



TIF GUIDELINES AND CRITERIA CITY OF COVINGTON, KENTUCKY

POLICY STATEMENT

The City of Covington, Kentucky (“City”) is dedicated to building a strong economy by attracting jobs and new private investment, supporting existing businesses, creating an inviting public realm by providing greater access to open space, enhancing the pedestrian experience and connectivity within the City Center, and building strong neighborhoods by encouraging diverse housing options and enhanced residential amenities. A Tax Increment Financing (“TIF”) project should act as an economic stimulus to the surrounding areas and help the City achieve these goals. By leveraging private investment for certain types of development within a targeted area, TIF can be a tool used to assist in financing needed public improvements and enhancing infrastructure.

This policy also recognizes that the City is facing serious fiscal challenges to both the City’s revenue and expense projections over the next five years. In FY 19, the looming loss in payroll tax revenue from the IRS – estimated at between \$1.2 and \$1.8 million per year – represents one of the biggest budget pressures facing the City and the TIF district. In addition, the City faces increased costs, including a \$755,000 pension contribution annually for the next three years. Furthermore, while Covington is enjoying growth of about 3 percent in its top tax revenue streams (payroll, property, insurance premium and net profits taxes), the city’s net revenue growth is relatively flat after accounting for ongoing incentive packages awarded previously by the City.

Section I. Introduction and Program Overview.

Authority. The City created its TIF Development Area in 2012 pursuant to O-58-12 and KRS 65.7041 et. seq. The City adopted these TIF Guidelines by Commissioners’ Order No. _____. The guidelines serve as a policy direction to City staff and interested parties regarding whether a new project is appropriate for inclusion in the City’s Development Plan.

Goals and Objectives. The City intends to utilize TIF to reinvigorate the Development Area, and to create public-private partnerships, which maximize the use of public funds for public infrastructure. Each new project should clearly address, improve or satisfy at least two of the following conditions listed in the original 2012 Development Plan:

- Substantial loss of residential, commercial, or industrial activity or use;
- Forty percent (40%) or more of the households are low-income households;
- More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;
- Substantial abandonment of residential, commercial, or industrial structures;
- Substantial presence of environmentally contaminated land;
- Inadequate public improvements or substantial deterioration in public infrastructure; or
- Any combination of factors that substantially impairs or arrests the growth and economic development of the city or county; impedes the provision of adequate housing; impedes the development of commercial or industrial property; or adversely affects public health, safety, or general welfare due to the development area’s present condition and use.

Eligible Development. The following project types may be eligible for TIF funds if the public infrastructure costs defined in Section V leverage these project types within the Development Area

- Office development: New construction or rehabilitation
- Business parks for targeted industries: New construction or rehabilitation
- Retail/commercial development: New construction or rehabilitation
- Mixed-use or multi-family development: New construction or rehabilitation
- Residential development: New construction or rehabilitation of single-family and/or multi-family housing in the inner city

Demonstration of Economic Development Impact. It is the intent of the City to use TIF funds for the purpose of supporting economic development in the Development Area. As part of a TIF application, an Applicant must describe how the planned investment will contribute to economic development activity in the City, including: the experience of the team; borrower capability; what site improvements will occur; the catalytic nature of the project; the quality and quantity of jobs created and retained; the need for funding; the timeline for the project; project sustainability; collateral quality; the soundness of the transaction; and the amount to be invested overall in the project.

Demonstration of Need for Public Assistance. TIF Development Areas, according to state law, are for areas that are not reasonably expected to be developed without public assistance. The application should demonstrate that there is reasonable assurance the proposed project shall not occur solely through private investment in the reasonably foreseeable future.

Project Approval. The City will require that each Applicant agree to submit a financial assistance application for underwriting and enter into a Development Agreement with the City to specify the project requirements based on these guidelines and staff recommendations. Recommendation by the Covington Economic Development Authority (“CEDA”) and approval by the City Board of Commissioners are required for the Final Project, which shall include Financing and Development Plans.

[Section II. Application Process and Fees.](#)

Application Process. Applications must be submitted to the City Economic Development Department. Depending on the exact nature and complexity of the project, the estimated timeframe from application to amendment of the TIF Development Plan for inclusion as an approved project is **at least** two (2) months.

All applications for TIF Development Area Project Designation should be delivered to:

City of Covington
ATTN: Economic Development Department
20 W. Pike Street
Covington, KY 41011

Application. Applicants desiring to receive TIF Development Area Project Designation must submit a complete digital copy of an application. The application shall consist of complete, current information meeting criteria set forth in this policy, including all information outlined in Section II and Sections VIII, unless the application is submitted in response to the City’s Request for Proposals or Invitation for Bid for a specific project.

Review for Eligibility. City Staff will review the application for compliance with the criteria laid out in this policy.

Section III. Evaluation Criteria.

Each application submitted for TIF Development Area Project Designation will be evaluated by City staff and reviewed by CEDA on a case-by-case basis to analyze the viability of the proposed project. The following basic evaluation criteria will be used to assure a thorough review of applications seeking funding.

- **Development Team:** Corporate Resolution, Articles of Incorporation, Operating/Partnership Agreement; Resumes of owners and key managers; Outline of the full development team; Past projects that have requested/received city incentives.
- **Owner Financial Strength:** Personal Financial Statements from all 20% or more owners of applicant entity.
- **Financial Information:** 10-year cash flow projection and listing of all project assumptions (excel - rent rates, revenue & expense growth) and a budget that details total project investment (excel).
- **Sources of Funds:** Conditional Bank commitment and/or term sheet; List of any grant requests pending or committed; Tax credits allocated or applied for; Financing Projections (including any IRBs).
- **Cost Verifications:** Purchase agreements, contractor estimates, architect contract.
- **Environmental:** Summary of any Phase 1 and/or Phase 2.
- **Market Information:** Summary of appraisal, market study, comps with sources, and any letters of intent from prospective commercial tenants; Copy of third-party analysis for all financial projections (include lease rates, absorption/capture rates, vacancy, expense escalators, etc.); Estimated post construction value (and eventually as-built appraisal).
- **Goodstanding Review:** Ensures the development team and all affiliates are in good standing with the City pursuant to Commissioner's Ordinance No. O-11-06, including no adverse claims or delinquent obligations.

Section IV. Project Eligibility.

Project Location. The proposed project must be located within the City's TIF Development Area. A Map of the Development Area boundaries is attached as Exhibit A.

Design Standards. The project must be constructed consistent with the City's Downtown Streetscape and Public Realm Design Standards. Applicants will be sent a copy of these design standards upon request, but they can also be found on the City's website at www.covingtonky.gov.

Project Status. City staff underwrites and reviews incentive requests after all other private financing has been maximized and committed, as demonstrated with term sheets. Projects must have site control and be "ready-to-go."

Section V. Redevelopment Assistance.

The use of TIF funds for a project approved in accordance with these guidelines is limited to:

Eligible Project Costs.

- Actual costs of acquisitions, construction, and reconstruction of public works and public improvements (e.g., streets, lighting, pedestrian amenities, public utilities, public transportation facilities, public parking, parks, playgrounds, recreational facilities, water and sewer facilities, flood and drainage facilities, and educational facilities), and new public buildings, structures, and fixtures;
- Actual costs of acquisition, demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and fixtures if said facilities are to be dedicated to the City as a public building, structure, or fixture;
- Actual costs of acquisition of land and equipment, if to be dedicated to the City as public land or equipment;
- Actual costs of clearing and grading of land;
- Actual governmental predevelopment fees, (e.g. Sanitation District 1 connection fees, City and Planning and Development Services permitting fees, etc.), which shall not include any professional and technical fees;
- A developer or agency's direct professional service costs for public improvements, including architectural, planning, engineering, legal advice and services, and environmental impact or other studies.

Loan Program. Loans to encourage the construction or rehabilitation of mixed-used, commercial and industrial buildings; improve the appearance of building facades and signage; and stimulate business start-ups and expansions to the extent such grants and loans help accomplish a stated City development goal.

Development Plans and Studies. Public plans or feasibility studies that will benefit and promote development within the District, including but not limited to: economic development strategic plans, development site masterplans, parking feasibility studies, design standards, etc.

Direct Development. As defined by KRS 65.7045(30)(h), direct development by a city, county, or agency of real property acquired by the city, county, or agency. Direct development may include one (1) or more of the following:

1. Assembly and replatting of lots or parcels;
2. Rehabilitation of existing structures and improvements;
3. Demolition of structures and improvements and construction of new structures and improvements;
4. Programs of temporary or permanent relocation assistance for businesses and residents;
5. The sale, lease, donation, or other permanent or temporary transfer of real property to public agencies, persons, and entities both for profit and nonprofit; and
6. The acquisition and construction of projects;

[Section VI. Additional Provisions.](#)

Public Hearing Notice. The City may not adopt an ordinance amending the TIF Development Plan until it has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. Notice for the public hearing shall be clearly posted and published pursuant to KRS 424.130.

No Guarantee of Funding. Submission of an application is not a guarantee of funding.

EXHIBIT A -

Covington TIF Boundary

