CHAPTER 7

BUSINESS INCENTIVES

In order to achieve the goals of The Mall Road District Study, the City of Florence may consider offering business incentives to attract certain types of development, such as entertainment/recreational uses, office uses, a retrofit of Florence Mall, etc. Such incentives could involve the redevelopment of existing sites as well as undeveloped sites. In addition, it is also recommended that if the City of Florence decides to offer business incentives, then it could be done on a project-by-project basis or by identifying a specific geographical area in the Study Area. Both options give the City a certain amount of flexibility.

One possible type of business incentive that could be offered by the City is the proposed Florence Business Growth and Development Incentive for service and technology entities. This type of incentive would require a minimum of $2 million in new taxable wages. If approved, an applicant would be eligible for a rebate of a percentage of the employee's withholdings generated by the new jobs in the service or technology industries for a period up to 5 years. The maximum percentage that could be approved and retained would be 50% or 1% of the employee's earnings. This type of incentive could be used to attract office or professional uses within The Mall Road District Study.

A second type of business incentive that could be offered is tax increment financing (TIF). It is a financing and development tool that permits local governments to capture future increases in property and other taxes generated by new development with a specified development or redevelopment area. The captured value of the increase in tax revenue is used to attract development or to finance public improvements like roads, parks, utilities, sidewalks, parking garages, streetscape, street lights, etc. for economic development projects. A tax increment is the difference between the amount of occupational tax and property tax generated before the creation of a development area and the amount of tax revenue generated after the creation of a development area. Taxing districts continue to receive the base tax amount, while tax increments are used to fund the public costs of development. TIF districts are primarily used to help local governments jump start development in urban areas that are underperforming or are in a stage of decline. They are also used to provide economic vitality in suburban areas. The use of a TIF district may be able to be used in The Mall Road District Study to retrofit large retail centers, expand the Florence Mall or to complete infill projects. Kentucky's tax increment financing statutes, KRS 65, establish guidelines for the creation of development/redevelopment areas eligible for local and state increments.

A third type of business incentive that could be used in The Mall Road District Study is Industrial Revenue Bonds (IRB). They may be issued by the City to help finance industrial buildings as defined in KRS 103.200. “Industrial” is defined as uses related to manufacturing, transportation, health care, education, recreation and culture. Bond funds may be used to finance the total project costs, including engineering, site preparation, land, buildings and equipment. Generally, the issuer or the City, serves as a conduit to provide a lower interest rate to the borrower, but the City is not obligated for debt repayment. KRS 103 requires the issuer to hold title to the improvements financed with IRB proceeds. Because of this, the improvements are not taxable. Communities may negotiate for payments by tenants to replace portions of local property taxes lost through public title to the property. This is referred to Payments in Lieu of Tax (PILOT) agreements.

Incentives could also be offered for residential developments which meet objectives defined by the City. Such developments could be wholly residential or mixed-use/multi-use with a residential component.