SMITHVILLE missouri	STAFF REPORT
Date:	June 7, 2022
Prepared By:	Anna Mitchell, Assistant City Administrator
Subject:	Smithville Commons TIF Revenue Bonds

Over the last few weeks, staff has been in communications with economic development and bond counsel, Gilmore & Bell, and financial advisors, Piper Sandler & Co. regarding the Smithville Commons TIF Revenue Bonds (the "Bonds") that were previously authorized for sale by the Board of Aldermen subject to certain limitations. At the time of the Board of Aldermen meeting on May 3, 2022, it was represented to the Board that the revenue bond financing process would allow for a payoff of the bonds in 2035 and result in approximately $1,000,000 of savings, as compared to paying the Developer back on a pay-as-you-go basis.

Under the current market conditions, UMB, as Placement Agent for the Bonds, has been unable to sell the full amount of the Bonds originally anticipated subject to the limitations in the authorizing ordinance resulting in the Developer not receiving the full reimbursement owed to them under the Smithville Commons CID Cooperative Agreement and the Smithville Commons Tax Increment Redevelopment Agreement. Given these circumstances, to pay the debt service on the Bonds and reimburse the Developer the remaining amount they are owed, it is projected that rather than saving $1,000,000, this path, if continued, would cost an additional $460,000. This additional $460,000 will be paid from money generated by the TIF and the Smithville Commons CID that is placed into the Special Allocation Fund for these purposes that would now pay debt service instead of flowing to the taxing jurisdictions.

Staff is currently working with Gilmore & Bell and Piper Sandler & Co. to provide an update and alternatives that are available to the Board to be presented at Tuesday's Board of Aldermen meeting. This memo is to serve as brief update while a full memo with detail of all scenarios will be completed and posted as an update to the agenda prior to the meeting.

MEMORANDUM

TO: **City of Smithville, Missouri Board of Aldermen and Staff**

FROM: **Sid Douglas and Megan Miller, Gilmore & Bell P.C.**

DATE: **June 6, 2022**

RE: **City of Smithville, Missouri Tax Increment Revenue Bonds (Smithville Commons Project) Series 2022 (the "Bonds")**

On May 3, 2021, in the discussion with the Board of Aldermen related to the approval of an ordinance to issue the Bonds, representations were made that the Bonds would result in approximately $1,000,000 of savings compared to paying the Developer with revenues from the project as collected ("Pay/Go"). The savings of $1,000,000 would have been distributed to the taxing jurisdictions impacted. As a result of the current market conditions, UMB Bank, as Placement Agent ("UMB"), is unable to sell all of the Bonds originally anticipated within the limitations in the authorizing ordinance for the Bonds. This results in the Developer not receiving the full reimbursement owed to them at the time of the issuance of the Bonds and also eliminates the expected savings. Gilmore & Bell, P.C., Piper Sandler & Co., and UMB have been working on alternative options to complete this financing in the most efficient and cost-effective manner. Below is a discussion of those options:

1. The City can rescind the ordinance authorizing issuance of the Bonds, passed on May 17, 2022, or decide not to authorize the issuance of the Bonds at this time. This would allow for the Developer to be reimbursed on a Pay/Go basis with a maximum interest rate of 6.00%, as provided in the development agreement. Based on current revenue projections, the Developer would be paid back in December 2034 and approximately $450,000 would remain in the Special Allocation Fund to be redistributed to the taxing jurisdictions. The City would have the option to issue bonds at a future date if market conditions were to improve.

2. If the City decides to issue the Bonds, $6,936,103 is expected to be available to reimburse the Developer from the proceeds of the Bonds. The Developer would have approximately $4,247,975 of unreimbursed costs of the project. After making required deposits from the project revenues for required debt service, reserves and administrative costs, 100% of the excess revenues (including expected interest earnings on the moneys held in the reserve funds) generated by the project would first be distributed to the Developer to pay back their unreimbursed costs. The Developer would expect to be repaid in December 2032. After the Developer is repaid, 100% of the excess revenues (including expected interest earnings on the moneys held in the reserve funds) would then be used to pay debt service on the Bonds. The Bonds would be expected to be paid back in December 2034. Under this alternative, approximately $412,000 will remain in the Special Allocation Fund to be redistributed to the taxing jurisdictions (compared to $450,000 under the Pay/Go alternative). With the issuance of the Bonds, the approximately $1,000,000 of savings initially expected to be available from the issuance of the Bonds rather than reimbursing the Developer with the Pay/Go revenues is eliminated but all amounts to be paid from project revenues would be expected to be paid at the same time with about the same amount of additional funds as the Pay/Go alternative.