

City manager provides answers to TIF questions

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In My View

Bob Whitmer is the city manager of Owensboro.

The City Commission has attempted to explain the benefits of Kentucky's signature tax increment financing opportunity under House Bill 549 at special public meetings, regularly scheduled commission meetings, "Focus on City Government" cable presentations and to newspaper and television reporters, but we continue to hear that the public does not fully understand what a TIF can provide our community. On behalf of the City Commission, I will respond to the following questions:

1. What is tax increment financing?

States throughout the United States allow cities to utilize this method of financing for public infrastructure (streets, sewers, sidewalks, etc.) and public facilities within a specific development. Increment means new. Therefore, the public infrastructure and public facilities are built with new tax dollars, which are generated by the businesses and entertainment facilities located within the development site. The Kentucky 54 site, referred to as Gateway Commons, is projected to include \$210 million of private investment, which will generate about \$180 million in new (incremental) state and local tax dollars for public infrastructure and facilities. TIF projects allow communities to capture state tax dollars that would normally flow to Frankfort. When retail is a major project component, state sales tax and income tax are significant and produce most of the \$180 million in tax dollars in this case.

2. What is a signature TIF?

A signature TIF project requires more than \$200 million in private investment and offers unique opportunities to use state tax dollars, including the state sales tax.

3. Why is there a sense of urgency regarding the signature TIF?

Several significant signature TIF opportunities expire Dec. 31.

4. Has the Owensboro signature TIF been approved by the state?

No. The developer will submit an application with a development plan by Dec. 31. An eight-member TIF commission must then approve the project. The private developer must conduct a massive amount of work in a short period of time to qualify.

5. Will the signature TIF use existing tax dollars or raise taxes to construct this project? What is the city's risk?

No existing tax dollars will be used to finance the project. The city will provide services to the development, but there will be no tax increase for this purpose. After the debt service is retired, those new tax dollars become part of the city and state's ongoing revenue stream. Bonds will be sold to fund the project, but the city will not legally back the bonds, so there is no risk to taxpayers.

6. Why did the city meet with developers behind closed doors?

The developers were still securing property options. When property owners know of a major development that depends on acquisition of their properties, the purchase prices often become inflated.

7. Who is the developer, and what is the developer's investment?

The developer is a local development firm named Gulfstream LLC, and its commitment is projected at \$210 million.

8. Why select the Kentucky 54 site?

The developer chose the site and proposed the development to the city. The developer is taking the risk and believes for several reasons the site will be successful. Two of these reasons are that the development will be on the new Interstate 64/Interstate 65 corridor and near the new \$400 million hospital.

9. How does the developer benefit from the TIF?

The incremental (new) tax money from the site will fund public infrastructure such as roads, sewers and sidewalks. The public facilities financed by new tax dollars from the site will attract potential customers for the development's businesses.

10. What private facilities are proposed?

It calls for a lifestyle shopping center, hotel, medical complex, restaurants, condominiums and other housing units.

11. What public facilities are proposed?

It calls for a convention center, arena, and possibly various recreational facilities that are approved by the city. The city will own and operate (or contract operations) of the public facilities.

12. How does this development affect the local shopping market?

It will attract retailers that Owensboro would not likely attract otherwise. Owensboro and the state will capture part of the \$135 million we are now losing to other cities such as Evansville and Nashville because of our limited market.

13. What is the application process and time line?

The application became available July 25. Much work must be done to commit the retailers, complete the development plan and secure the bonding firm. The state TIF commission must approve the project before it is a go. Again, the deadline is Dec. 31.

14. What is the developer's construction time line?

It is to Gulfstream's advantage to construct the private facilities as quickly as it can, because the state and local incremental taxes are placed in escrow until the \$200 million private investment threshold is surpassed. Consequently, no tax dollars are released to benefit the development until that point.

15. Why not take advantage of the signature TIF opportunities downtown?

Excellent conceptual plans have been prepared by the Downtown Development Corp., but no specific plan has been proposed by a developer who has secured land. It is highly improbable that anyone could assemble what is necessary by Dec. 31.

If you have other questions regarding this TIF opportunity, please call the City Action Line at 687-4444, provide your name and address, and the customer service representative will forward your question to the appropriate person for response.