



Department Source: City Manager

To: City Council

From: City Manager & Staff

Council Meeting Date: November 20, 2017

Re: The Broadway Phase II TIF Project Redevelopment Plan, Area & Project

Executive Summary

Staff has prepared for Council consideration an Ordinance to approve tax increment financing for the Broadway Hotel Phase Two project, an approximately 73,000 square feet, eight story hotel tower on a site located at 1104 East Walnut Street, north of the existing Broadway hotel.

Discussion

An application for TIF assistance for The Broadway Hotel Phase Two TIF project (the Project"), an approximately 73,000 square feet, eight story hotel tower on a site located at 1104 East Walnut Street, was received by the City on April 27, 2017. The City hired the firms of Gilmore & Bell and Stifel Nicolaus to provide the City with independent analysis, advice and to review the development plan and cost benefit analysis. The City's TIF Commission held four meetings to study the applicant's request prior to setting the public hearing. As required by state statute, the TIF Commission also held a public hearing on October 4th which was continued until October 30th on the redevelopment area, redevelopment plan and redevelopment project in order to give the public and other interested parties an opportunity to provide testimony either for or against the proposal.

Following the public hearing on October 30th, the TIF Commission voted not to recommend the use of TIF for The Broadway Phase II project by a vote of 8 -3. Minutes of the public hearing and all TIF Commission meetings, presentations, documents, letters and correspondence are included as attachments. It should be noted that the October 30, 2017 public hearing minutes have not yet been approved by the TIF Commission whereas the other minutes have been approved. The October 30th minutes were recorded by a court reporter verbatim and video of the meeting is available online. There is no legal requirement to have published minutes approved by City Commissions. Following the close of the public hearing on October 30, there was no discussion by Commissioners regarding their individual findings or why and how they planned to vote. Mr. Mark Grimm, attorney from Gilmore and Bell informed the Commission that "if you want to have the additional votes on the findings that ultimately will be made by the Council, that's at your prerogative." The Commission chose not to vote on any of the findings separately from the vote on the TIF Resolution.

The role of the TIF Commission is an advisory one. It has a function very similar to that of a planning and zoning commission with the exception that the TIF Commission has representation from taxing jurisdictions.



The TIF Act reserves final approval of the redevelopment plan and the redevelopment project to the City Council.

The specific duties of the TIF Commission are outlined below along with the associated section of the TIF statute:

The TIF Commission is required to vote and make recommendations following the required public hearing about the plan/project/area.

99.820.4(2) *[The TIF Commission]* shall vote on all proposed redevelopment plans, redevelopment projects and designations of redevelopment areas, and amendments thereto, within thirty days following completion of the hearing on any such plan, project or designation and shall make recommendations to the governing body within ninety days of the hearing referred to in [section 99.825](#) concerning the adoption of or amendment to redevelopment plans and redevelopment projects and the designation of redevelopment areas.

The City may approve of the plan/project/area after the TIF Commission has held its public hearing.

99.820.1(1) *[The City may]* By ordinance introduced in the governing body of the municipality within fourteen to ninety days from the completion of the hearing required in [section 99.825](#) *[the TIF Commission hearing]*, approve redevelopment plans and redevelopment projects, and designate redevelopment project areas pursuant to the notice and hearing requirements of [sections 99.800](#) to [99.865](#).

If the City decides to approve of the plan/project/area after the TIF Commission recommends to the contrary, it must do so by a two-thirds majority.

99.825.2. If, after concluding the hearing required under this section, the commission makes a recommendation under [section 99.820](#) in opposition to a proposed redevelopment plan, redevelopment project, or designation of a redevelopment area, or any amendments thereto, a municipality desiring to approve such project, plan, designation, or amendments shall do so only upon a two-thirds majority vote of the governing body of such municipality.

In order for TIF to be approved for this project, **the City Council** must make the following findings (Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865 of the Revised Statutes of Missouri). The statutory findings are set forth in the Council legislation. Each statutory finding and the applicant's evidence for each of the items is detailed below:

- A. **FINDING:** 99.810.1 (1) The Redevelopment Area on the whole is a "conservation area". A conservation area as defined in Section 99.805(3) of the Act is an improved area in which 50 percent or more of existing structures are more than 35 years old, which is not yet blighted, but detrimental to the public health, safety, morals or welfare and may become blighted due to one or more of the following factors: dilapidation, obsolescence, deterioration, illegal use of individual structures, presence of structures below minimum code standards, abandonment, excessive vacancies, overcrowding of



structures and community facilities, lack of ventilation, light or sanitary facilities, inadequate utilities, excessive land coverage, deleterious land use or layout, depreciation of physical maintenance, and a lack of community planning. A conservation area must meet at least three of the factors.

APPLICANT'S EVIDENCE:

1. The existing structure is more than 35 years old.
2. The site is moving in the direction of causing harm to public health [or] safety, [or] morals, [or] welfare.
 - a. Safety because of deleterious land layout. It is dangerous to enter on to Walnut St because of poor sight and elevation conditions; dangerous for pedestrians to traverse along Walnut, and dangerous to park on the site due to elevation differences.
 - b. Health and Morals because of excessive vacancies. Site has been vacant since December 2010 except for use as temporary construction/training office during hotel construction, and leased at a depressed price since 2012. Site conditions include dog excrement, alcohol containers, used prophylactics, as well as loitering and loud music.
 - c. Welfare (prosperity or well-being). Prosperity by continuing to remain obsolete, vacant, and in a state of continuing dilapidation. Well-being by continuing to remain unsafe because of layout and lack of community planning (developed long before the City's recent comprehensive plan).

B. FINDING: 99.810.1 (1) The site has (1) not been subject to growth and development through investment by private enterprise and (2) would not reasonably be anticipated to be developed without the adoption of TIF (the But-For Test).

APPLICANT'S EVIDENCE:

1. There has been no development or growth for over 50 years.
2. The applicant is uniquely situated to develop the site.
3. The applicant cannot develop the site without TIF.
4. There is no reason to anticipate development when there are no other proposals and when the uniquely situated applicant cannot develop the site without TIF.
5. The garage to the east, the elevation and the narrowness of the parcel present site challenges that are difficult to overcome.



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- C. **FINDING:** 99.810.1 (2) The Redevelopment Plan conforms to the comprehensive plan for the development of the City as a whole. The use of the Redevelopment Area as described in the Redevelopment Plan is consistent with the City's comprehensive plan.

APPLICANT'S EVIDENCE: The Comprehensive Plan designates the land use as commercial and applicant's proposed use is commercial.

- D. **FINDING:** 99.810.1 (3) The estimated dates of completion of the Redevelopment Project and retirement of obligations incurred to finance redevelopment project costs have been stated in the Redevelopment Plan and these dates are no more than 23 years from the date of adoption of the ordinance approving the Redevelopment Project.

APPLICANT'S EVIDENCE: The plan provided by the applicant contains a project schedule that includes dates that are no more than 23 years from the date of approval of the plan.

- E. **FINDING:** 99.810.1 (4) The City has developed a plan for relocation assistance for businesses and residences in conformity with the requirements of Sections 523.200 through 523.215 of the Revised Statutes of Missouri, as amended.

APPLICANT'S EVIDENCE: The City adopted a relocation policy pursuant to Ordinance 20273 and applicant will follow such policy if needed.

- F. **FINDING:** 99.810.1 (5) A cost-benefit analysis showing the economic impact of the Redevelopment Plan on each affected taxing district detailing the impact on the economy if the project is not built and is built pursuant to the Redevelopment Plan, and sufficient information to evaluate whether the Redevelopment Project as proposed is financially feasible.

APPLICANT'S EVIDENCE: The applicant provided a cost benefit analysis compiled in a build/no-build format detailing estimates of the overall potential tax impact of redevelopment activities in the Area.

- G. **FINDING:** 99.810.1 (6) The Redevelopment Plan does not include the initial development or redevelopment of any gambling establishment.

APPLICANT'S EVIDENCE: Applicant's Plan does not include or permit the initial development or redevelopment of any gambling establishment.

It is the City Council's sole responsibility to determine if the foregoing criteria have been met based on the evidence and information provided during the public hearing.



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In addition to the required findings of the TIF Act, the City Council passed Policy Resolution PR47-08 on March 17, 2008 to provide additional guidance for the evaluation of TIF requests.

Section 1 of PR47-08 below describes the general policy and guidelines for the use of TIF:

"It is the policy of the City of Columbia to consider the judicious use of tax increment financing (TIF) for those projects which demonstrate a substantial and significant public benefit with a preference for projects located within the downtown area. Public benefit includes: creating new jobs, retaining existing jobs, eliminating blight and the conditions that may lead to blight, providing and improving public infrastructure, strengthening the employment and economic base of the City, increasing property values and tax revenues, reducing poverty, creating economic stability, stabilizing and upgrading existing neighborhoods and areas, and implementing the economic development strategy of the City. Care will be exercised in the consideration of TIF to thoroughly evaluate each project to ensure that the benefits which will accrue from the approval of a proposed TIF Redevelopment Plan are appropriate for the costs which will result, and that the plan is equitable to the City and other taxing districts."

The itemized policy criteria and the applicant's evidence for each of the items is detailed below:

1. Each TIF applicant must demonstrate that without the use of TIF, the project is not feasible and would not be completed.

APPLICANT'S EVIDENCE: Exhibit D of the Applicant's redevelopment plan contains an affidavit stating that the project is not feasible and would not be completed without the use of TIF. The project's estimated internal rate of return with and without TIF was provided by the Applicant and reviewed for accuracy by the City's financial advisor Stifel & Nicolaus.

2. If the TIF project will involve the issuance of bonds or notes, the TIF applicant must show that payments in lieu of taxes (PILOTS), or economic activity taxes (EATS), or both, generated by the TIF project will at a minimum cover the projected debt service 1.25 times.

APPLICANT'S EVIDENCE: If the project is approved, the City may issue TIF Notes which do not create a liability or risk to the City; therefore the projected debt service requirement is not applicable.

3. The total amount of TIF assistance should not exceed twenty percent (20%) of the total project costs. This limitation may be waived if the TIF project involves redevelopment of existing structures or the assembly and clearance of land upon which existing structures are located. Total project costs are defined as the cost of constructing the complete project as identified in the applicant's proposal.



APPLICANT'S EVIDENCE: The Applicant has requested TIF assistance in the amount of ten percent (10%) of the total project costs.

4. TIF assistance for public infrastructure is favored; e.g., off-site street improvements, utility, lighting and extraordinary costs associated with removal of existing manmade site conditions.

APPLICANT'S EVIDENCE: Applicant's project includes pedestrian improvements on Walnut Street and the elimination of existing dangerous driveway and surface lot conditions.

5. Each TIF application must include evidence that the applicant: (a) Has thoroughly explored alternative financing methods; and (b) Possesses the financial and technical ability to complete and operate the project.

APPLICANT'S EVIDENCE: Applicant has stated that he has explored financing from many sources. Exhibit E of the Applicant's redevelopment plan contains a letter of commitment for financing of the project subject to the adoption of TIF and an affirmation of the Applicant's knowledge and experience on similar projects which would contribute to the proposed project's success.

6. Preference will be given to applicants who contribute equity of at least fifteen (15%) of the total cost of the project or provide a performance bond for the completion of the project; projects with equity contributions from the developer in excess of fifteen percent (15%) will be viewed more favorably.

APPLICANT'S EVIDENCE: Applicant will provide 15% equity of the total cost of the project.

7. The TIF project shall not negatively impact the credit rating of the City.

APPLICANT'S EVIDENCE: It is anticipated that TIF Notes would be issued upon approval, and payments from the established fund will be made on a pay-as-you go basis. All risk is borne by the Applicant, and the City's credit rating would not be impacted.

8. TIF projects that create jobs with wages that exceed the median income level of Columbia are favored; each TIF applicant will provide the following statistics: (a) The total number of additional employees that will be hired and potential that they will be hired from the local population; and (b) The skill and educational levels, and range of salary and compensation required for jobs expected to be created.

APPLICANT'S EVIDENCE: The Applicant has stated that the project would result in the creation of 37 FTEs – both entry level and management.



9. If the project will involve development/redevelopment of vacant land, it should conform with the City's plans and programs and serve as a catalyst for further, high quality development or redevelopment.

APPLICANT'S EVIDENCE: The Applicant has stated that the Redevelopment Project is intended to enhance the tax base by inducing development of the property at its highest and best use, thereby benefiting taxing districts, while helping to stimulate other private investment and employment within the area.

10. Projects involving redevelopment of existing retail, commercial, office or industrial properties should serve to stabilize areas that have or will likely experience deterioration.

APPLICANT'S EVIDENCE: The Applicant has stated that the Redevelopment Project is intended to reduce problematic conditions through general physical improvements, property upgrades, and infrastructure improvements.

11. Projects for retail and service commercial uses should be targeted to those uses that encourage an inflow of customers from outside the City or that will provide services or fill retail markets that are currently unavailable or in short supply in the City.

APPLICANT'S EVIDENCE: The Applicant has stated that the Redevelopment Project is intended to encourage out of town guests to extend their overnight stays to explore and take advantage of other cultural, shopping and dining venues and to provide benefits to Downtown, including the "Arts District" as visualized in the H3 Studio Charrette.

12. Projects involving redevelopment of existing residential neighborhoods should serve to stabilize areas that have or are likely to experience deterioration.

N/A

13. Projects involving new residential development should fulfill a significant housing need for the City's current or projected population without substantially impacting public services and facilities including schools. Pass-through agreements may be entered into for identified taxing entity impacts.

APPLICANT'S EVIDENCE: Although not residential, the Applicant's Plan proposes an addition of eighty hotel rooms and 7,000 s.f. of conference space. Staff would be hired locally, not impacting public schools. The TIF Commission was provided with a letter from the City's Director of Utilities stating that the project would not negatively impact the existing infrastructure.



14. Preference will be given to projects that use green building standards such as LEED and employ energy efficiency standards such as EPA Energy Star program involving residential, business or commercial development or redevelopment.

APPLICANT'S EVIDENCE: The Applicant has stated that the project would be constructed using green building standards.

15. Projects involving development/redevelopment of business areas should include information regarding: (a) The proposed business types and major tenants; (b) The population areas from which the project will draw; and (c) The businesses of similar types that would be competing with TIF area businesses.

APPLICANT'S EVIDENCE: The proposed project is an eight story hotel tower that will be connected to the existing Broadway Hotel which will draw guests from at least a 500 mile radius of Columbia. Hotels in the immediate area include the Broadway Hotel and the Tiger Hotel. The Applicant's expectation is that the by attracting medium size conferences to an expanded facility, other hotels and businesses would also benefit.

Passage of the Ordinance would:

1. Approve the redevelopment plan;
2. Approve and designate the redevelopment area;
3. Approve the redevelopment project, and
4. Adopt tax increment financing with respect to the redevelopment project.

In order to approve the Ordinance based on the TIF Commission's recommendation, a two-thirds majority vote of the City Council is required (99.825.2).

Fiscal Impact

The total of all revenues generated for local taxing districts over the life of the TIF project is forecasted to be over \$9 million dollars, an increase of \$8.9 million dollars. See attached spreadsheet "*Summary of Revenues to Local Tax Districts Generated by Broadway Lodging II TIF Development*". See Cost Benefit Analysis for a detailed breakdown of the numbers shown.

These revenue projections do not consider the more global benefits that will stem from the project, including secondary levels of taxes generated and ancillary benefits such as jobs created during construction, utility taxes, taxes on construction materials, state taxes, building fees, connection fees, increased number of visitors spending dollars, increased parking garage revenue, improvements to existing buildings or new building construction.



Strategic & Comprehensive Plan Impacts

Strategic Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:

Primary Impact: Land Use & Growth Management, Secondary Impact: Economic Development, Tertiary Impact: Not Applicable

Legislative History

Date	Action
9/05/2017	B256-17 Authorizing a professional services agreement with Stifel Nicolaus & Company, Incorporated for financial advisory services for The Broadway Phase II tax increment financing application; appropriating funds.
07/17/2017	R197-17 Authorizing a preliminary funding agreement with Broadway Lodging Two, LLC relating to tax increment financing of The Broadway Phase II construction project; appropriating funds.
05/15/2017	R67-17 Authorizing the issuance of Request for Proposals for redevelopment of property located north of The Broadway Hotel and west of the Short Street Garage (1104 E. Walnut Street) in Columbia, Missouri to allow for construction of an approximately 73,000 square foot, eight (8) story hotel tower.
03/04/2013	B57-13 Authorizing a Second Amendment to the Redevelopment Agreement with Broadway Lodging, LLC and Columbia TIF Corporation relating to the Regency Hotel TIF Redevelopment Plan & Project.
07/02/2012	B159-12 Authorizing a First Amendment to Redevelopment Agreement with Broadway Lodging, LLC and Columbia TIF Corporation relating to the Regency Hotel TIF Redevelopment Plan & Project.
02/21/2011	B40-11 Designating a portion of the City of Columbia as a redevelopment area; approving the Regency Hotel financing (TIF) redevelopment plan and project.



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02/21/2011	B41-11 Approving a redevelopment agreement in connection with the Regency Hotel TIF Redevelopment & Project.
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Suggested Council Action

Should Council find that the redevelopment plan, area and project meet the statutory requirements and Council policy criteria, and that tax increment financing should be adopted for this project, Council should approve the Ordinance and direct staff to bring forward a redevelopment agreement detailing the specific requirements to be met.