

City of Lexington Tax Increment Financing (TIF) Programs and Guidance for Applicants

Update: January 1, 2018



Types of TIF Agreements

- **TIF Improvement Grant Program**
 - Smaller requests on existing structures within the TIF district
 - This program is primarily focused on small businesses in the Main street/downtown/Rt 66 corridor but any commercial structure within the Lexington TIF district is eligible
- **TIF Development Grant Program**
 - Larger requests for projects that generate new property and sales tax for the city. Significant creation of new jobs.
 - Ex...new residential subdivision, new manufacturing or retail business, extensive remodel/addition and re-purpose of existing building within the TIF district
 - Developer financial assistance from the TIF district and/or city could be in the form of property tax increment rebates, municipal loans, assistance with roads/utilities, assistance with property procurement, etc.
 - It is imperative that these Development requests be processed, negotiated, documented, and decided by the City Council prior to acquisition of property and commencement of the project.

TIF Improvement Grant Program

Limited Scope Grants

- Geared toward requests up to \$2,000 – up to 50% of eligible expenses
- Streamlined request/documentation (complete parts 1-3 and part 5 of the TIF Improvement Grant Application)
- The intention of this low-documentation form of grant is to assist owners of TIF eligible properties who wish to enhance the street appearance and/or usable functionality of their properties – **cosmetic interior redecorating and general maintenance are not eligible**
- Normally structured as grants
- Limited to one grant per eligible TIF property per year

Regular Scope Grants/Loans

- Geared toward requests up to \$7,500
- Regular request/documentation (complete parts 1-2 and parts 4-5 of the TIF Improvement Grant Application)
- These requests will normally be structured as commercial loans with repayment to the City required. In some instances, reduced interest rates and/or principal forgiveness may be considered for projects that provide essential services to the community
- Multiple requests for the same property over a period of years is discouraged and will be considered in the approval process

TIF Improvement Grant Program

- Applications for both Limited and Regular Scope Grants/Loans can be submitted to city hall starting January 15 preceding the upcoming budget year (May 1 – April 30).
- Limited Scope (up to \$2,000) TIF Improvement Grants will be prioritized by the TIF Committee on an annual basis once the City budget is enacted
- Upon review and funding of the Limited Scope grants, the TIF Committee will consider Regular Scope (up to \$7,500) TIF Grant/Loan requests
- It should be understood that, because of limited TIF grant funds and prioritization, ultimate consideration and action upon TIF requests could be delayed several months from the initial application dates
- When budgeted funds for TIF Grants are exhausted, applications will no longer be accepted in the current budget year for Improvement Grants.
- Notice will be provided on the City Website for the closing and re-opening of the window for new grant requests
- Nothing herein constitutes a promise to approve and fund TIF Improvement Grant requests. Each request will be evaluated individually on its own merits and decisions by the TIF Committee and City Council will prevail

TIF Development Grant Program

Communication is key:

- Talk to the Mayor and TIF Committee Chairman early in the research process for the project
- It is imperative that these Development requests be processed, negotiated, documented, and decided by the City Council prior to acquisition of property and commencement of the project.
- Full documentation is required – see the TIF Development Application
- Proposals will be evaluated based on the benefits/costs to the citizens of the City of Lexington including but not limited to:
 - Is the project a necessary/priority service?
 - Availability and capacity of existing infrastructure to service the project
 - Local job creation
 - TIF property tax generated
 - Sales/use taxes generated
 - Maintain or enhance residents' positive community living experience
 - Synergy with existing businesses and services
 - Growth opportunity for city housing units in support of quality dwellings, city services, and school population growth
 - Timeframe for the TIF district and City of Lexington to recoup their investment

Additional Documentation

- Depending on the size and structure of the request and if the applicant is new to the City of Lexington, additional information may be required from the applicant:
 - Personal and/or bank credit letter of reference
 - Business financial reports
 - Credit Bureau report
 - Background/criminal checks
 - Bonding
 - Proof of Insurance / Additional insured or loss payable
 - Various provisions/requirements for large construction projects
- Each Grant approval or Development Agreement will specify documentation requirements for paid invoices and city property inspection
- See the Improvement Grant Program and Development Grant Program documents on the City TIF website for additional requirements