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Officials look at TIF projects

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Local officials began laying the groundwork for tax increment financing applications to help fund downtown projects with a visit to Frankfort on Monday.

Downtown Development Director Fred Reeves said local leaders are considering smaller TIF projects for the city's core that should qualify under the state's "blighted area" funding guidelines.

"It lets you do those necessary pieces for private development to occur," Reeves said of tax increment financing. "The way it's set up now, the best thing you can do is work closely with the staff in Frankfort."

Reeves was joined in his meeting with members of the Kentucky Economic Development Cabinet by Daviess County Administrator Tony Sook, Owensboro City Attorney Ed Ray, city Community Development Director Keith Free, city Finance Director J.T. Fulkerson and Deputy Finance Director Angela Hamric.

Under tax increment financing, developers can recoup their expenses for constructing public infrastructure within a defined development area. That reimbursement comes from the additional local and state income and property taxes generated within the district by the new development.

The city previously partnered with developers Gulfstream Enterprises on the proposed Gateway Commons development on Kentucky 54 in submitting an application to the state for an "enterprise" TIF district with investment of more than \$200 million.

The state Tax Increment Financing Commission denied the application in December 2007, saying the project didn't meet the guidelines set forth in state law.

While the city previously looked at the largest tier of tax increment financing, the city and county are now likely looking at the next tier down that has an investment threshold of \$20 million and is specifically for the redevelopment of blighted areas.

"We wanted to get into contact with the Cabinet for Economic Development on the forefront," Sook said. "The laws have changed a little bit since the Highway 54 rush."

Local leaders and developers could be looking at several, smaller TIF districts within downtown that fit within the downtown master plan and were looking for guidance on how to craft those proposals and make sure they didn't seek a district that was too small or too large, Sook and Reeves said.

"I think the main thing we took away is you don't have to look at one gigantic TIF (district)," Reeves said.

Although the city and county aren't considering detailed proposals right now, Reeves said an example where public improvements might be necessary for private investment are the Executive Inn Rivermont property.

A main sewer line runs diagonally through the hotel property that could affect how the area is developed. The expense of relocating the sewer line could be recouped by a developer under tax increment financing, Reeves said.

"I think the part that is most beneficial to the private sector is the TIF will let you do those infrastructure pieces that are so critical to downtown development," Reeves said. "It lets you do those necessary pieces for private development to occur."

Reeves said local officials hope to meet with members of the Gateway Planning group that developed the downtown master plan in the near future and could feasibly be submitting a first TIF application to the state within the next six to eight months.

"You don't want to start moving pieces around just to make a TIF work," Reeves said.

The TIF projects should fit within that master plan, which lays out a strategy for building a downtown indoor events center, public square and transportation improvements.

"We know that that entire master plan encompasses a lot of area," Sook said. "We want to make sure we do it right."

That process will mean staying in close contact with state staff members as TIF applications are developed, Reeves said.

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