

2008

Local Government Shared Investment Policy

Guidelines to Promote Growth and
Development in the Greater Owensboro
Region using a Transparent Process

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Prepared for review by the Owensboro City Commission and the
Daviess County Fiscal Court
9/9/2008



EXECUTIVE SUMMARY

The overriding objective of the local government shared investment policy is to foster the public benefits of economic development and placemaking that will enhance the overall quality of life of the region. Furthermore, in acting as an agent of the public interest to promote growth and economic development in the City of Owensboro and Daviess County, the local governments take it in their authority to offer inducements to projects and firms that promote the following economic development and sustainable growth objectives:

1. Create jobs, increase investment, enhance property values and tax base which increase the overall economic development of the region;
2. Promote development of venues and placemaking that makes the region attractive;
3. Leverage sustainable growth or redevelopment according to principles of sustainable development;
4. Stem retail leakage, which is a major competitive reality in the Owensboro market area.
5. Improve regional competitiveness;
6. Promote redevelopment and downtown development rather than unplanned suburban development (“urban sprawl”) that is not tied to placemaking.

Policy Guidelines

This shared investment policy is designed to be flexible with the ability to negotiate each deal differently rather than according to a prescriptive program. Rather than a prescriptive approach, policy standards will guide the development of all shared investment agreements including an evaluation of the overall fiscal impact of the development. This will be based on pro forma data submitted through an application process. A scoring mechanism will be used to determine the term and percentage of public investment. All inducements will use a “but for” provision indicating that the project would not take place without the inducement. All shared investments will be performance-based using a reimbursement rather than cash up front. The following types of shared investment inducements will be outlined:

Firm-Based Inducements

To protect, strengthen and expand the region’s economic base, the local governments rely upon the creation and/or retention of high quality, permanent fulltime “primary” jobs for its residents. As such, developments that have the greatest potential in producing these types of jobs shall be given priority when evaluating multiple funding requests.

Project-Based Inducements

While this proposal does not propose to offer inducements directly to retailers, there may be cases where projects that include a retail component should be considered. In particular, mixed-use projects that are New Urbanist in character

may qualify. Known by a variety of names, the defining characteristics of new urbanist projects appear to be walkable neighborhoods, a mix of land uses that integrate housing, shops, civic facilities, and work places, and preservation and respect for the natural environment in the form of maintaining greenspace.

- **Current Option—City of Owensboro Annexation Ordinance** -- Public infrastructure only, maximum five-year term with incentive parameters that are under the existing ordinance, the disadvantage of this plan is that it only incentivizes suburban development and, possibly, urban sprawl.
- **New Option 1— Project Redevelopment Financing (PRF)**-- Redevelopment of the urban core/ urban central area, including downtown and adjacent downtown areas, the use of public funds are limited to infrastructure or public benefits. The development must conform to the Owensboro Urban Design Principles (see attachment A) and adopt a form-based code.
- **New Incentive Option 2—Project Development Financing (PDF)**-- Developments in the urban belt and urban growth areas according to the Comprehensive Plan; must conform to the Owensboro Urban Design Guidelines (see attachment A) and adopt a form-based code.
- **New Option 3—Project Based Financing Districts**-- Local governments can opt to spur development in an area of land (district) targeted and identified for redevelopment or new development. Projects that develop within the district may be eligible to use the same guidelines for a PDF or a state blight area TIF (if eligible) as a source of financing. The local government would identify the district and term for which projects could qualify for local incentives.

The proposal also contains current inducements and incentives utilized for entrepreneurs and business startup and inducements specific to downtown redevelopment, many of which will be forthcoming with the downtown master plan being presented to the local governments in November 2008.

Project Evaluation Criteria

The primary consideration when evaluating whether or not to offer a given firm or project a package for relocation/expansion should be the potential economic and fiscal impact on Owensboro. At the same time, the “goodness of fit” of the firm or project with Owensboro should be reviewed, along with consideration of the potential impact on infrastructure and the environment. A scoring mechanism will be utilized by an Inducement Review Committee consisting of professional staff in economic development, planning and zoning, and the local governments. The committee, using the scoring mechanism, will rigorously evaluate the project pro forma based on the following criteria: 1) Overall Economic Impact, 2) Labor Force, 3) Linkage to the Regional Economy, 4) Cultural and Quality of Life, and 5) Environmental Track Record.

SHARED INVESTMENT POLICY

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BACKGROUND

The Greater Owensboro Economic Development Corporation with support of the City of Owensboro has engaged the Gateway Planning Group to develop a comprehensive placemaking strategy focusing on downtown redevelopment and a well-planned suburban expansion. With this goal in mind, economist Jon Hockenyos of TXP, Inc. has been working with the Gateway Planning team and EDC to develop stimulus program recommendations for downtown, redevelopment and identified growth corridors. Hockenyos has 20 years of experience working on economic development policy issues. He has developed economic development policies for regions such as Owensboro, Memphis, and Charlotte. The plan will also be reviewed by University of Louisville economist Dr. Paul Coomes.

The following offers policy guidelines toward development of this shared investment policy. In all cases, the inducements offered should bear as direct a relationship as possible to the benefits created by the firm or project, and great care should be taken to avoid inadvertently creating a competitive disadvantage for existing local firms. More specific recommendations for downtown incentive programs will accompany the master plan being completed by Gateway Planning and presented to the City in November 2008.

GOAL OF SHARED INVESTMENT POLICY

There are two main reasons for a local government shared investment policy to consider creating a shared investment with either a firm or project: 1) to secure an expansion or relocation of a desirable company or economic development project within the region; 2) to foster the creation of a significant level of public benefits associated with a given project, which can include both specific items within the project, such as environmental remediation, and the character of the project itself, specifically mixed-use new urbanist projects, defined as sustainable developments.

This shared investment policy is designed to be flexible with the ability to negotiate each deal differently rather than according to a prescriptive program. The following objectives and policy standards for developments are applicable to all that meet the basic criteria yet enable flexibility based on the needs and specific issues presented with each deal.

Public Benefit of a Shared Investment Policy

The overriding objective of the local government shared investment policy is to foster the public benefits of economic development and placemaking that will enhance the overall quality of life of the region. Furthermore, in acting as an agent of the public interest to promote growth and economic development in the City of Owensboro and Daviess County, the local governments take it in their authority to

offer inducements to projects and firms that promote the following economic development and sustainable growth objectives:

1. Create jobs, increase investment, enhance property values and tax base which increase the overall economic development of the region.
2. Promote development of venues and placemaking that makes the region attractive as a destination to visitors, businesses, developers, and current and future residents.
3. Leveraging sustainable growth or redevelopment according to principles and design standards being implemented by the Gateway Planning group
4. Stem retail leakage which is a major competitive reality in the Owensboro market area is the significant export of retail sales to other communities – primarily to Evansville, Louisville, and Nashville – due to the relatively limited offering of better price point retail facilities locally. Totalling about \$130.0 million in 2002, the exported spending represents a major sales opportunity that a new, appropriately tenanted center can address. Assuming that 65% of the current export can be captured, about \$85.0 million in new sales will be available in the market.
5. Improve the regional competitiveness of the Owensboro metro relative to nearby metro areas. Owensboro can capture market share and have a competitive advantage in the region by adopting an aggressive pro-development stimulus program targeting retail, entertainment venues, entrepreneurs, and businesses.
6. Promote redevelopment and downtown development rather than suburban expansion that is not tied to placemaking.

Shared Investment Policy Guidelines

1. **Fiscal Impact-** Evaluate the overall fiscal impact of the development rather than tenant-by-tenant, therefore, evaluating the overall value of the development in the context of economic value-added and value-added to the community in the form of placemaking venues
2. **Application and Pro Forma-** Measure the potential benefit and determine what percentage of the benefit the public sector could return as a favorable investment of public funds; require clients to submit an application that provides detailed information on the jobs created, estimated payroll, increased property values, and retail sales.
3. **Sliding Scale Terms/ Scoring Mechanism-** Create a sliding scale and scoring mechanism for the term and percentage of the investment based on the overall fiscal impact to the region according to #2.
4. **“But for” Provision-** Include “but for” provision in which clients attest that “but for the public investment, the development would not be taking place.”
5. **Reimbursement-** Incentive payments should be paid as a reimbursement for taxes already paid, not cash up front. Incentive payments will go to the developer of the property and may transfer to the new owner if the property

is sold. A percentage of total incentive may be provided directly to employer as partial refund of occupational tax

6. **Incentivize New Development-** Do not incentivize development that is taking away from another identified development area or corridor. The percentage of benefit returned should reflect new development and development not competing with public investment in other areas. Example 1- retail that is being relocated from one corridor to another is not going to impact the retail leakage; only new retail that will stem the leakage out of the region will qualify for a stimulus. Example 2- hotel development that is outside of an expressed area where public funds will be leveraged to support the development of other hotels will not be eligible for local government investment.
7. **Performance Based-** Make the incentive package performance-based. The client pays the taxes the money is returned to the client based on meeting projections listed in the pro forma.
8. **Sustainable Development-** Public funds should be leveraged to incentivize the development based on its long-term sustainability. Maximum investment should be granted to developments that conform to community adopted design principles including the implementation of a form-based code. Known by a variety of names, the defining characteristics of new urbanist/ “smart growth” projects appear to be walkable neighborhoods, a mix of land uses that integrate housing, shops, civic facilities, and work places, and preservation and respect for the natural environment in the form of maintaining greenspace.

SECTION I: FIRM-BASED INDUCEMENTS

To protect, strengthen and expand the region’s economic base, the local governments rely upon the creation and/or retention of high quality, permanent fulltime “primary” jobs for its residents. As such, developments that have the greatest potential in producing these types of jobs shall be given priority when evaluating multiple funding requests.

Use of Funds That May Be Considered:

1. Land acquisition
2. Demolition
3. Street (re)construction and related improvements (e.g., signalization, turning lanes, etc.)
4. Building rehabilitation
5. Environmental remediation activities
6. Storm sewer, sanitary service and water system improvements
7. Architectural/engineering services
8. Relocation expenses

Incentive Parameters

1. Specified duration for payback, either amount of time or money, must be in the agreement
2. Public improvements completed on a grant basis
3. Private improvements completed on a utility and city property tax rebate and/or loan guaranty basis

Sources for Funding Incentives:

May be from one or more of the following sources:

1. Occupational tax
2. Property tax
3. Net profits tax
4. Industrial Revenue Bonds
5. Other tax options granted by the legislature in the future

SECTION II- PROJECT-BASED INDUCEMENTS

Standard economic development practice is to not include retail trade and consumer services as candidates for economic development incentives, for a number of reasons. First and foremost, consumer activity is normally considered to be a secondary industry, meaning that it serves mainly local markets, rather than a primary industry, which sells its products and services to non-local customers. Importing of external funds by primary industries is traditionally considered to be the foundation of economic development, as a region's primary employers create spinoff effects that increase demand for small business services, promote consumer activity, and directly and indirectly enhance the community's tax base. Second, local competition is likely to be strong for a new retailer to a community, and it is both ethically and politically challenging to provide a subsidy to a direct competitor to an existing local firm. Finally, the ripple effects associated with retail trade (and consumer-driven industries in general) are relatively lower than for production sectors of the economy, as the backward and forward linkages to other industries are not as extensive, reducing the multiplier effect. As a result, communities such as San Antonio have explicitly prohibited retail trade from receiving incentives under the City's economic development policy.

While this proposal does not propose to offer inducements directly to retailers, there may be cases where projects that include a retail component should be considered. In particular, mixed-use projects that are New Urbanist in character (as defined above) may qualify. The economic and fiscal effects are summarized as follows:

- New urbanist developments tend to enhance quality of life, which is crucial to both recruitment and retention of companies;

- Mixed-use developments promote greater land-use density, which can help ease the pressure on transportation systems and other infrastructure;
- If the development represents “destination” retail, it may well draw shoppers from outside the local market, creating de facto tourism. It may also represent unique retail that is not currently available in the local market.
- New urbanist developments tend to have a longer “shelf-life” than traditional developments, which will tend to create a greater fiscal impact over the medium and longer-term. A portion of this impact is due to the inclusion of housing in the project, both through direct enhancement of the tax base and the indirect effects of relocating consumers to the central city;
- To the extent that the development includes public facilities (linear parks, hike and bike trails, libraries, etc.) and advances public goals, benefits are created in several ways. First, the public interest is served directly to the extent that they are used and enjoyed. Second, the cost of these amenities is initially borne by the developer; even if inducements are ultimately used to “pay” for some portion, the ability to coordinate their inclusion with the development from the beginning means that there likely will be a synergistic effect with the shopping and services offered elsewhere in the center, creating greater leverage with consumers.

In sum, inducements for projects that include a retail component can be appropriate when the retail element of the project is part of larger mixed-use development that includes the elements of new urbanism, and the inducements in essence help pay for amenities that have elements of public benefit.

Current Option—City of Owensboro Annexation Ordinance

Use of Funds That May Be Considered

- Public infrastructure only
- Maximum five-year term with incentive parameters that are under the existing ordinance

New Option 1— Project Redevelopment Financing (PRF)

Redevelopment of the urban core/ urban central area, including downtown and downtown adjacent, the use of public funds are limited to infrastructure or public benefits. The development must conform to the Owensboro Urban Design Guidelines (see attachment A).

Permissible Recoverable Costs

The following costs may be recovered pursuant to this section:

- Up to one hundred percent (100%) of approved public infrastructure costs; and
- Up to one hundred percent (100%) of expenses for land preparation, demolition and clearance necessary for the development to occur. (KRS 65.7077)

As used above:

- “Land preparation, demolition and clearance” means the costs attributable to preparing the footprint, other than the public infrastructure portion of the footprint, for development, excluding land acquisition costs. (103 KAR 50:040)
- "Approved public infrastructure costs" means costs associated with the acquisition, installation, construction, or reconstruction of public works, public improvements, and public buildings, including planning and design costs associated with the development of such public amenities. "Approved public infrastructure costs" includes but is not limited to costs incurred for the following:

1. Land preparation, including demolition and clearance work;
2. Buildings;
3. Sewers and storm drainage;
4. Curbs, sidewalks, promenades, and pedways;
5. Roads;
6. Street lighting;
7. The provision of utilities;
8. Environmental remediation;
9. Floodwalls and floodgates;
10. Public spaces or parks;
11. Parking;
12. Easements and rights-of-way;
13. Transportation facilities;
14. Public landings;
15. Amenities, such as fountains, benches, and sculptures; and
16. Riverbank modifications and improvements (KRS 65.7045)
17. Other public benefits, including new facilities (libraries, etc.), parks (hike and bike trails), programs/services that have a direct public benefit environmental remediation, credit support for small, local business, and the cost of installing local public access art and other cultural amenities.

Inducement Parameters

1. For a project that contains desirable public benefits, local governments can reimburse the developer for up to 80% of the project’s annual net impact to the local government;
2. The percentage will be based on the scoring mechanism in the evaluation criteria section below;
3. Specified duration for payback, either amount of time or money, must be in the agreement;

4. Percentage of total incentive may be provided directly to employer as partial refund of occupational tax;
5. Public improvements completed on grant basis;
6. Local or state blight area tax increment financing (TIF) district to recoup local and state taxes over a 20-year period is an option;
7. Local option only can include full tax benefit, not just increment financing as with a TIF.

Sources for Funding:

May be from one or more of the following sources:

1. Occupational tax
2. Property tax
3. Net profits tax
4. Industrial Revenue Bonds
5. State taxes (sales, income) available through blight area TIF
6. Other tax options granted by the legislature in the future
7. School taxes offered on a voluntary negotiated basis through contract with district

New Option 2—Project Development Financing (PDF)

Developments in the urban belt and urban growth areas according to the Comprehensive Plan; must conform to the Owensboro Urban Design Guidelines (see attachment A) and adopt a form-based code.

Permissible Recoverable Costs

The following costs may be recovered pursuant to this section:

- Up to one hundred percent (100%) of approved public infrastructure costs; and
- Up to one hundred percent (100%) of expenses for land preparation, demolition and clearance necessary for the development to occur. (KRS 65.7077)

As used above:

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 1. Land preparation, including demolition and clearance work;
 2. Buildings;
 3. Sewers and storm drainage;

4. Curbs, sidewalks, promenades, and pedways;
5. Roads;
6. Street lighting;
7. The provision of utilities;
8. Environmental remediation;
9. Floodwalls and floodgates;
10. Public spaces or parks;
11. Parking;
12. Easements and rights-of-way;
13. Transportation facilities;
14. Public landings;
15. Amenities, such as fountains, benches, and sculptures; and
16. Riverbank modifications and improvements (KRS 65.7045)
17. Other public benefits, including new facilities (libraries, etc.), parks (hike and bike trails), programs/services that have a direct public benefit environmental remediation, credit support for small, local business, and the cost of installing local public access art and other cultural amenities.

Inducement Parameters

1. For a project that contains desirable public benefits, local governments can reimburse the developer for up to 80% of the project's annual net impact to the local government;
2. The percentage will be based on the scoring mechanism in the evaluation criteria section below;
3. Specified duration for payback, either amount of time or money, must be in the agreement;
4. Percentage of total incentive may be provided directly to employer as partial refund of occupational tax;
5. Public improvements completed on grant basis;
6. Local project development financing to recoup local taxes for up to a period of 20 years.

Sources for Funding:

May be from one or more of the following sources:

1. Occupational tax
2. Property tax
3. Net profits tax
4. Industrial Revenue Bonds
5. Other tax options granted by the legislature in the future

New Option 3—Project Based Financing Districts

Local governments can opt to spur development in an area of land (district) targeted and identified for redevelopment or new development. Projects that

develop within the district may be eligible to use the same guidelines for a PDF or a state blight area TIF (if eligible) as a source of financing. The local government would identify the district and term for which projects could qualify for local inducements. In this option the local government would seek interested developers rather than developers submitting an application to the government for incentives. To qualify for PDF District inducements, the developer must make application and provide the same level of pro forma information as with other programs.

PROJECT EVALUATION CRITERIA

The primary consideration when evaluating whether or not to offer a given firm or project a package for relocation/expansion should be the potential economic and fiscal impact on Owensboro. At the same time, the “goodness of fit” of the firm or project with Owensboro should be reviewed, along with consideration of the potential impact on infrastructure and the environment. In evaluating a given firm as a possible recipient, the following questions should be answered.

A. Overall Economic and Fiscal Impact

- What is the absolute size of the net benefit?
 - Economic impact as measured by jobs and income
 - Level of desirable public benefits included in the project
 - Net fiscal impact to the City
- Does the project fit with one of the strategic targets/ rationale identified?
- Is the firm a headquarters operation? Does it represent the “headquarters” of a new product line/service for the firm?
- Is the firm growing? Is the firm in a growing industry? How stable is the firm?
- Will the firm make a disproportionate demand on the community’s environmental and infrastructure resources?
- Is the project a “regional-serving walkable urban place” according to definitions by the Urban Land Institute?

Measurements:

- economic impact analysis (jobs, economic activity)
- net fiscal impact analysis
- other items submitted or requested by review committee

B. Labor Force Practices

- What is the average wage paid? How does it compare to the local or national industry average?
- What is the median wage paid? How are job categories and wages distributed within the overall structure?

- What training is provided? Are there opportunities for advancement? Are there funds for additional education (tuition match, etc.)?
- Does the firm actively promote diversity in hiring and promotion?

Measurements:

- average and median wages compared to national/regional averages
- other items submitted or requested by review committee

C. Local Linkages to the Owensboro Economy

- Does the project make use of an especially underutilized asset?
 - Certain segments of the labor force/current office space/redevelopment
- Will the project create significant contracting opportunities for local firms?
 - Small/disadvantaged business
- Does the project fill a hole in the Owensboro economic base?
 - Key supplier relationships
 - Retail leakage
- Does the project have the potential to either seed a new cluster or bring additional firms to Owensboro?
- Will the firm directly compete for resources with existing local firms?

Measurements:

- discussion of above items in light of information gleaned from both the firm and secondary sources

D. Cultural/Quality of Life Considerations

- Does the firm have a track record of being an active participant in the arts and cultural life of the communities where it operates?
- Does the project/ firm foster placemaking and the creation of a venue that enhances the cultural and quality of life of Owensboro?
- Will the firm have a proactive cultural outreach program?
- Does the firm actively encourage employee volunteer/charitable efforts?

Measurements:

- Discussion of above items, based on objective measures (third-party reports, judgments/legal actions, etc.) as well as interaction with the firm.

E. Additional Environmental Considerations

- Does the firm have a track record of conducting its business in an environmentally responsible way?

- Does the firm have a track record of supporting environmental initiatives/concerns?

Measurements:

- Discussion of above items, based on objective measures (third-party reports, judgments/legal actions, etc.) as well as interaction with the firm.

Local Inducement Scoring Mechanism

(Developed by Jon Hockenyos, TXP, Inc, used with permission)

Core Considerations		
Overall Economic and Fiscal Impact		
Small 20	Medium 30	Large 40
"Goodness" of Fit		
Poor -10	Acceptable 0	Excellent 10
Environmental/Infrastructure Impact		
Disproportionate -10	Proportionate 0	Low 10
Additional Considerations		
Character of Jobs/Labor Practices		
Unacceptable <i>Disqualify</i>	Acceptable 0	Excellent 5
Linkages to the Local Economy		
Unacceptable <i>Disqualify</i>	Acceptable 0	Excellent 5
Quality of Life/Cultural Vitality		
Unacceptable -5	Acceptable 0	Excellent 5
Environmental Track Record		
Unacceptable <i>Disqualify</i>	Acceptable 0	Excellent 5
Bonus Points- Investment in Downtown*		
Adjacent 3	Greater Downtown 6	Core 10
<p>*. Downtown adjacent includes OMHS Parrish Campus site, Carnegie Village, along Frederica St. to Parrish Ave; greater downtown includes property from English Park along the river in the west to Daviess County Middle School in the east and south to Ninth Street; downtown core includes the area identified by the inter-local agreement creating the Downtown Development Authority in January 2008 (Crittenden in the east, Orchard to the west, and Fifth St. to the South)</p>		

Sum of the points available under both Core and Additional consideration serves as guidance as to the percentage of net benefit the local governments should be willing

to return, meaning that a firm that achieves a top score on all counts could be offered as much as a 80% inducement level. "Disqualify" means that firm should not be offered inducements. Minimum score of 30 should be required for inducements to be offered.

Projects that qualify for the Kentucky Jobs Development Act (KJDA) require a 100 percent local occupational tax-match to get the full benefit of the state KJDA income tax incentive. Such projects will not use the scoring mechanism to determine the percentage of local inducement. A local stimulus option is a required component of KJDA.

All monies extended by the local governments may be subject to reimbursement by the petitioner to the local governments should the business fail to meet its agreed upon goals. No single development shall be automatically approved for incentives. The terms and conditions of such repayment shall be negotiated on a case-by-case basis and incorporated into the final development agreement.

Inducement Review Committee

A review committee consisting of the City Manager or designee, County Judge or designee, EDC President or designee, OMPC Director or designee, and Downtown Development Director or designee (for downtown related projects only) may review all proposals, score them according to the mechanism listed above, and provide feedback, expertise, and recommendations to the local elected bodies prior to the granting of a shared investment program.

Transparency of Process

The establishment of a formal application process, utilization of an objective, data-driven scoring mechanism, and review by professional staff involved in regional development is intended to promote fairness, and responsibility in the dedication of tax dollars for the public interest while enhancing the quality of life of the region. Because many of the clients work in a competitive environment with other communities and other developments, the confidentiality of the project and pro forma must be respected. However, to ensure proper public input and robust discussion in the public sphere, the recommendation of the review committee and formal acceptance of municipal orders or ordinances upon with local inducements are granted, will receive public hearings and two readings in an open meeting of the appropriate local government body.

SECTION III: ENTREPRENEUR/ BUSINESS STARTUP DEVELOPMENTS

Emerging Ventures Center for Innovation

Emerging Ventures provides technical support and start-up assistance to entrepreneurs, scientists, and small business people perfecting and maturing their ideas and business concepts. The service is free to any business or entrepreneur in the region.

Centre for Business and Research

The Centre offers office and lab space for startup companies at a significantly reduced rate. Companies working with Emerging Ventures will have priority for leasing space in the Centre.

Emerging Ventures Seed Fund

The primary goal of the Fund is to attract and establish high tech entrepreneurial companies in the Owensboro and Davies County area. The fund will make pre-seed and seed investments in companies that have the potential for significant growth. The Fund will focus on the areas of biotech, high tech and alternative energy. The evaluation criteria, parameters and use of funds are accessed through the Emerging Ventures program.

SECTION IV: DOWNTOWN INCENTIVE PROGRAMS

Downtown Residential Tax Credit

Property tax and parking fee abatement for residents of downtown

Free Public WiFi Business Tax Credit





Businesses can recoup up to 20 percent of occupational tax in the downtown area if free wireless internet connectivity is made available to all patrons.

Additional Downtown Incentives will accompany the master plan from Gateway Planning group in November 2008.

SECTION V: EDUCATIONAL INDUCEMENT PROGRAMS

County property tax abatement for the year an individual completes a bachelor's degree.

APPENDIX A—Visual Examples of “New Urbanism” Design Principles

	Example in Urban Setting	Example in suburban/development setting
<p>Create the street wall- buildings should be built close to the street, and typically right up to the property line in order to define the public space of the street. In transition areas (semi-urban areas at the edges of the urban core), varied setbacks may be more appropriate.</p>		
<p>Activate the ground floor- The ground floor level of a building that is next to a sidewalk should have doors and windows opening to the sidewalk in order to provide visual interest and interaction with pedestrians.</p>		
<p>Shared parking and grouped buildings- Group buildings together so they form definable streets, and, if possible, provide shared parking areas that are behind buildings or front onto less important streets.</p>		
<p>Mixed-Uses- Provide a variety of uses (housing, office, retail, commercial, civic services) within close proximity. This will ensure that there is pedestrian activity and “eyes on the street” during all hours of the day.</p>		

<p>Accommodate pedestrian activity- Wide sidewalks encourage pedestrian activity, and outdoor café seating.</p>		
<p>Calm traffic- Calm traffic in order to make pedestrians more comfortable and safer.</p>		
<p>Street vistas- For streets that end in a T intersection or that terminate at a park or river, provide visual interest and focus when looking down at the end of the street.</p>		
<p>Public gathering spaces- Provide ample public plazas, parks and gathering places where people can commune and interact.</p>		
<p>Public art- Encourage the integration of public art in the design of streetscapes and public spaces.</p>		

APPENDIX B—Sample Shared Investment Package using Scoring Mechanism

Description of the project- a developer is going to redevelop an existing shopping center by renovating and adding new tenants that would stem retail leakage. The redevelopment would halt future potential for blight in the particular downtown adjacent district the shopping center is located. The renovation also includes an art/ cultural element with public art and several entertainment venues. The development is mixed use with residential component nearby as well as developable office space for primary jobs. The following is an example of how the project could be scored using the scoring mechanism and what the inducement would be based on property and occupational taxes applied to the projected inducement percentage.

Core Considerations	Rating	Score
Overall Economic Impact	Medium	30
“Goodness” of fit	Excellent	10
Environmental/ Infrastructure Impact	Low Impact	10
Additional Considerations		
Jobs/ Labor practices	Acceptable	0
Linkages to local economy	Acceptable	0
Quality of life/ cultural vitality	Excellent	5
Environmental track record	Excellent	5
TOTAL POINTS/ Percentage of Inducement		60

Year	Direct Property Taxes- City/ County	Occupational Tax (for new jobs)	Total Tax	Funds to be returned to project (60%)
1	\$133,000	\$76,000	\$209,000	\$125,400
2	\$133,000	\$76,000	\$209,000	\$125,400
3	\$133,000	\$100,000	\$233,000	\$139,800
4	\$133,000	\$100,000	\$233,000	\$139,800

5	\$133,000	\$100,000	\$233,000	\$139,800
6	\$133,000	\$100,000	\$233,000	\$139,800
7	\$133,000	\$100,000	\$233,000	\$139,800
8	\$133,000	\$100,000	\$233,000	\$139,800
9	\$133,000	\$100,000	\$233,000	\$139,800
10	\$133,000	\$100,000	\$233,000	\$139,800
After 10 year term, total inducement applied to improvement of public infrastructure and public amenities in a redevelopment area				\$1,369,200

APPENDIX C—Sample Municipal Order Preamble Authorizing Inducements

WHEREAS the City of Owensboro Ordinance ____ approved on ____ creating the Local Government Shared Investment Policy recognizes the role of the City to foster the public benefits of economic development and placemaking that will enhance the overall quality of life of the region. Furthermore, in acting as an agent of the public interest to promote growth and economic development in the City, the City of Owensboro takes it in their authority to offer inducements to projects and firms that promote the economic development and sustainable growth objectives.

THEREFORE the City has indentified the following FINDINGS OF FACT from the application and pro forma information provided by PROJECT ____ that are in accordance with the Ordinance ____ authorizing the City to offer inducements for such projects.

PROJECT ____ meets the following sustainable growth objectives and promotes economic development and placemaking in the following ways:

1. Has an overall economic impact of \$_____ and creates jobs, increase investment, enhance property values and tax base which increase the overall economic development of the region;
2. Promote development of venues and placemaking that makes the region attractive;
3. Leveraging sustainable growth or redevelopment according to principles of sustainable development;
4. Stem retail leakage by estimated sales of \$_____.
5. Has a LOW environmental and infrastructure impact on the City

THEREFORE Be it Resolved that the City of Owensboro enter into the following Inducement Agreement with PROJECT_____...

APPENDIX D: Application for Local Shared Investment (Project-Based Inducements)

Note: The application process for Firm-Based Inducements shall include the application used by the Kentucky Economic Development Finance Authority for the Kentucky Jobs Development Act (KJDA) and Kentucky Industrial Development Act (KIDA).

LOCAL SHARED INVESTMENT PROGRAM

APPLICATION FOR

PROJECT-BASED INDUCEMENTS

CITY OF OWENSBORO

DAVISS COUNTY FISCAL COURT



INSTRUCTIONS AND INFORMATION

Qualification for the Program and Statutory Requirements

Parameters for Participation

Redevelopment of the urban core/ urban central area, including downtown and downtown adjacent, the use of public funds are limited to infrastructure or public benefits. The development must conform to the Owensboro Urban Design Guidelines (see attachment A).

Participation under this program shall be limited to the support of approved public infrastructure costs and costs associated with land preparation, demolition, and clearance determined to be necessary to support private investment or private development projects that benefit the public, where project economics are unable to support or secure necessary financing to undertake the public improvements, land preparation, demolition, and clearance. (KRS 65.7077)

1. For a project that contains desirable public benefits, local governments can reimburse the developer for up to 80% of the project's annual net impact to the local government;
2. The percentage will be based on the scoring mechanism in the evaluation criteria section below;
3. Specified duration for payback, either amount of time or money, must be in the agreement;
4. Percentage of total incentive may be provided directly to employer as partial refund of occupational tax;
5. Public improvements completed on grant basis;
6. Local or state blight area tax increment financing (TIF) district to recoup local and state taxes over a 20-year period is an option;
7. Local option only can include full tax benefit, not just increment financing as with a TIF.

Redevelopment projects that qualify for the blight area tax increment financing may submit the state TIF application as the local government project redevelopment financing application. The state blight area TIF application is available online at ky.gov

Sources for Funding:

May be from one or more of the following sources:

1. Occupational tax
2. Property tax
3. Net profits tax

4. State taxes (sales, income) available through blight area TIF
5. Other tax options granted by the legislature in the future
6. School taxes offered on a voluntary negotiated basis through contract with district

Definitions

As used in this application form:

- "Mixed-use" means a project that includes at least two (2) qualified uses, preferably three(3);
- "Qualified use" means:
 1. Retail;
 2. Residential;
 3. Office;
 4. Restaurant; or
 5. Hospitality.

To be a qualified use, the use must comprise at least twenty percent (20%) of the total finished square footage of the proposed project or represent twenty percent (20%) of the total capital investment; and
- "Retail" means an establishment predominantly engaged in the sale of tangible personal property subject to the tax imposed by KRS Chapter 139, but shall not include restaurants. (KRS 65.7077)

Requirements

To be considered for participation under this program, a project shall:

- PROJECT **REDEVELOPMENT** FINANCING ONLY--Be located in an area that has two (2) or more of the following conditions:
 1. Substantial loss of residential, commercial, or industrial activity or use;
 2. Forty percent (40%) or more of the households are low-income households;
 3. More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;
 4. Substantial abandonment of residential, commercial, or industrial structures;
 5. Substantial presence of environmentally contaminated land;
 6. Inadequate public improvements or substantial deterioration in public infrastructure; or
 7. 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;
- Be a mixed-use project and conform to community approved urban design guidelines;
- Represent new economic activity in the City of Owensboro;
- Include pedestrian amenities and public space; and
- Result in a net positive economic impact to the City of Owensboro, taking into consideration any substantial adverse impact on existing regional businesses. The

net positive impact shall be certified to the commission as required by KRS 65.7071(6)(b). (KRS 65.7077)

- **PROJECT NEW DEVELOPMENT FINANCING ONLY--**
Developments in undeveloped areas of the urban belt and urban growth corridor outside of the city limits and open to annexation conform to the Owensboro Urban Design Guidelines and adopt a form-based code.
- **PROJECT DEVELOPMENT DISTRICT FINANCING ONLY—**Proposals accepted for projects within a district identified by local governments where inducements are available to promote development.

Permissible Recoverable Costs

The following costs may be recovered pursuant to this section:

- Up to one hundred percent (100%) of approved public infrastructure costs; and
- Up to one hundred percent (100%) of expenses for land preparation, demolition and clearance necessary for the development to occur. (KRS 65.7077)

As used above:

- “Land preparation, demolition and clearance” means the costs attributable to preparing the footprint, other than the public infrastructure portion of the footprint, for development, excluding land acquisition costs. (103 KAR 50:040)
- "Approved public infrastructure costs" means costs associated with the acquisition, installation, construction, or reconstruction of public works, public improvements, and public buildings, including planning and design costs associated with the development of such public amenities. "Approved public infrastructure costs" includes but is not limited to costs incurred for the following:
 1. Land preparation, including demolition and clearance work;
 2. Buildings;
 3. Sewers and storm drainage;
 4. Curbs, sidewalks, promenades, and pedways;
 5. Roads;
 6. Street lighting;
 7. The provision of utilities;
 8. Environmental remediation;
 9. Floodwalls and floodgates;
 10. Public spaces or parks;
 11. Parking;
 12. Easements and rights-of-way;
 13. Transportation facilities;
 14. Public landings;
 15. Amenities, such as fountains, benches, and sculptures; and
 16. Riverbank modifications and improvements (KRS 65.7045)

APPLICATION REQUIREMENTS

THE FOLLOWING INFORMATION SHALL BE PROVIDED WITH THIS APPLICATION. INFORMATION NOT PROVIDED WILL DELAY THE REVIEW OF THE PROPOSED PROJECT. IF THERE IS NOT ENOUGH SPACE ON THE APPLICATION, ADDITIONAL PAGE(S) MAY BE ATTACHED AND SUBMITTED, BUT SHALL IDENTIFY THE PART OF THE APPLICATION THE ADDITIONAL PAGE(S) PERTAIN TO. TABLES CONTAINED IN THE APPLICATION MAY BE PREPARED ON A SEPARATE PAGE OR DOCUMENT SO LONG AS THE TABLE IS IN SUBSTANTIALLY THE SAME FORMAT AS THAT CONTAINED IN THIS APPLICATION.

The application(s) shall be mailed to:
Finance Department
City of Owensboro
City Hall
101 East 4th St.
Owensboro, KY 42303

The following materials shall be submitted with the application:

1. One original and one copy of the completed application (with attachments).
2. The development plan required by KRS 65.7051.

Pursuant to the provisions of KRS 65.7071, the applicant will be required to pay all costs associated with the independent consultant's fee for preparation of the independent consultant's report. In addition to the information required by this application, the office or the commission may require the submission of additional information and materials from the applicant.

Project Redevelopment Financing Program

Contact Information

Project Name: _____

INFORMATION REGARDING APPLICANT:

Applicant Name:	
P.O. Box/ Street Address	
Telephone:	Fax:
Contact Person:	Contact Person e-mail address:

Type of Project-Based Shared Investment Program (please check one):

- Project-Based Redevelopment Financing--** Redevelopment of the urban core/ urban central area, including downtown and adjacent downtown areas, the use of public funds are limited to infrastructure or public benefits.
- Project-Based Development Financing—**New developments in the urban belt and urban growth areas according to the Comprehensive Plan.
- Project-Based Financing District—**Proposal being submitted for a project within a district identified by local governments and a project financing district.

Location of Project Development District _____

Project Information

I. Proposed Project.

A. Briefly describe the proposed project:

B. Please describe how the land within the proposed footprint of the project will be used, and identify how much of the total finished square footage of the proposed project will be dedicated to each qualified use (circle all that apply):

<u>Use</u>	<u>Percentage of Space</u>	<u>Percentage of Investment</u>	<u>New Jobs/ Residents</u>
Retail	_____%	_____%	_____
Residential	_____%	_____%	_____
Office	_____%	_____%	_____
Hospitality	_____%	_____%	_____
Restaurant	_____%	_____%	_____

C. For each proposed retail establishment, provide the following:

Retail Establishment	Description	Square Footage	Employees	Estimated Payroll	Estimated Annual Sales

D. For each proposed office establishment, provide the following

Office Establishment	Description	Square Footage	Employees	Estimated Payroll	Average Wage

E. For each proposed hospitality and restaurant venue, provide the following:

Entertainment Venue	Description	Square Footage	Employees	Estimated Payroll	Annual Sales

II. Development Area.

A. Briefly describe the development area, including:

1. The size of the development area
2. The total assessed value of taxable real property within the development area
3. A detailed description of the development area that is sufficient to accurately identify its boundaries
4. Proposed pedestrian amenities and public space in the development area
5. The number of parcels in the development area

B. Identify at least three conditions below which exist within the development area, and supply documentation supporting these findings (check all that apply):

- 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
- Any combination of factors that substantially impairs or arrests the growth and economic development of the city or county where the project is located; 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.

III. Project Redevelopment Financing Project Footprint.

- A. Describe the area to be designated as the proposed footprint of the project, including a detailed description of the proposed footprint, the current use of the proposed footprint and the size of the proposed footprint. (Attach a detailed map.)

If the proposed footprint is the same as the development area in II, above, state "Same as development area" in the space below:

B. Property Ownership of the Proposed Footprint. For each separate parcel included in the proposed footprint, complete the following (attach additional sheets as necessary to include all parcels within the proposed footprint):

Owner of Record _____
County Parcel ID Number _____

Under option _____ Owned _____ Leased _____ Term of Lease _____
Assessed value as determined by the PVA for the current year _____

IV. Other Economic Incentives. List any businesses included within the proposed footprint that currently receive incentives under any state or local incentive programs, including approved tourism attraction projects, as defined in KRS 148.851, Economic Development Projects as defined in KRS 65.7045, or other economic development incentives or financial assistance from the state, such as grants, loans or appropriations from the state. As part of your response, provide the name of the business, the location of the business within the proposed footprint, the program in which the business is participating, and the terms of the economic incentives:

V. Other Development Area/TIFs. Is the proposed footprint of the proposed Project contained within a tax increment financing development area?
_____ Yes _____ No

If yes, please indicate which development area, and what types of taxes, both local and state, are pledged to a project within the development area:

VI. New Economic Activity.

Does the project represent an expansion of an existing operation within the City of Owensboro?	Y N
If yes, please explain:	

Does the project represent a new operation within City of Owensboro?	Y N
If yes, please explain:	
Does the project represent a new operation or expansion of an existing industry within Kentucky	Y N
If yes, please explain:	
For the type of economic activity represented by the proposed project, is the market expanding in Owensboro and Kentucky?	Y N
Please explain your response:	
Will the proposed project create any adverse impact on existing Owensboro or Kentucky businesses within the same industry?	Y N

Please explain your response:
How many new jobs will be created as a result of this development?
What is the average wage paid?
What is the median wage paid?
What training is provided? Are there opportunities for advancement? Are there funds for additional education (tuition match, etc.)?
Does the firm actively promote diversity in hiring and promotion?

VII. Provide a detailed timeline for completion of the project, including estimated date of occupancy and beginning of operations.

VIII. Estimated Capital Investment. Include only capital investment associated with the proposed project.

- A. Estimated labor costs \$ _____
Labor costs mean the obligations incurred for labor and to contractors, subcontractors, builders and materialmen in connection with the acquisition, construction, installation, equipping and rehabilitation of the project.
- B. Estimated land acquisition costs \$ _____
Land acquisition means the cost of acquiring land or rights in land within the development area on the footprint of the project, and any cost incident thereto, including recording fees.
- C. Estimated cost of contract bonds \$ _____
Contract bonds means the cost of contract bonds and of insurance of all kinds that may be required or necessary during the course of acquisition, construction, installation, equipping and rehabilitation of the project which is not paid by the contractor or contractors or otherwise provided.
- D. Estimated cost of architectural/engineering services \$ _____
Architectural/engineering services means all cost of architectural and engineering services, including test borings, surveys, estimates, plans, specifications, preliminary investigations, supervision of construction, and the performance of all the duties required by or consequent upon the acquisition, construction, installation, equipping and rehabilitation of the project.
- E. Estimated contractual costs \$ _____
Contractual costs means all costs that are required to be paid under the terms of any contract(s) for the acquisition, construction, installation, equipping and rehabilitation of the project.
- F. Other estimated costs \$ _____
Other costs means costs of a nature comparable to those described in A through E, above.

TOTAL ESTIMATED CAPITAL INVESTMENT COSTS \$ _____

Attach an itemization of the costs described in A through F, above. In particular, explain how the actual capital investments will be made within the perimeter of the proposed footprint and identify any pedestrian amenities and pedways that will be part of this project.

IX. Estimated Project Costs. Include only the estimated Approved Public Infrastructure Costs and Land Preparation Expenses associated with the proposed project that the applicant seeks to have approved by the Commission.

A. Approved Public Infrastructure Costs are costs associated with the acquisition, installation, construction, or reconstruction of public works, public improvements and public buildings, including planning and design costs associated with the development of such amenities, and include, but is not limited to:

1. Land Preparation \$_____ Land preparation costs are the costs attributable to preparing the public infrastructure portion of the footprint for development, and do not include land acquisition costs.
2. Buildings \$_____
3. Sewers/Storm Drainage \$_____
4. Curbs, Sidewalks, Promenades and Pedways \$_____
5. Roads \$_____
6. Street Lighting \$_____
7. Provision of Utilities \$_____
8. Environmental Remediation \$_____
9. Floodwalls and Floodgates \$_____
10. Public Spaces or Parks \$_____
11. Parking \$_____
12. Easements and Rights of Way \$_____
13. Transportation Facilities \$_____
14. Landings \$_____
15. Amenities, such as fountains, benches and sculptures \$_____
16. River Bank Modifications & Improvements \$_____

TOTAL ESTIMATED APPROVED PUBLIC INFRASTRUCTURE COSTS

\$_____

Attach an itemization of the estimated Approved Public Infrastructure Costs.

B. Estimated Land Preparation, Demolition and Clearance Expenses

\$_____

Land Preparation, Demolition and Clearance Expenses means the costs attributable to preparing the footprint, other than the public infrastructure portion of the footprint, for development and does not include land acquisition costs.

Please attach an itemization of the estimated Land Preparation, Demolition and Clearance Expenses.

X. Project Financing

A. Describe the financing method proposed to complete the TIF portion of the project (i.e., bond issue, bank financing, internal loan), the terms, and the estimated annual debt service.

B. Describe the efforts that have been made to secure financing necessary to undertake the public improvements proposed in this application. In addition, please provide any information or analysis that demonstrates the project improvements are unable to support or secure the necessary financing to undertake the project improvements without state participation in this proposed project.

C. Financing Proposal by Funding Source:

Equity or Cash	\$ _____	_____ %
Proceeds from Debt Issuance		
Supported by Local Participation	\$ _____	_____ %
Supported by Private Sources	\$ _____	_____ %
Total Estimated Sources of Funds	\$ _____	<u>100</u> %

Number of years for which participation is requested: _____

XI. Quality of Life and Environmental Considerations

A. Cultural Value-Added

Will the project or firms in the development be active participant in the arts and cultural life of the communities?

Describe the placemaking and venues created in the project. How do they enhance the cultural and quality of life of Owensboro?

B. Environmental issues

Describe how the project will be developed in an environmentally responsible way?

Are there any environmental initiatives/concerns regarding the specifics of the project?

C. Design Principles

How will the project utilize urban design principles?

Explain how the project utilizes components of walkable urban development?

Will the implementation of form-based codes be a compliment to the project?

Y

N

Please explain your answer.

CERTIFICATION OF APPLICATION

PLEASE NOTE: ELIGIBILITY FOR PARTICIPATION IS DETERMINED BY THE INFORMATION PRESENTED IN THIS APPLICATION, THE REQUIRED ATTACHMENTS, AND ANY OTHER INFORMATION THE APPLICANT IS REQUIRED BY THE OFFICE OR THE COMMISSION TO SUBMIT AS PART OF THIS APPLICATION. ANY CHANGES IN THE STATUS OF THE PROPOSED PROJECT FROM THE FACTS PRESENTED HEREIN OR IN ANY OTHER INFORMATION PROVIDED TO THE OFFICE OR THE COMMISSION COULD RESULT IN THE REJECTION OF THE APPLICATION OR THE DISQUALIFICATION OF THE PROJECT. PLEASE CONTACT THE OFFICE BEFORE TAKING ANY ACTION WHICH WOULD CHANGE THE STATUS OF THE PROJECT AS REPORTED HEREIN.

Certification: I hereby represent and certify the foregoing information, to the best of my knowledge, is (a) true, complete and accurately and fairly describes the proposed project for which financial assistance is sought; and (b) does not contain any information for which an entity competing with the applicant may claim a proprietary interest. I further certify to the best of my knowledge, and based upon due inquiry, neither I nor any of the officers, directors or principals associated with the applicant, are or were at the time of this application, directors or officers or principals of, or otherwise have a fiduciary duty toward, an entity that is or may be in competition with this applicant.

I further certify that without the provision of the tax inducement by the City of Owensboro, which are requested through this application, the project would not otherwise occur.

The undersigned acknowledges that even though the information contained in this application, or which may hereafter be communicated to the Commission, contains confidential and proprietary information, it may be subject to public disclosure to the extent required by law pursuant to any request made under the Kentucky Open Records Act, Chapter 61 of the Kentucky Revised Statutes. In addition, the applicant acknowledges and agrees that this application will be released to the local jurisdiction(s) where the project is intended to be located. Notwithstanding the above, except as otherwise agreed to by the applicant in writing, no confidential or proprietary information shall be disclosed if properly excluded from disclosure under KRS 61.878 (as determined by the Commission, the Kentucky Attorney General, or Court of competent jurisdiction).

Signature

Print Name

Title

Date

APPENDIX E—Articles on Economic Development Placemaking and Form-Based Codes

Article 1-

Polikov, Scott. “The New Economics of Place” Chamber Executive, 2008.

Article 2-

Madden, Mary & Spikowski, Bill. “Place Making with Form-Based Codes” Landwrites (Published by the Urban Land Institute) 2006.