

**CITY OF CHESTERFIELD
POLICY STATEMENT**

FINANCE AND ADMINISTRATION		NO.	7
SUBJECT	Community Improvement District Policy (CID)	INDEX	FA
DATE ISSUED	11/19/07	DATE REVISED	

POLICY:

INTRODUCTION

The City of Chesterfield has always been committed to providing its residents with a viable infrastructure. These infrastructure improvements are critical to the City's economic development and residential life. While many of the improvements the City undertakes benefit the community as a whole, there are some circumstances where the benefit runs to a specific group of individuals or businesses.

Under the Community Improvement District Act, Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri, also known as the CID Act, a community improvement district, or CID, is authorized to construct certain public improvements and finance those improvements with revenues they generate. The City does not issue the obligations, nor does it lend its credit to the project to guarantee that the obligations are repaid. Instead, the CID, as the entity constructing the project, bears the risk of success. If the project overperforms, obligations issued by the CID are retired more quickly; if it underperforms, the holders of the obligations face financial consequences from that poor performance.

The City Council is aware of the need to provide its citizens with the opportunity to construct certain public improvements within specific geographic areas. At the same time, the City is concerned about imposing burdens on some, while disproportionately benefiting others. The City Council believes that the formation of community improvement districts can provide an excellent opportunity for citizens to examine the particular needs of their neighborhoods and to structure a plan to address those needs. The City Council believes that it is important that local residents and businesses have the ability to avail themselves of those lawful opportunities which enable them to improve their environs. Further, the City Council is willing and able to partner with its citizens to make the necessary improvements in a way that is suitable to the entire community.

THE COMMUNITY IMPROVEMENT DISTRICT ACT

The CID Act was designed to provide a practical, flexible, and responsive tool to finance public improvements. Simply defined, the CID is a separate political subdivision or nonprofit corporation within an established territory and within which certain public improvements are constructed and financed through the imposition of sales taxes, property taxes and special assessments.

FORMATION OF A COMMUNITY IMPROVEMENT DISTRICT

In Missouri, community improvement districts are established by the City Council upon receipt of a petition of the property owners collectively owning more than fifty percent (a) by assessed value of the real property within the boundaries of the proposed district, and (b) per capita of all owners of real property within the boundaries of the proposed district. The petition must also include information about the property, the project and the proposed financing, which are summarized below for reference. Once the petition has been reviewed and verified by the City Clerk, the City Council holds a public hearing to receive comment on the proposed district. After the public hearing, the City Council may, in its sole discretion, adopt an ordinance to establish the proposed district. The CID Act outlines the structure of and formation process for CIDs. The process is relatively straightforward, although it is important that a party experienced in governmental affairs be involved.

CID PROJECTS AND RELATED FINANCING

The CID Act provides a mechanism for funding public improvements for both commercial and residential projects. Further, in the case of older, established commercial areas, if the proposed district is located within an area that may be declared blighted under one of the several statutory definitions of "blight," the CID may also fund demolition, reconstruction and rehabilitation costs related to the overall commercial development.

Eligible CID Projects

Under the CID Act, CID revenues can be used to provide assistance to or to construct, reconstruct, install, repair, maintain, and equip any of the following public improvements within its boundaries;

- a) Pedestrian or shopping malls and plazas;
- b) Parks, lawns, trees, and any other landscape;
- c) Convention centers, arenas, aquariums, aviaries, and meeting facilities;

facilities;

- d) Sidewalks, streets, alleys, bridges, ramps, tunnels, overpasses and underpasses, traffic signs and signals, utilities, drainage, water, storm and sewer systems, and other site improvements;
- e) Parking lots, garages, or other facilities;
- f) Lakes, dams, and waterways;
- g) Streetscape, lighting, benches or other seating furniture, trash receptacles, marquees, awnings, canopies, walls, and barriers;
- h) Telephone and information booths, bus stop and other shelters, rest rooms, and kiosks;**
- i) Paintings, murals, display cases, sculptures, and fountains;
- j) Music, news, and child-care facilities; and
- k) Any other useful, necessary, or desired improvement, including open spaces, walkways, paths and recreational centers.

As indicated above, many CID projects may be owned and managed by the CID independent of City operations essentially serving unique neighborhood needs. Other CID projects may be more "traditional" public improvements such as streets, stormwater control and parks/open spaces.

Reimbursable CID Project Costs

The CID Act identifies the costs that can be paid for through a Community Improvement District. Eligible costs include all costs necessary or incidental to plan, acquire, finance, develop, design and construct the CID projects described above, including without limitation:

- a) costs of all estimates, studies, surveys, plans, drawings, reports, tests, specifications and other preliminary investigations of architects, appraisers, surveyors and engineers;
- b) all professional service costs, including without limitation architectural, engineering, legal, financial, planning, design or special services incurred;
- c) costs of acquisition of right-of-way, easements, leases and other interests in real property;
- d) costs of demolition of buildings and the clearing and grading of land, site preparation, and erosion and storm water control; and

- e) costs of construction, reconstruction, installation, repair, maintenance or equipping of any eligible CID projects.

To ensure that the costs incurred in constructing the CID project are eligible for reimbursement, the City advises that monies be spent only after the district is established, unless proper legal counsel is otherwise of the opinion that such costs are reimbursable in conformance with applicable state law.

Financing Mechanisms

Community improvement districts can be financed in several ways, however the most common means is through the imposition of a retail sales tax or the levy of a real estate tax or special assessment.

Once a CID is established, and the funding mechanisms imposed, the CID may issue notes which may then be refunded by issuing bonds. Debt service on the obligations are paid with revenues from the sales tax, property tax and/or special assessment.

Special Considerations

Because these projects involve public improvements, all CID projects must include the payment of prevailing wage rates, required bonds and insurance, and must comply with the normal bidding and procurement policies of the CID, the City and the Department of Planning and Public Works. Whether the City or the CID is the contracting party, the Department of Planning and Public Works will be involved in the planning and approval of the public improvements. The City is experienced in these matters and will assist in the preparation and solicitation of bids, at the expense of the CID.

Although a CID is often formed for a specific purpose and is governed by the property owners and businesses located within its boundaries, it is important to note that a CID is also authorized under state law to impose sales taxes and levy real property taxes and special assessments. As such, any unpaid CID taxes or assessments are treated in the same manner as other taxes and assessments imposed by any other taxing jurisdiction within the community. In particular, the Collector is empowered to impose liens and take other enforcement actions on behalf of the CID to ensure that outstanding property taxes and special assessments are paid. Further, on behalf of the CID, the Department of Revenue may collect interest on any unpaid and past due sales tax revenues.

FORMATION PROCESS

The City views itself as a partner in these proceedings, and is therefore willing to facilitate the formation and administration of CIDs. As a result, in addition to the items listed herein, the City will also incur the initial legal expenses necessary to work with the property owners to prepare a proper petition and to ensure that the CID process has been properly initiated. The City begins by providing applicants with a form of the application necessary to begin the formation process (see **Appendix A**).

Initiation Process

Given the fact that there are several "up-front" costs required to comply with the CID Act to form a community improvement district, and that these up-front costs may be substantial, the City Council would like to provide some assistance during the initiation process to verify that the proposed projects are being properly defined and that they have been structured in a way that is economically feasible. City Council has developed an application which will be used to enable the City to perform an initial evaluation of all CID proposals. The Application is designed to help applicants conceptualize the project and identify the means of making it most-productive. After an initial review and evaluation, it will then go through the formal review process. It is worthwhile to note, however, that because each community improvement district must be judged on its own strengths and merits, it is not possible to establish a "normal" time frame for establishment.

Application Process

The Application contains the following elements, all of which are essential to its evaluation:

- f) The name of the proposed district or nonprofit corporation;
- g) The legal description of the proposed district, including a map illustrating the district boundaries;
- h) A description of the purposes of the proposed district, the services it will provide, the improvements it will make and an estimate of costs of these services and improvements to be incurred over the initial five-years of existence;
- i) A statement as to whether the district will be a political subdivision or a not for profit corporation;

- j) A list of all of the owners and parcels within the proposed district;
- k) The total assessed value of all real property within the proposed district, by parcel number;
- l) A statement as to whether the petitioners are seeking a determination that the proposed district, or any legally described portion thereof, is a blighted area;
- m) The proposed length of time for the existence of the district;
- n) The maximum rates of real property taxes that may be submitted to the qualified voters for approval;
- o) The maximum rates of special assessments and respective methods of assessment that may be proposed by petition;
- p) The limitations, if any, on the borrowing capacity of the district;
- q) The limitations, if any, on the revenue generation of the district;
and
- r) Other limitations, if any, on the powers of the district.

Six copies of the Application should be submitted to the City Council as follows: City Council of the City of Chesterfield
690 Chesterfield Parkway West
Chesterfield, Missouri 63017-0760
ATTN: Finance and Administration Committee

After receipt, the City Administrator will cause a formal review of the application, by all appropriate City Staff and/or City consultants and will, following said review, forward those applications considered to be complete to the City's Finance and Administration Committee. Particular attention will be paid (i) the size and scope of the proposed project; (ii) the ability of the project to generate revenues sufficient to pay for the public improvements; (iii) the long-term viability of the proposed project; and (iv) the impact of the project on surrounding areas. The Finance and Administration Committee will also verify the accuracy of the parcel identification numbers and assessed values on all properties within the proposed CID.

Throughout the evaluation process, the Finance and Administration Committee will be committed to reviewing and revising the proposal as necessary to help meet the needs of the proposed district and the City. To the extent that portions of the proposal are not sufficient to satisfy the requirements of the CID Act, the City will discuss potential revisions with the applicant and attempt to reach agreement on any issues of concern.

After the review of the Application is completed, the Finance and Administration Committee will complete a written evaluation of the proposed project. This evaluation will include a recommendation on whether to approve the Community Improvement District project. The evaluation will be submitted to the applicant and after comments have been received, will be presented to the City Council for their action,

Formal Petition Process

Once the Application review process is complete and the proposal is forwarded to the City Council for approval, it will be included in the CID program and the formal development of a CID Petition will be started. Costs incurred during the formal petition process are also reimbursable under the CID Act.

To ensure solid support by the residents and property owners within the proposed district, the City Council, based on discussions with the Finance and Administration Committee, has as its policy that the petition has been signed by at least [60]% of the property owners within the boundaries of the proposed district as measured both by assessed value and number of total parcels, rather than the minimum 50% representation provided in the CID Act. The formal Petition will also include any updates to the Application, as well as:

- s) A notice that the signatures of the signers may not be withdrawn later than seven days after the petition is filed with the municipal clerk;
- t) If the district is to be a political subdivision, a statement as to whether the district will be governed by a board elected by the district or whether the board will be appointed by the municipality,

and, if the board is to be elected by the district, the names and terms of the initial board may be stated;

- u) If the district is to be a political subdivision, the number of directors to serve on the board;
- v) Other limitations, if any, on the powers of the district;
- w) A request that the district be established;
- x) Any other items the petitioners deem appropriate.

As with the Application, to the extent that the property owners require assistance with any of the elements of the Petition, City staff is available to help.

NEXT STEPS

After the Petition is finalized, it will be filed with the City Clerk, who will review and verify that it conforms with the requirements of the CID Act in consultation with the City Administrator and legal counsel. Then, the City Council will set and convene a public hearing to receive comment on the proposed district. All members of the public will be given an opportunity to be heard. After the public hearing, the City Council may, in its sole discretion, adopt an ordinance to establish the proposed district.

It is during the formal approval of the Petition that the City Council will determine the level of the City financial participation in the CID project. In most cases, the City intends to recover its costs of the CID process from the CID once formed as a CID reimbursable cost. However, in special circumstances where the CID project involves traditional, public improvements (such as public streets) and has general community benefits beyond the boundaries of the CID, the City may participate financially including, but not limited to, legal services related to establishment of the CID, design and project management through the City's Public Works Department, and, under extraordinary circumstances, provide a funding for a portion of the cost.

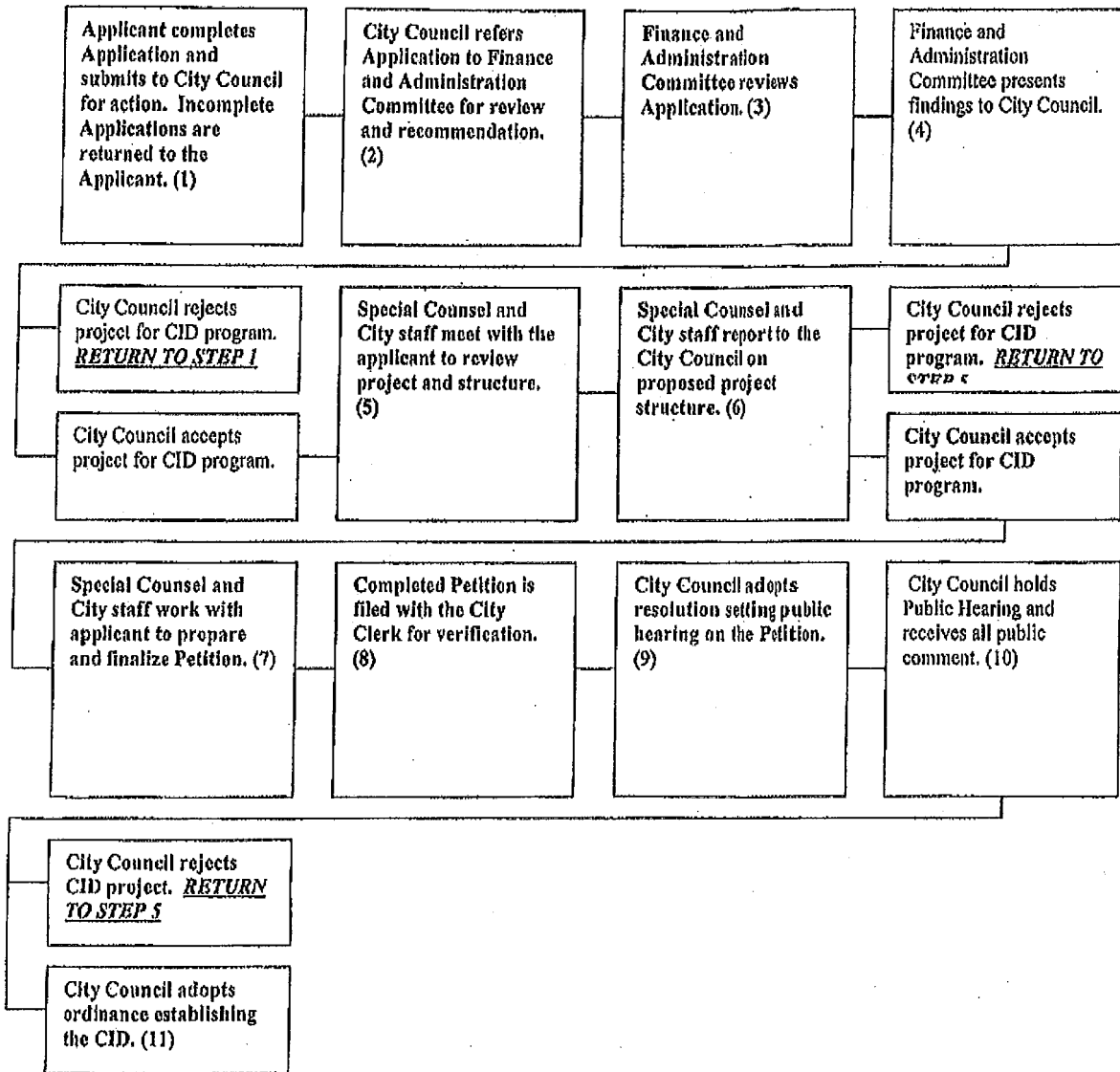
Once established, the district exists like any other political subdivision (or nonprofit corporation, as the case may be) of the state, and is obligated to operate in accordance with applicable state law. With that in mind, the City recommends each established district seek legal counsel experienced in administering special taxing districts, to preserve the rights and powers granted by the City Council. City staff will assist in identifying suitable counsel, as necessary. On an ongoing basis, the City will remain involved in the physical implementation of the CID project, including but not limited to the design, engineering and construction process. Further, to the extent necessary,

the City will provide administrative support to the CID and will serve as a resource for property owners and businesses operating within the district. Costs incurred by the City in the provision of these services should be paid as project costs that are eligible for reimbursement from project revenues.

FOR ADDITIONAL INFORMATION

For additional information, contact:
City Administrator
690 Chesterfield Parkway West
Chesterfield, Missouri 63017-0760

FORMATION OF A COMMUNITY IMPROVEMENT DISTRICT



**APPENDIX A
FORM OF APPLICATION
(ATTACHED HERETO.)**

**APPLICATION FOR
COMMUNITY IMPROVEMENT DISTRICT**

1. The name of the proposed district or nonprofit corporation:

2. Describe the purposes of the proposed district, the services it will provide, the improvements it will make and an estimate of costs of these services and improvements to be incurred over the initial five years of existence (attached additional sheets as necessary):

3. Formation: Political Subdivision _____ Nonprofit Corporation _____

4. List of owners and parcels included within the proposed district (attached additional sheets as necessary):

5. The total assessed value of all real property within the proposed district, by parcel number (attached additional sheets as necessary):

6. If the petitioners are seeking a determination that the proposed district, or any legally described portion thereof, is a blighted area, please describe below:

7. Describe the proposed length of time for the existence of the district:

8. Describe the maximum rates of real property taxes, if any, that may be submitted to the qualified voters for approval, including how such real property taxes will be levied and collected:

9. Describe the maximum rates of special assessments and respective methods of

assessment, if any, that may be proposed by petition, including how such special assessments will be levied and collected:

10. Describe the maximum rates of retail sales taxes, if any, that may be submitted to the qualified voters for approval, including how such retail sales taxes will be imposed and collected:

11. Describe the limitations, if any, on the borrowing capacity of the district:

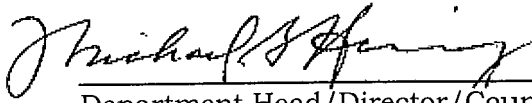
12. Describe the limitations, if any, on the revenue generation of the district:

13. Describe other limitations, if any, on the powers of the district:

In addition to the items listed above, please include a legal description of the proposed district, including a map illustrating the district boundaries, as Exhibit A.

**EXHIBIT A
LEGAL DESCRIPTIONS AND BOUNDARY MAP
(ATTACHED HERETO.)**

RECOMMENDED BY:



Department Head/Director/Council Committee (if applicable)

Date

APPROVED BY:

City Administrator

Date

City Council (if applicable)

Date