

TDDs and CIDs

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A Few Questions for You

- Do You Want to Provide Incentives for Development but Find Yourself Limited by Capital?
- If You Could Provide Assistance Without Hurting Your Organization Would You do it?
- Would You Support a Program That Would Provide Funding for Your Economic Development Efforts and Community Development Endeavors?

Mechanisms to be Discussed

Two Powerful Tools of Increment Financing

- Transportation Development District (TDD)
- Community Improvement District (CID)

Transportation Development District (TDD) Basics

- Available to any City or County in Kansas
- Purpose is to Finance Transportation Related Projects:
 - Bridge, Street, Road, Access Road, Interchange, Intersection, Traffic Signals, Signage
 - Parking lots and Parking Structures
 - Sidewalks, Streetscapes
 - Utilities Within or Without the Public Right-of-Way
 - Façade Improvements
 - Signage and Lighting
 - Airport, Terminal or Hangar
 - Wharf, Lake or River Port
 - Light Rail or Other Mass Transit Facility
 - Transportation Related Infrastructure (Storm Drainage, etc.)₃

How is a TDD Initiated

- Property Owner Initiated
 - Petition of **100 Percent** of Real Property Owners Within the District (Not Just Business Owners)
 - Petition Establishes Funding Source (Special Assessments, a District Sales Tax or Both)
 - Notice and Public Hearing is Required if Sales Tax Levy is Involved, but **Not** if Only Special Assessments

How TDDs Work

- Uses Special Assessments or New Transportation Sales Tax Within the District to Finance Transportation Related Projects
- Special Assessments
 - Must follow 12-6a01 assessment procedure
 - No full faith and credit obligations
 - No public hearing if district is only financed through specials

How TDDs Work (Continued)

- Transportation Sales Tax
 - Up to one-percent additional local sales tax within the district (In increments of 0.10 or 0.25)
 - Effective for up to 22 years (From date of bond issuance per Attorney General)
- Does Not Count Towards Bonded Indebtedness
- Typically Used in New Retail Development but Not Always (Home Depot vs. Ellsworth)

How TDDs Work (Continued)

- Must Create a Separate Fund
 - For each district and project
 - Suitable Title or Name (i.e. Fifth Street Reconstruction TDD Fund)
- Once Principle and Interest are Paid, the Tax Ceases
 - Any extra collections or surplus may be expended for purposes which local sales tax receipts may be spent

Effect on Other Taxing Districts

- No Impact to Current Taxing Jurisdictions- No Diversion of Current Taxes
- Only New Revenues Used

Funding Methods

- Pay as You Go (PAYGO)
 - Time Limitations
 - Only Works if Developer Plans to Retain the Property
- Bond Financing
 - Special Obligation Revenue Bonds Issued by the City
 - Limited Obligation of City
 - City CAN Provide Annual Appropriation Pledge
 - Sometimes Purchased, or Guaranteed by Developer and Re-Sold Once Track Record is Established
 - No Full Faith and Credit Bonds

TDD Bond Financing Difficulties

- Construction of Transportation Project
 - Guaranteed Maximum Price?
 - Payment of Performance Bond?
- Construction of Private Project
 - Is Private Financing in Place?
 - Are Tenants Really Committed?
 - Will Private Project be on Budget?
- Credit Quality of Owner/Tenant
- Term of Tenant Leases
- Developer Experience and Financial Stability

Additional Information on TDDs

- Want to Initiate Tax Upon Business Opening or Completion of Construction if Possible (Developer Will Thank You)
- Improvements Can Take Place Outside of District
- There are Currently 36 TDDs in the State According to KDOR
- City Can Charge up to Five Percent of Project Costs for Administration
- Consult a Financial Advisor or Bond Counsel

The Future of TDDs

- TDDs Have Become Less Attractive Since July 1, 2009 (Only Two TDDs Created After October of 2009)
- Anything Prior to That is Thought to Have Been in the Works Prior to July 1, 2009
- New Mechanisms Allow for Greater Flexibility With Greater Funds to be Used for Public and Private Infrastructure

Why The Reduction in TDDs?

- TDDs Are Limited to an Increment of up to One-Percent
- TDDs Require 100 Percent of Property Owners
- TDDs Can Only Improve Public Infrastructure
- On July 1, 2009, New Legislation Went Into Effect That Created Community Improvement Districts

What is a CID?

- If TDDs Were MySpace, CIDs Would be Facebook
- Since July 1, 2009, Thirteen (13) CIDs Have Been Created
- Available to Any City or County in Kansas
- Much Broader Purpose Than a TDD

What Can a CID Finance?

- Just About Anything
 - Buildings and Structures
 - Transportation Improvements
 - Parks, Lawns, Trees and other Landscaping
 - Paintings, Murals, Sculptures and Other Art
 - Transit Facilities
 - Lakes and Dams
 - Various Service Functions
 - Child Care
 - Security
 - Maintenance
 - Advertising and Promotion
 - Planning and Marketing (Perhaps Main Street/Chamber Programs)
 - Training

How CIDs Work

- Very Similar to TDDs in That Projects Can be Financed Through Special Assessments and a New Increment of Sales Tax Within the District Can Help Fund Project
- Unlike TDDs, CIDs Can be Financed With Full Faith and Credit Bonds (GO Bonds)
- If Funded Fully Through Special Assessments, You Must Follow 12-6a01 Assessment Procedure But:
 - 100 Percent Must Consent to Specials
 - 100 Percent Must be Paid by Property Owners
 - No Portion of the Specials Can be Paid by the Municipality at Large
 - CID Specials May be Reduced or Eliminated in Any Year That Other Revenues are Available to Fund the Project
 - No Public Hearing Is Required

How CIDs Work (Continued)

• If Funded Through a Combination of Special Assessments, CID Sales Tax w/in the District and/or Full Faith and Credit Bonds You Must Get 55 Percent and 55 Percent Approval:

- Owners of 55 Percent of Land Area; and
- Owners of 55 Percent of Assessed Value Within the CID
- No Portion of the Specials Can be Paid by the Municipality at Large
- City Can Provide Full Faith and Credit Bonds Toward Project (Unlike TDD)
- A Public Hearing Is Required

How CIDs Work (Continued)

- Community Improvement District Sales Tax
 - Up to Two-Percent Additional Local Sales Tax Within the District (In Increments of 0.10 or 0.25)
 - Effective For up to 22 Years From Date of Bond Issuance
 - Revenue Bonds Backed by CIDs Don't Count Toward Bonded Indebtedness Cap
 - Full Faith and Credit Bonds are Exempt From Indebtedness Limit up to Three Percent (3%) of Community's Assessed Valuation

TDDs vs. CIDs

- Very Similar to TDDs
 - Must Create a Separate Fund for Each District and Project With a Suitable Title or Name (i.e. Boot Hill Development CID)
 - The Tax Ceases After Principle and Interest are Paid
 - No Impact on Current Taxing Jurisdictions
 - Can Adopt PAYGO Framework With 22-Year Maximum
 - Both Initiated Through a Petition From Property Owners

TDDs vs. CIDs

- More Similarities to TDDs
 - Can be Tough to Finance Due to Uncertainties of Project
 - Tenants (Terms of Lease and Creditworthiness)?
 - Maximum Development Costs?
 - On Budget?
 - Want to Initiate Tax Upon Business Opening or Completion of Construction
 - Improvements Can Take Place Outside of the District Boundaries
 - The City Can Charge up to Five Percent of Project Costs for Administration

TDDs vs. CIDs

- Also Very Different From TDDs
 - They Allow Full Faith and Credit Bonds From the City/County
 - Requires Just 55% and 55% of Property Owners and Value to Initiate District Creation
 - The State Can Retain Up to Two Percent of Collected Tax From CIDs (Capped at \$60,000 Annually)
 - Sales Tax Can Only Commence on the Quarters (Jan., April, July, Oct.)
 - Broader Range of Allowable Costs Than TDD

Any Questions?

- Regarding My Experiences With TDDs and CIDs in Ellsworth and Hoisington?
- Regarding CIDs?
- Regarding TDDs?
- Regarding Existing Uses/Hypothetical Applications?

For Additional Information

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Thank You.