

Parcel B&C TIF Support Letter

July 28, 2020

The below signed agency boards have voted on a resolution to support the creation of a Tax Increment Financing (TIF) district to facilitate the development of Parcels B & C in downtown Frankfort. Considering the magnitude of the Parcels B & C development, Frankfort has a unique opportunity to facilitate a large-scale economic stimulus that is needed for our community now more than ever before.

A recent article in The Lane Report (<https://www.lanereport.com/127751/2020/06/tif-projects-top-10-billion/>) highlights the \$10.1 Billion of past and proposed capital investment as a result of leveraging state TIF programs. Communities from Paducah and Bowling Green in the western part of the state, to the largest metropolitan areas of the state – Lexington, Louisville & Northern Kentucky, have all taken advantage of TIFs. Frankfort, as the seat of state government with the TIF program administrators within a stone's throw of Parcels B & C, has garnered exactly ZERO capital investment from the TIF program.

City and county officials should not forget that the state criteria that lead to the awarding of the contract to develop Parcels B&C had only one applicant. Frankfort is not seeing a stampede of developers knocking on our doors for a capital investment of the magnitude proposed for Parcels B & C of \$86,912,500 (\$10,562,500 of which is from the TIF incentives). Yet the developer's mixed-use proposal will create 216 residential units in the heart of our community.

Real estate developers have choices when making investments. One criterion in the decision-making process is the access to necessary infrastructure. Infrastructure like sidewalks, parking garages, and water & sewer capacity have significant costs, but provide no direct revenues for developers. Developers cannot absorb infrastructure costs and still make a profit. If infrastructure costs cannot be absorbed outside of the income stream from development sales and rental income, most large-scale developments like Parcels B&C cannot proceed. As the article in The Lane Report explains, TIFs often help large scale projects obtain needed financing.

The new tax revenues generated within the footprint of a TIF do not impact the current tax base. Generally, TIFs are approved with only a portion of the new tax revenues dedicated to the infrastructure improvements. The remaining portion of the new tax revenues will truly be new revenues for the city and county, while the entire increase in new property tax revenues will accrue to severely revenue restricted city schools.

Without a financially sound TIF approval for Parcels B & C, it is likely the developer will move on to more receptive communities. What would happen next is a large flat green space sitting unused for the next couple of decades with NO additional property tax revenues for any taxing jurisdiction. TIF contributions from state and local government do not kick-in until the private developer capital investment requirements are met.

Additional benefits include the added jobs and fulltime residents furnishing much needed new economic activity for downtown Frankfort. The end result of the development will support retailers, restaurants and other downtown businesses, all of which are struggling to survive due to the COVID-19 crisis. The infrastructure improvements will not only support the proposed development of Parcels B & C, but will remain for decades to support other development and economic activity for downtown Frankfort. In addition, the Parcel B & C development meets the call from some sectors of our community for infill development.

By approving a financially sound TIF district, The Frankfort City Commission and the Franklin County Fiscal Court have an opportunity to facilitate a development in the heart of the community that will yield benefits for the next generation. Saying no to a financially sound TIF district for Parcels B & C will send a strong and resounding final message to developers that Frankfort is not open for business – please invest elsewhere.

Frankfort cannot allow this opportunity to pass. It could be years before we are able to entice another developer to invest the time and resources to consider our community. The below signed agencies encourage the city commission and fiscal court members to approve a financially sound TIF district for Parcels B & C.

Sincerely,

Rene' F. True – President, Downtown Frankfort, Inc. Board

Marc Stone - Chairman, Frankfort- Franklin County Tourist and Convention Commission Board

Paola Roe – Chair, Frankfort Area Chamber of Commerce Board

Danny Willis – Chair, Kentucky Capital Development Corporation Board

Lizz Taylor - Downtown Frankfort Merchants Committee

Karl Lawrence – Chair, Downtown Frankfort Restaurant and Bar Association Board

Dr. Houston Barber – Superintendent, Frankfort Independent Schools