

## Paducah Tax Increment Financing (TIF) District Frequently Asked Questions



**What is Tax Increment Financing (TIF)?** Tax increment financing is an economic development tool that permits local governments to capture future increases in property and other taxes generated by new development within a geographic area. In Kentucky, taxes collected by the State also are eligible to be directed back to the city - a new revenue source for the city!

**What is Paducah's goal for implementing a TIF?** Our goal is growth through private projects and public infrastructure improvements. Growth means buildings redeveloped, streets activated, vacant storefronts occupied, and empty upper story areas turned into living spaces.

**How do TIFs work, and what is the tax "increment?"** When a TIF is created, a base tax level for the area is set. The base tax level is City and State property and payroll tax, plus State sales tax, for a given year. As public and private investment occur in the TIF district, the value of the property will increase, jobs will be added, and additional state sales tax collected. This new tax level value is called the increment - the difference between the new value and the base value. The increment is collected into a separate fund that the City can then invest back into the district to finance public improvements and attract private development projects.

**What are the benefits of a TIF?** Tax Incremental Financing helps local governments improve historic districts, restore run-down and blighted areas, remediate brownfields, and jump-start economically challenged areas. TIF is a tool to overcome economic barriers in these specific areas and partner with developers and investors to make infrastructure improvements. TIF funds new streets and sidewalks, sewers, parks and open space, public parking, transportation and pedestrian improvements, and clean-up of environmental contamination in historic buildings. TIF also helps stabilize and improve property values in the area.

**How long will Paducah's TIF district last?** State law sets the duration of Paducah's TIF district at 20 years. It is a long-term initiative for the growth of historic downtown Paducah.

**Will my property taxes go up as a direct result of Paducah's TIF?** No. TIF is not a new tax. The difference between the tax base in 2018 (the base year for Paducah's TIF) and the tax base after redevelopment is the increment. It's a difference in growth. Owners pay the same amount of

tax as they would if there were not a TIF in place. As new development spurs growth, property values are expected to increase.

**How was Paducah's TIF created?** Paducah's TIF is a Mixed-Use Redevelopment in Blighted Urban Area (KRS 154.30-060). Below is a timeline of Paducah's TIF.

- March 2019: The City of Paducah and McCracken County passed a resolution and executed an agreement to establish the area's first TIF, Paducah's Downtown Riverfront TIF District.
- July 2019: The City submitted the TIF application to the State.
- August 2019: The City received State Preliminary Approval.
- January 2020: State hired a consultant to review the City's TIF and determine its net new fiscal impact.
- March 2021: The City and State executed an agreement detailing the terms of the State's participation in the TIF and the City's requirements for receiving the full tax increment benefit.
- March 2021: The State provided final approval of the TIF Project. The City has two years to meet the \$20 million minimum capital investment.