if developer-driven, don't completely rely on what they tell you they need)

Identifying the Best Tools

- Determine what tools are available to capture the new (not existing) revenues – examples include:
 - Tax Increment Financing (TIF)
 - Tax Abatement (usually applies to property taxes)
 - Special Taxing District (there are many types)
 - Tax Rebates (may involve one or more type of taxes)
 - Tax Credits (these are typically state-created tools)
 - Other State or Federal funding vehicles

Revenue & Economic Analysis

- Analyze the ability of the new revenue to support the costs that need to be covered
 - Can the costs be retired within a reasonable time frame with the revenue from a single source (i.e. TIF)?
 - Is there additional revenue needed to provide coverage for a bond issue or to reduce the financing time period?
 - Will project phasing affect the flow of revenues?
- Remember that the tools can be layered

Revenue & Economic Analysis

- Use the foregoing information to get a thumbnail view of the economic costs and benefits of the project
- You will want taxing and other governmental entity support for the project
- Knowing who will contribute what \$\$ and what economic benefits will accrue provides a sense of the “value” of the project
- Be sure that you are including jobs (and potential wages) in this evaluation

Project Example

Gravois Bluffs – Fenton, Missouri

- 300 acres at 3 quadrants of the U.S. 30 (Gravois Road) / MO. Rt. 141 intersection in southwestern suburban St. Louis and Jefferson Counties.
- Located within one of the most rapidly growing areas in the region.
- City population of approximately 5,000 persons

Project Example

Gravois Bluffs – Fenton, Missouri

- Population within 10 miles of approximately 100,000
- Significant new housing growth to the west and south
- Most of the property originally owned by some of the most influential members of regional business community

Project Example

Gravois Bluffs – Fenton, Missouri



Project Example

Gravois Bluffs – Fenton, Missouri

- For 26 years the owners attempted to secure County, State, and/or Federal funding for road improvements (approximately \$22 million) to develop the property in a combination of retail and business park uses
- City was motivated to assist the project because it lacked suitable land for expansion of its retail and industrial base (this preceded the closure and demolition of the Chrysler Plants)

Project Example

Gravois Bluffs – Fenton, Missouri

- Other development impediments included:
 - Lack of other (non-roadway) infrastructure (i.e. water, storm and sanitary sewer, etc.)
 - Need to move or remove 9 million+ cubic yards of rock
- Total of \$41 million in infrastructure and rock costs could be supported by the TIF revenues
- Total project cost (1995) estimated to be \$200+ million

Project Example

Gravois Bluffs – Fenton, Missouri

- TIF was identified as the primary financing tool
- The district is divided into three redevelopment project areas reflecting the phasing of the development
- Revenue from one area not needed for debt retirement or other costs in that area can be used to fund (or jump start) costs in another area or accelerate the debt

Project Example

Gravois Bluffs – Fenton, Missouri

- Even with revenue potential from sales, property, and utility taxes, retirement of \$41 million dollar costs was expected to approach 20 years using only TIF
- City and developer looked to other tools to increase revenue
- Two tools were identified – Transportation Development District (TDD) & Community Improvement District (CID)

Project Example

Gravois Bluffs – Fenton, Missouri

- This provided the ability to add a 1% sales tax (and/or property tax or special assessment) to fund public improvements
- City goal was to accelerate retirement of \$41 M debt
- Transportation improvement costs (about half the \$41 M total) were funded by the TDD
- City considered adding a CID property tax as protection for any shortfall from other revenues (would only have applied if other sources fell short)

Project Example – Gravois Bluffs



Project Example – Gravois Bluffs

- Today total investment is nearing \$250 million
- Presently comprises about 2.5 million sq. ft. of space (retail, office, office/warehouse)
- TIF has retired – 12 years after the TIF and TDD were adopted
- TDD will retire (the added 1% sales tax will sunset) in 2017 or 2018 – about 18 years after adoption

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