

City leaders learn more about TIF plan

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Developer answers questions posed by City Commission

By [Owen Covington](#)

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During a two-hour meeting Thursday at City Hall, developers Gulfstream Enterprises LLC responded to a list of more than 30 questions from the City Commission about the financing, development plan and time line for a proposed tax increment financing district.

The commission will be looking for answers to a few additional questions within the next week and is hoping to vote at its Aug. 21 meeting on the ordinance needed for the TIF application to be submitted to the state.

"We feel like we would really want to get in front of the (State Tax Increment Financing) Commission sometime in September," said Drew Augenstein with Gulfstream Enterprises.

Gulfstream Enterprises reasserted that the city would not be financially liable for the bonds needed to fund the \$390 million project and that the application should be submitted to the state as soon as possible to garner the best shot at approval.

Since securing a memorandum of agreement with the city, Gulfstream Enterprises has been moving forward with its plans for the 200-acre development at Kentucky 54 and the U.S. 60 bypass.

If approved, the project, which includes \$180 million in public infrastructure and facilities, could receive additional state and local taxes generated by the development under tax increment financing.

That revenue, estimated to be at least \$383 million over 30 years, would be used to pay off the bonds needed to construct the public portion of the project.

The development, called Gateway Commons, will include a 6,000-seat arena and 135,000-square-foot convention center owned by the city, as well as a 250-room hotel, 500,000 square feet of retail space, office space and residential units owned by the developers.

City Manager Bob Whitmer asked whether that development plan is flexible enough either before application or after the state approves the application to include the addition of recreational facilities or the combination of the arena and convention center to reduce operating costs.

Gulfstream's Randy Hutchinson told the commission that the development plan has been used to pitch the project to the bonds market and potential tenants, as well as to base revenue projections, so changes of that magnitude would delay and possibly endanger the project.

"Any significant change would endanger it," Hutchinson said. "You can't take one big component ... and pull it out without serious ramifications for the whole project."

Information about the timeline for the project remains uncertain, primarily because of such variables as when -- and if -- the project is approved by the state and how long it would take to sell the bonds needed to finance the project.

The commission did receive assurances that the retail center, arena and convention center would be the first segments of the project to be built and that the public portions would not be scaled down as construction progressed if money is tight.

The developers also have an interest in completing the public portions of the project early since they are the largest-ticket items and tax revenues won't be released until at least \$200 million in investment has been made.

Matt Hayden with Gulfstream emphasized that the public and private portions of Gateway Commons are intertwined, with commercial tenants banking on the impact of the arena and convention center and those facilities relying on the success of the retail businesses for tax revenue for bond payments.

"They feed off each other," Hayden said. "The bond underwriters are going to want to see that you're creating the revenue stream."

City Commissioner Cathy Armour said the close relationship between the two portions of the project provides some assurances that the public portion won't get left behind.

"That puts in something of a safeguard," Armour said. "It is such a symbiotic relationship."

Issues surrounding the bonds for the project remain the most uncertain, with Gulfstream unable to provide specific information about what sort of interest rate the bonds might carry or how long it might take to sell the bonds needed to finance the project.

Although pitching the project to the state is the first hurdle, once approved, the developers have to make the bond markets confident that the project can succeed, which could take time, Hutchinson said.

The developers -- not the city -- would be liable for the debt service on the bonds.

"It's all in the ability to sell the bonds," Hutchinson said.

Hutchinson is hoping that in the next few days Gulfstream can provide the City Commission with the final documents that will be a part of the city ordinance that the commission will have to approve as part of the TIF application.

The City Commission had hoped to have a first reading of the ordinance at a special meeting Tuesday, but it looks like that will likely be pushed back to late next week or possibly Aug. 21 at the latest to allow time to review the complete ordinance.