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KEEPING SCORE ON TDDs: STRETCHING COLUMBIA'S TRANSPORTATION DOLLAR (Published October 16, 2004, in the Columbia Business Times) - 10/8/2004

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KEEPING SCORE ON TDDs: STRETCHING COLUMBIA'S TRANSPORTATION DOLLAR

COLUMBIA, Mo. – With two new Transportation Development Districts sprouting recently and a couple more already in place, it might seem that Columbia has gone a little TDD crazy lately.

The Transportation Development District, or TDD, is an innovative funding mechanism put in place by state statute that allows local merchants in a specific area to charge an extra tax to pay for road improvements that benefit the prescribed area when other public financing is unavailable.

The TDD must be approved by a circuit court judge and the local municipality before it can go into effect. The Missouri Highways and Transit Commission administers the rules of TDDs, and the Missouri Department of Transportation, or MODOT, must approve the construction plans when a project involves a state highway such as Stadium Blvd. The TDD issues notes, bonds or other securities to fund the transportation project, and the bonds are then paid for out of the revenues collected within the TDD.

Two new TDDs were approved in the past few weeks for buildings housing stores along Stadium Blvd. that are owned by Stan Kroenke and a group of other investors in the first TDD, and by Raul Walters in the second. The two TDDs may eventually be folded into a larger city-organized TDD that would blanket the entire west Stadium area and improve traffic flow on a street famous for traffic problems.

With the first TDD, shoppers at such stores as Famous-Barr, Wal-Mart and the Stadium McDonald's will pay an extra half-cent tax for every dollar spent to pay for \$1.7 million in roadwork, including a right-turn-in, right-turn-out access lane into the Famous- Barr parking lot. In the second TDD, shoppers at such stores as Circuit City, Toys'R'Us, Best Buy, Hobby Lobby and Petco will pay as much as a cent for every dollar spent to pay for \$15 million in improvements to Stadium and major streets between Broadway and Interstate 70. The plans include widening Stadium by one lane in each direction and improving all major side streets in the area.

The new Stadium TDDs join two others already in place in other parts of the city: at the CenterState development at U.S. Highway 63 and Vandiver Road anchored by the Bass Pro

Shops store, which is now under construction, and near the Mid America Harley-Davidson dealership at the Lake of the Woods Exit on Interstate 70.

TDDs were created by statute in 1990. So why the sudden rush in the past few years to develop them? The underlying issue is a lack of public roadway funds. TDDs are seen as a way to make a necessary project happen without increasing the tax burden on property owners who are already paying property taxes for their facilities. Consumers pay the bill as they use the newly developed facilities.

Because his development is a regional destination expected to draw from a 60 to 100-mile radius, CenterState Properties Spokesman Donald Lairmore said the setup means that out-of-town shoppers would help pay for the roads in his development, rather than local property owners.

“The TDD is a wonderful mechanism for cities to get better streets, improve those streets and have better access because it puts the burden on the buyer of goods,” said Donald Lairmore, spokesman for CenterState. “Without a TDD, we probably would have found another way, but it would have been slower, and it would have been not as good. It enables the developer to make plans that there can be roads to put into place if there’s revenues to support them.”

Although supportive of the development TDDs help to facilitate, the city looks on the mechanism with a little suspicion. “From a city standpoint, I think we have to look at whether the work proposed under a TDD fits into the overall city’s roadway plan in the way of a system of roads, or is it geared just to take care of one area of one place of business, possibly at maybe the expense of the overall plan,” said Ray Beck.

Another issue for Beck is the jurisdictional responsibility of the state highway department in regard to its roadways. He said TDDs are a way to move a project forward, but they run the risk of saddling communities such as Columbia with costs that probably ought to be paid by MODOT. Finally, TDDs can foster the perception, sometimes already said about Columbia, that a city’s tax rates are too high.

TDDs can levy taxes in order to repay bonds, which is the main difference from Transportation Corporations, or TCs. TDDs are also political subdivisions, while TCs are not-for-profit entities with no stockholders.

TDDs are also different from TIFs, which are Tax Increment Financing districts. They are separate development tools that can assist, or even work together, in financing public improvements. Although other Missouri cities have used the TIF mechanism extensively, Columbia has frowned on TIF arrangements, in which, for a set period of time, a community foregoes the collection of a percentage of increased property taxes generated by a new development in order to pay for the related public improvements. When a transportation-linked project is to be principally financed by a TIF, a TDD can be used to fund the segments of the project related to transportation.

