

CITY OF HOPKINSVILLE
TAX INCREMENT FINANCING
(TIF)
GUIDELINES AND CRITERIA

CITY OF HOPKINSVILLE TIF GUIDELINES AND CRITERIA

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CITY OF HOPKINSVILLE TAX INCREMENT FINANCING (TIF) GUIDELINES AND CRITERIA

POLICY STATEMENT.

The City of Hopkinsville is dedicated to community revitalization including that of inner-city neighborhoods and commercial districts using Tax Increment Financing (TIF). A TIF project should act as an economic stimulus to the surrounding areas. By leveraging private investment for certain types of development within a targeted area, TIF can be a tool used to assist in financing needed public improvements and enhancing infrastructure.

SECTION I. INTRODUCTION AND PROGRAM OVERVIEW

A. Local Authority. The City of Hopkinsville (City) adopted these TIF guidelines by Municipal Order 14-2009. The guidelines serve as policy direction to City staff and interested parties regarding a TIF application, which supports certain types of development in targeted areas of the city.

B. Goals and Objectives of City. The City may use TIF, along with other incentive tools, to finance needed public improvements and enhance infrastructure within a targeted area. It is the intention of the City to use TIF, as one of many incentive tools, for the primary purpose of encouraging revitalization.

C. Eligible Development. The following may be eligible for consideration for the use of TIF:

- **Residential development: New construction or rehabilitation of single-family and/or multi-family housing in the inner city**
- **Business parks for targeted industries: New construction**
- **Office development: New construction**
- **Retail/commercial development: New construction**
- **Mixed-use or multi-family development: New construction**

D. Demonstration of Community Revitalization Impact. It is the intent of the City to use TIF for the purpose of supporting community revitalization in targeted areas. As part of a TIF application, an Applicant must describe how the planned investment will contribute to revitalization activities in the parcel(s) in question and/or the surrounding area of the community. The Applicant must also indicate how the input of nearby neighborhood residents, businesses, and/or schools has been determined in the project planning process.

E. Demonstration of Need for Public Assistance. City Council, by ordinance, may designate a contiguous geographic area in its jurisdiction to be a TIF District to promote development or redevelopment of the area if City Council determines that such development or redevelopment would not occur solely through private investment in the reasonably foreseeable future.

F. Before designating a TIF District, the City will require that each Applicant agree to enter into a Development Agreement with the City and to negotiate requirements based on these

guidelines and staff recommendations. Approval by the Hopkinsville Tax Increment Finance Development Authority (TIF Authority) and the City Council is required for the Final Project, which shall include Financing Plans, Development Plans, Interlocal, and/or Interagency Agreements.

SECTION II. APPLICATION PROCESS AND FEES

A. Application Process. Applications must be submitted to the City Administrative Officer for a TIF District to be established. Depending on the exact nature and complexity of a project, the estimated timeframe from application to designation of a TIF District is **at least** three (3) months.

All applications for TIF District and applicable fee(s) should be delivered to the:

City Administrative Officer
City of Hopkinsville
101 North Main Street
Hopkinsville, KY 42240

B. Application. Applicants desiring to use TIF along with other incentives to support eligible types of development in targeted areas must submit twenty-five (25) complete copies of an application and remit the required application fee, as set forth in Subsection C below. The application shall consist of complete, current information meeting criteria set forth in this policy, including all information outlined in Sections III and VIII(A), unless the application is submitted in response to the City's Request for Proposals for a specific project.

C. Application Fee. A non-refundable application fee of \$1,000 must accompany all applications for TIF Districts. The application fee should be in the form of a check or money order and made payable to the "City of Hopkinsville." The application fee is to support administrative costs including: initial review for completeness, internal processes, and presentations.

D. Completeness Review. City staff will review the application within ten (10) working days (from the day the City Administrative Officer receives the application) to ensure completeness. The Applicant will have fourteen (14) working days to supply any information that was omitted without having to resubmit a new application. If the Applicant is non-responsive or fails to submit the omitted information, the application will be considered incomplete, the fee will NOT be refunded, and no further action on the application will occur.

E. Review for Eligibility. The TIF Authority and City staff will review the application for compliance with the criteria laid out in this policy.

F. Processing. To offset expenses related to ongoing processing and administration of a TIF project, the City shall withhold one percent (1%) of all rebates due to the Developer over the life of each TIF project.

SECTION III. EVALUATION CRITERIA

Each application submitted for a TIF District will be evaluated by the TIF Authority on a case-by-case basis to analyze the viability of a proposed project. The following basic evaluation criteria may be used to initiate a thorough review of applications seeking funding and could result in an entirely different finance plan than initially proposed in the application. Since every project is unique, the TIF Authority may consider additional evaluation criteria and/or may waive any evaluation requirements set forth below for a particular project.

- A. Demonstrate financial wherewithal to meet project costs and complete project (i.e. the most current two years of financial statements, complete Sources and Uses budget, and/or Letters of Credit from Bank)
- B. Submit a complete market feasibility study by an outside consultant
- C. Submit a cost-benefit analysis as described in Section VIII(A)
- D. Identify gaps in financing for project
- E. Illustrate proposed financial structure of project, and delineate in detail the Applicant equity contribution into project
- F. Identify proposed security, collateralization, or credit enhancement
- G. Demonstrate commitment to the quality of development and the project area by submitting examples of housing and commercial products, detailing how the project impacts the area in a positive manner
- H. Detail how project links with the following: other area public improvement projects and Inner City Residential Enterprise Zone program activities
- I. Detail how project plan addresses any area code enforcement issues
- J. Submit detailed pro formas
- K. Submit a Phase I Environmental Site Assessment of the proposed area not older than two (2) years in accordance with guidelines set forth in the American Society for Testing and Materials (ASTM), Standard E1527-00, Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process
- L. Submit a preliminary site plan layout and proposed public improvements and utility locations
- M. Include the following public improvement information: scope of the proposed project, project location map, project layout map, pavement section, detailed cost estimate for all public improvements, and roadway construction cost per foot for each section width (The cost shall include pavement and curbs. If sidewalks and driveways are constructed at the same time with the street construction, the cost for these items shall be included with the cost of roadways.)
- N. Demonstrate previous experience developing similar scale and type of project
- O. Submit a build out schedule indicating timing of public improvements (i.e. commencement and completion dates)
- P. Agree to pay for reasonable professional and legal fees retained by the City related to the project
- Q. Complete and submit the City's Financial Interests Statement
- R. All proposals must communicate and demonstrate how the project achieves objectives in the Hopkinsville Comprehensive Plan's Focus on the Future (Comprehensive Plan)
- S. All projects will conform to the City's landscape, tree preservation, and drainage ordinances

- T. Compliance with the City's adopted Renaissance Design Standards as they relate to construction in the downtown area
- U. Development included within the TIF boundaries must comply with all provisions of the Hopkinsville Code of Ordinances as amended

SECTION IV. CRITERIA FOR DESIGNATION OF A TIF DISTRICT

The City must designate, or have already designated, an area as a TIF District. As provided, a TIF District area must:

A. Substantially arrest or impair the sound growth of the municipality creating the district, retard the provision of housing accommodations, or constitute an economic or social liability and be a menace to the public health, safety, morals, or welfare in its present condition and use because of the presence of:

- 1) a substantial number of substandard, slum, deteriorated, or deteriorating structures;
- 2) the predominance of defective or inadequate sidewalk and street layout;
- 3) faulty lot layout in relation to size, adequacy, accessibility, or usefulness;
- 4) unsanitary or unsafe conditions;
- 5) the deterioration of site or other improvements;
- 6) tax or special assessment delinquency exceeding the fair market value of the land;
- 7) defective or unusual conditions of title; or
- 8) conditions that endanger life or property by fire or other causes; OR

B. Be predominantly open and, because of obsolete platting, deterioration of structures or site improvements, or other factors, substantially impair or arrest the sound growth of the municipality; OR

C. Be an area described in a petition requesting that the area be designated as a TIF District if the petition is submitted to the governing body of the municipality by the owners of property.

SECTION V. PROCESS AND RESTRICTIONS ON COMPOSITION OF TIF DISTRICTS

Process. At a minimum, the following steps will be taken for consideration of the use of TIF funds:

- A. Application, application fees, and preliminary project financing plan submitted to City
- B. Completeness Review conducted by City staff to verify submission of all items stated under Section III
- C. Full Application Review conducted by City staff and TIF Authority to ensure project meets the criteria laid out in this policy and demonstrates need for public assistance and community revitalization impact
- D. Applicant presentations to affected taxing entities on Project and Financing Plan
- E. Informal discussions with other taxing entities
- F. Formal action by other taxing entities detailing intent to participate in TIF District

- G. Notice of the public hearing regarding creation of a TIF District posted and published pursuant to KRS 424
- H. Public hearing held
- I. Following the public hearing, the TIF Authority may recommend City Council create TIF District

SECTION VI. PROJECT ELIGIBILITY

A. Targeted Areas for TIF Use. It is the intent of the City to use TIF, along with other incentives, for the primary purpose of encouraging community revitalization.

B. Project Location. Projects can be located in the Inner City Residential Enterprise Zone Districts or locations recommended by the TIF Authority and approved by City Council.

C. Urban Design Criteria. The City has determined that all homes in a TIF District shall be constructed on permanent foundations using materials and uniform building industry standards of the day and in compliance with the then applicable City building ordinances and zoning requirements. No manufactured homes, as defined in the Hopkinsville Code of Ordinances as amended, may be moved on any lot in a district. No HUD Code manufactured homes shall be placed on any lot in a district. This prohibition specifically includes the use of a manufactured home in which the axle and wheels have been removed and placed upon a concrete slab. This prohibition also specifically includes a manufactured home upon which the wheels have been left attached.

D. Project Status. Because of the considerable time and resources required to process applications, it is the intent of the City to respond to applications for the creation of TIF Districts **only if** an eligible project has met the criteria set forth in these guidelines and is in the advanced stages of development planning as evidenced by property control.

E. Operating Costs of Public Facilities. If public facilities are required to meet the demands of the new development, the Applicant will negotiate with the appropriate authority for the construction costs, pro rata share and timing of payments for the facilities.

SECTION VII. CONSTRUCTION OF PROJECT AND FINANCING COSTS

A. Eligible Project Costs. Project costs eligible for rebate include:

- 1) capital costs
 - actual costs of acquisitions and construction of:
 - **public works and public improvements** (e.g., utilities, streets, street lights, water and sewer facilities, pedestrian malls/walkways, parks, flood and drainage facilities, educational facilities, and parking facilities)
 - **new public buildings, structures and fixtures**
 - actual costs of acquisition, demolition, alteration, remodeling, repair, or reconstruction of existing buildings, structures, and fixtures if said facilities are to be dedicated to the City as a public building, structure, or fixture

- actual costs of acquisition of land and equipment, if to be dedicated to the City as public land or equipment
 - actual costs of clearing and grading of land
 - applicable predevelopment fees
- 2) bond financing costs
- interest paid to holders of evidences of indebtedness or other obligations used to pay for project costs
 - premiums paid over the principal amount of the obligation because of the redemption of the obligations before maturity
- 3) Applicant's direct professional service costs for public improvements:
- architectural
 - planning
 - engineering
 - legal advice and services
 - environmental impact or other studies
- 4) interest before and during construction and for one year after completion, whether or not capitalized

B. Financing of Project Costs. The City will require Applicants to arrange and provide other forms of financing for eligible project costs. Tax increments deposited into the TIF Fund may be used to reimburse an Applicant over time for contributions made to the City for the construction of eligible project costs on a case-by-case basis, as well as interest and other financing costs associated with the contributions, as approved by City Council.

C. Risks to Applicant. ANY CONTRIBUTIONS MADE BY APPLICANT OR OTHERS .IN ANTICIPATION OF REIMBURSEMENT FROM TAX INCREMENTS SHALL NOT BE, NOR CONSTRUED TO BE, FINANCIAL OBLIGATIONS OF THE CITY OF HOPKINSVILLE. APPLICANT SHALL BEAR ALL RISKS ASSOCIATED WITH REIMBURSEMENT INCLUDING: INCORRECT ESTIMATES OF TAX INCREMENT, CHANGES IN TAX RATES OR TAX COLLECTIONS, CHANGES IN STATE LAW OR INTERPRETATIONS THEREOF, CHANGES IN MARKET OR ECONOMIC CONDITIONS IMPACTING THE PROJECT, CHANGES IN INTEREST RATES OR CAPITAL MARKETS, CHANGES IN DEVELOPMENT CODES REQUIREMENTS, DEFAULT BY TENANTS, UNANTICIPATED EFFECTS COVERED UNDER LEGAL DOCTRINE OF *FORCE MAJUERE*, AND/OR OTHER UNANTICIPATED FACTORS.

D. TIF Bonds. In certain instances and commensurate with the value of the project, the municipality will consider the issuance of tax increment bonds. In such cases, risk of default and length of term should be reduced to the greatest extent feasible. The term of any TIF bonds will not exceed twenty (20) years.

E. Option to Negotiate Tax Increment. The City reserves the option to negotiate the percentage of tax increment deposited in the TIF Fund for any development.

SECTION VIII. ADDITIONAL GUIDELINES

A. Cost-Benefit Analysis. A cost-benefit analysis relevant to the City must be completed prior to any action on a TIF District requested to support proposed development projects. The City, its advisor, or agent may conduct the analysis in a manner reflective of the current standards. The City may determine not to approve the designation of a project or area as a TIF District for the purpose of TIF for which the analysis shows that the costs exceed the benefits.

Furthermore, each cost-benefit analysis shall be reviewed using a Quantitative and Qualitative assessment process in order to identify the costs associated with the delivery of City services and the implications of broader community benefits and revitalization goals. In the event that revenue shortfalls are projected for service costs, the qualitative benefits of these projects will be analyzed with respect to compatibility with the City's Comprehensive Plan policies such as: mixed-income, mixed-use, new urbanism concepts, and infill development. If projects do not meet these Comprehensive Plan policy goals, further review of the project financing will be undertaken, which may result in at least one of the following: (1) Greater Applicant contribution; (2) Reduced City participation; and/or (3) Redefining the scope of the project.

B. Public Hearing and Notices. The City may not adopt an ordinance designating a TIF District until it has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. Notice of the public hearing shall be clearly posted and published pursuant to KRS 424. An Applicant shall reimburse the city for all publication and notification costs related to the TIF project.

C. Administration. All TIF District proposals and applications properly submitted will be reviewed, processed, and coordinated by the City's departments, the Planning Commission, and/or its consultants. The City may act as the administrator of all TIF Districts for the purposes of reviewing compliance with any agreements between the City, other taxing entities and/or Applicant, as well as providing tax increments to Applicants for the purpose of reimbursement for completed public improvements as approved by City Council. In July of each year, City staff will provide to City Council accurate annual project status reports outlining TIF activity for the preceding fiscal year.

D. Assignment. Any agreement entered into between the City and the TIF Authority with an Applicant may be assignable to a new owner only with prior City Council approval.

E. Conflict with Existing Law. To the extent these guidelines conflict with Federal, State or local law relating to the establishment and/or administration of Tax Increment Financing, said Federal, State or local law shall control.