

# TAX INCREMENT FINANCING DISTRICTS

*Budget, Finance, and Economic Development Committee*

*October 29, 2019*



**LEXINGTON**



## Economic Development in Lexington

- The Lexington-Fayette Urban County Government traditionally participates in two economic development programs in partnership with the Commonwealth of Kentucky.
  - Kentucky Business Investment Program (KBI) – incentivizes job creation by rebating payroll taxes to businesses.
    - LFUCG participates by pledging a rebate of 44% of the payroll tax rate to the company for net new jobs over 10 years.
  - Tax Increment Financing (TIF) – incentivizes development of capital projects by rebating payroll and property taxes to developers.
    - LFUCG participates by pledging a rebate of 80% of net new payroll and property taxes to a development over 20-30 years.



## How TIFs Work

- TIFs are a method of public financing that is used as a subsidy for public infrastructure in development projects.
- To be approved by the state, TIFs must be generating “net new” revenue.
  - LFUCG participates with payroll and property taxes.
  - LFUCG has never done a local-only TIF.
- 80% of that new revenue goes to reimburse developers for approved public infrastructure costs.
- Developers are reimbursed by tax increment revenue over a period of 20-30 years.



## Public Infrastructure

- Each project is required to have public infrastructure in order to qualify to receive tax increment dollars.
- Public infrastructure varies by project, but some examples include:
  - Sewers/Storm Drainage
  - Roads
  - Street Lighting
  - Public Spaces and Parks
  - Curbs and Sidewalks



## Current TIFs

- Current TIFs in Lexington:
  - CentrepoinTE
  - 21C
  - Red Mile
  - Summit
  - Turfland
  - Midland
  - Coldstream
  - Lexington Convention Center
  - Fountains at Palomar
- Lexington's nine TIF projects are the second most in the state.
  - Louisville has 11 TIF projects.

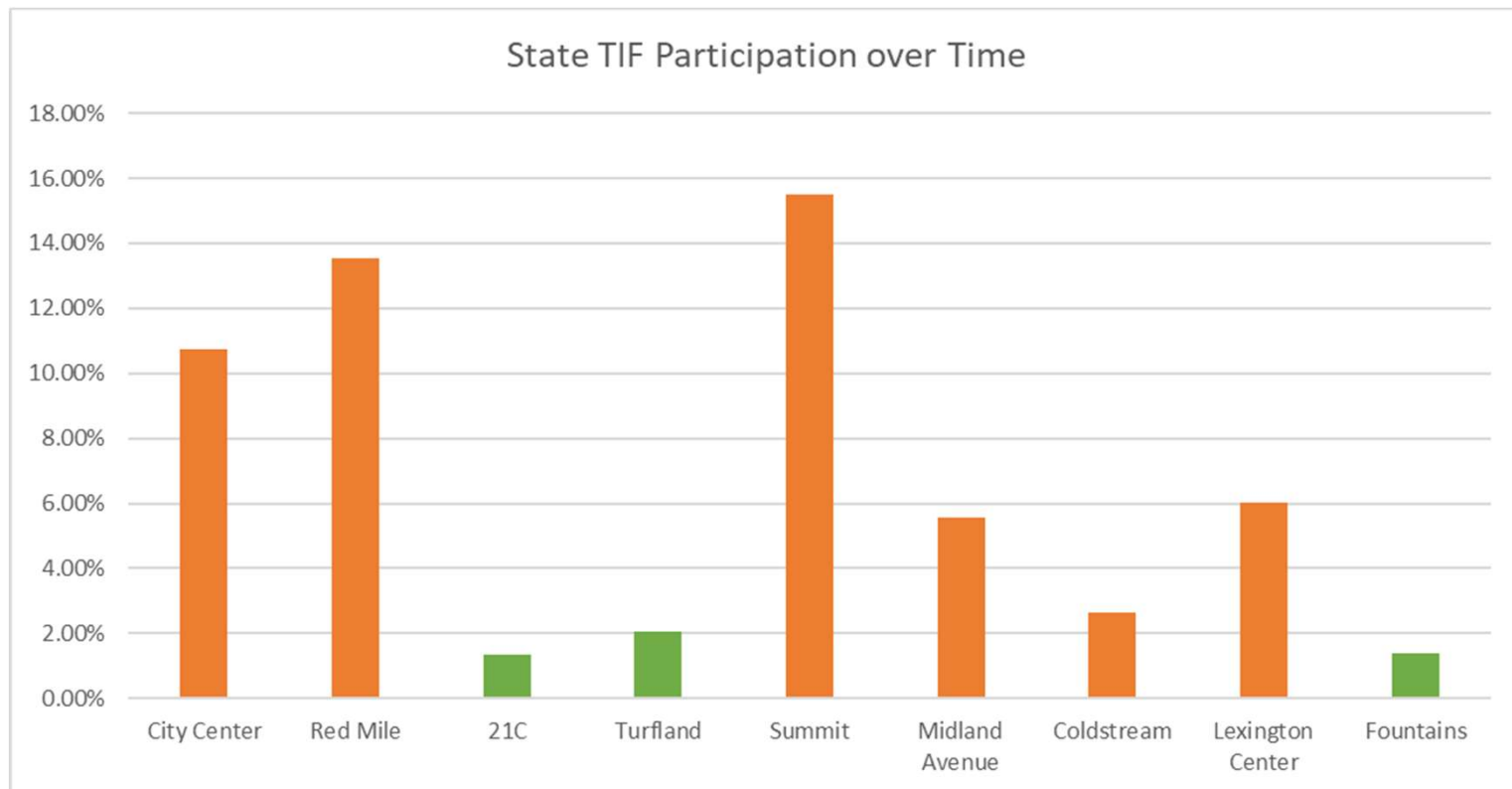


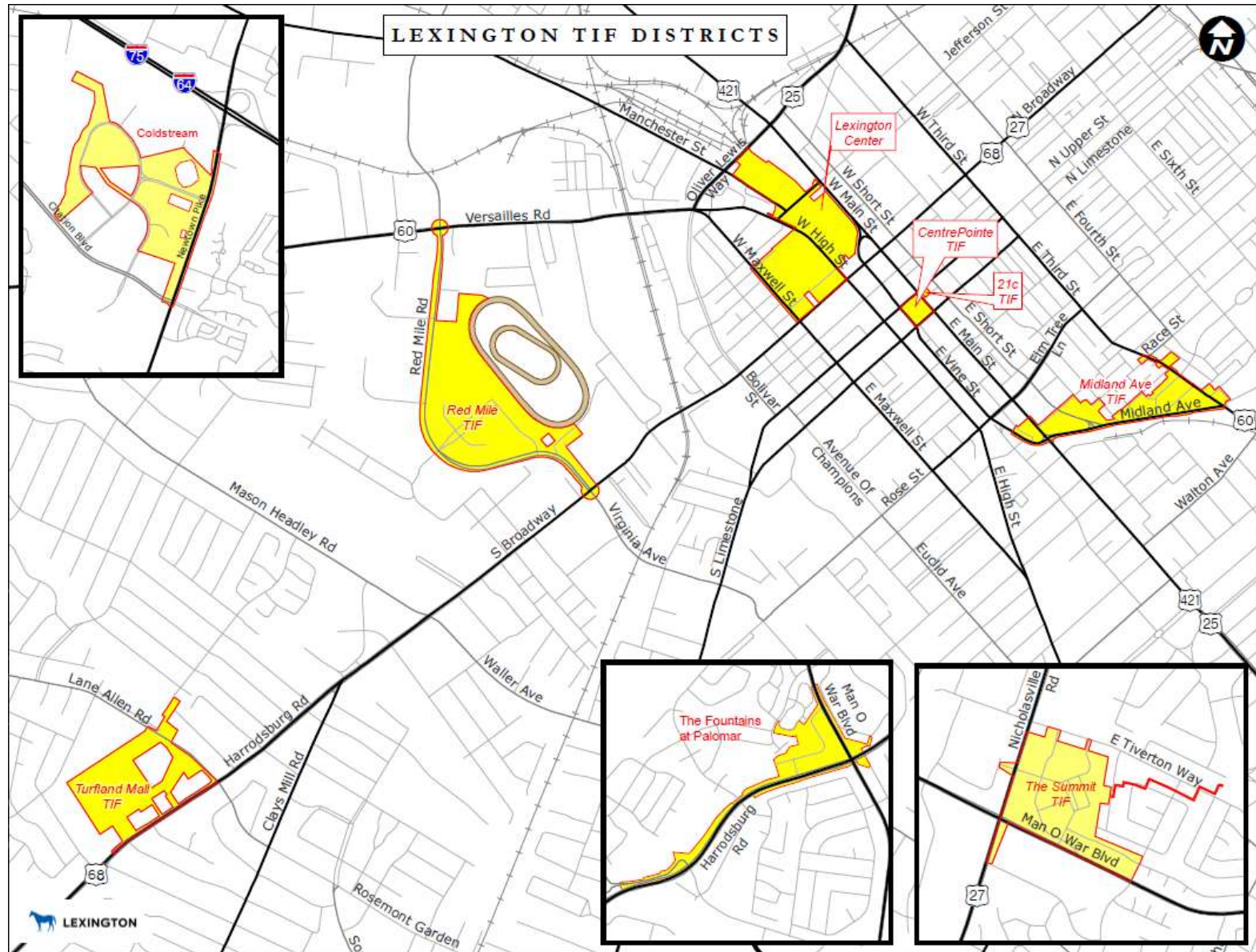
## State Participation Declining

- The TIF law is written in such a way that in order for the state to participate fully, the new jobs must be net new to the state.
- That requirement is more challenging for Lexington to fulfill after so many TIF projects.
- Beginning with the Midland Avenue TIF, representatives from the state have informed staff that we are more or less “TIFed Out,” meaning that the state’s participation will only be for rebating property tax and not payroll or sales.
  - There may be exceptions, but it would not be the types of TIF developments we have seen to date.



## State Participation Declining









## Increment Payments to Date

District	Local	State
21c	\$249,327	\$66,641
Centrepointhe	\$126,261	-
Midland	\$51,486*	-
Red Mile	\$505,505	\$379,889
Summit	\$412,026	\$6,407,780
Turfland	\$1,222,487	\$19,389
<b>TOTAL</b>	<b>\$2,495,411</b>	<b>\$6,873,699</b>

# Questions?



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