

COMMISSIONERS' ORDINANCE NO. 0-43-18

AN ORDINANCE ESTABLISHING A NEW TITLE AND CHAPTERS RELATING TO FINANCIAL REGULATIONS OF THE COVINGTON CODE OF ORDINANCES AND CREATING A NEW CHAPTER TITLED CITY INDUSTRIAL REVENUE BOND POLICY.

\* \* \* \*

WHEREAS, An Industrial Revenue Bond (IRB) is an economic development tool that provides upfront capital to close a funding gap in a development project; and

WHEREAS, Covington has utilized Industrial Revenue Bonds for several development projects in recent years; and

WHEREAS, City staff examined past IRB deals in order to determine best practices for negotiating future deals so that the City's financial future is given proper consideration in an IRB development project and City; and

WHEREAS, City staff believe job creation is the original policy goal of Kentucky's IRB legislation and it should remain the primary objective for future IRB deals in order to attract businesses, create employment opportunities for residents, and expand the City's tax base; and

WHEREAS, City staff also recognizes mixed-use and residential developments are important for neighborhood revitalization and for the attraction of talent and a strong workforce, but IRB terms for these projects should be different than for commercial projects; and

WHEREAS, based on the analysis of prior IRB agreements, City staff recommends the adoption of the following Industrial Revenue Bond Policy to guide future staff analysis appropriately.

NOW, THEREFORE,  
BE IT ORDERED BY THE BOARD OF COMMISSIONERS OF THE CITY OF  
COVINGTON, KENTON COUNTY, KENTUCKY:

Section 1

A new title and chapters of the Covington Code of Ordinances, 1984 edition, are hereby added as follows:

**TITLE IV: FINANCIAL REGULATIONS**

**CHAPTER 40: [Reserved]**

**CHAPTER 41: CITY INDUSTRIAL REVENUE BOND POLICY**

## Section 2

Sections 41.01 through 41.02, which reads as follows, are added to and amends the Covington Code of Ordinances:

### **§41.01 Intent.**

**This policy is intended to set forth guidelines and a framework within which City staff should operate while negotiating Industrial Revenue Bond incentives so that the City can ensure sustainable revenues to deliver high quality services to citizens.**

### **§ 41.02 Industrial Revenue Bond Incentive Guiding Principles.**

**(A) Last to the Table. City staff will underwrite and review incentive requests after all other private financing has been maximized and committed.**

**(B) All Deals Underwritten. Each development project must deliver a positive, long-term return-on-investment for the City to offset the additional City services created by the development project.**

**(C) Commercial vs. Residential Term. While both development types are important facets of the City's economic development goals, commercial uses contribute greater direct returns on investment and will be prioritized and incentivized accordingly.**

**(1) Commercial. To capture long-term revenue associated with payroll taxes, commercial Industrial Revenue Bond terms can be more flexible in order to subsidize the development and attract new payroll tax revenue streams to the City. However, in order to realize a strong return on investment, the City must be cautious about offering employer incentives at the same location.**

**(2) Residential. At no point will the City's Payment in Lieu of Taxes ("PILOT") of the assessed value be less than 100% after 20 years.**

**(3) Mixed-Use. The development will be reviewed based on the primary use by square footage. Incentive terms will reflect whether the development is primarily commercial or residential and the number and estimated wages for the types of permanent jobs to be created.**

**(D) Market Value. After the project is built, the Industrial Revenue Bond assessed value for determining the PILOT will be determined by the PVA.**

not negotiated.

(E) Tax Rates. Property tax rates used for determining annual PILOT payments will reflect the actual tax rates for that calendar year and will not be “locked in” throughout the term.

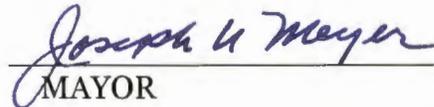
(F) Payment In Lieu of Taxes (“PILOT”): PILOT percentages shall gradually increase over the term, not remain static throughout the term. At no point will the City’s PILOT on a residential or primarily residential mixed-use project be less than 100% after 20 years.

(G) Assignability: City Industrial Revenue Bond benefits are not to be assignable or transferable unless approved in writing after reviewing the proposed sale terms. Otherwise, a sale or transfer triggers a return to the full tax rate, payment of any outstanding balance, and end of City ownership of the property.

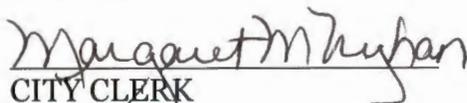
(H) Exceptions. Notwithstanding the foregoing, the Board of Commissioners may authorize Industrial Revenue Bond terms and conditions which do not meet all requirements of this Chapter so long as such terms and conditions are thoroughly reviewed by City staff and there are specific findings recorded in appropriate legislation documenting that it is necessary to amend the terms and conditions, one or more community goals will be met by the amendment, and it is in the City’s best interest to allow a deviation from the typical IRB policy requirements.

Section 3

This Ordinance shall take effect and be in full force when passed, published and recorded according to the law.

  
MAYOR

ATTEST:

  
CITY CLERK

Passed: 12-11-18 (Second Reading)

11-20-18 (First Reading)