

# **6 COMMUNITY DEVELOPMENT**





PLAN ELEMENT:  
**Community Development** 6

**INTRODUCTION**

In order to realize the vision outlined in the Chapter 3, it is critical that the City of Shelbyville become a partner in the redevelopment and improvements proposed within the East End. To accomplish these goals, the City will need to take appropriate action in acquiring and assembling vacant land as well as making the improvements necessary to enticing private investment. The following Chapter outlines two effective community development strategies for acquiring land and financing infrastructure improvements. This Chapter, as well as the actions outlined in Chapter 8, Plan Implementation, provides the City of Shelbyville with the steps necessary in transforming the East End into an exciting, productive, and viable district of Downtown Shelbyville.

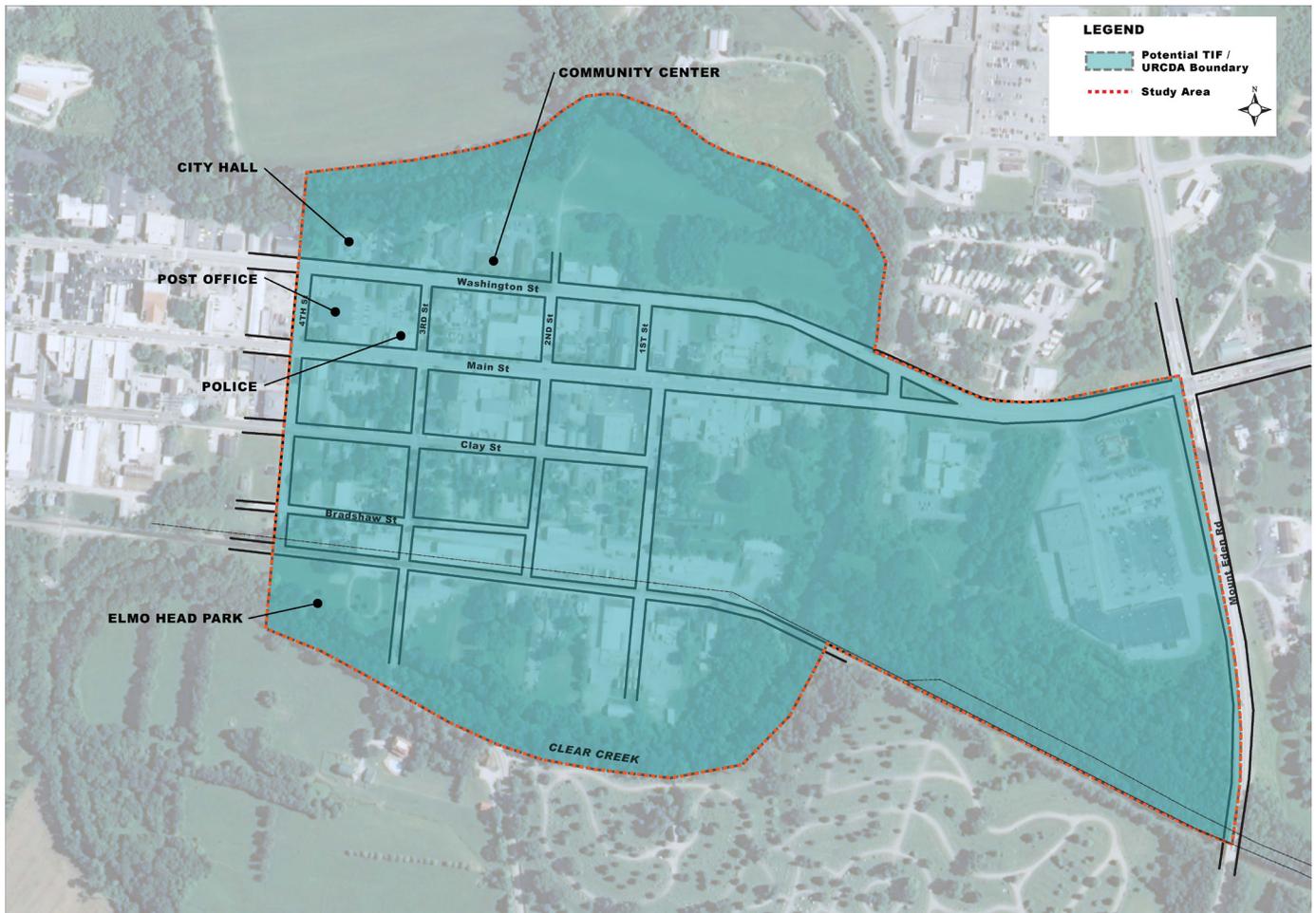
**TAX INCREMENT FINANCING**

In 2007, the Kentucky State Legislature passed HB 549 which enabled communities to fund local infrastructure and redevelopment projects with a method of public financing know as Tax Increment Financing (TIF). This financing tool allows communities to fund improvement projects with future property tax revenues attributed to increased assessed values secured within the TIF district. In other words, a TIF allows communities to pay for today's investments with the revenue generated from the anticipated increased property values of future development.

Tax increment financing is a popular financing tool for local governments because it does not increase property taxes for local residents and businesses. Typically communities use TIFs to make infrastructure improvements including roadway, utility, trail, and streetscape enhancements or fund building projects such as parking garages, cultural facilities, and sports venues. Generally the intent of these projects is to entice increased investment from the private sector. As TIFs become more common in Kentucky, case studies will be available to use as examples for other small cities and towns. In the case Shelbyville's redevelopment efforts, case studies were prepared for

It is important to understand that TIFs are not new taxes but a strategy to fund today's investments with future tax revenue.

Figure 6-1: Community Development Element Map



Columbus and West Lafayette, Indiana and Owensboro, Kentucky. These case studies are provided in Appendix C of this report.

The first step in Kentucky’s TIF program is to establish a TIF Development Area (or district). Once a TIF district is established, property tax revenue attributable to increased assessed values within the district is directed to the redevelopment area rather than the traditional taxing units such as schools, libraries, the city, or county. Typically, TIF revenue is used to retire bonds issued to fund infrastructure improvements. Once this debt is retired, all property tax revenue, including the new revenue gained from new development, is provided to the previously established tax entity.

In Kentucky, two types of TIF development areas may be established. The first type of district is available only if developing vacant land and is not eligible to receive financing assistance from the State. The second allowable district is intended to develop previously underdeveloped or blighted areas and is eligible to receive funds from the State. Within this type of TIF development area, three separate state assistance programs are available, each with various terms and qualifications: a Signature Project, a Program for Mixed Use Redevelopment in Blighted Areas, and a Program for Real Property Ad Valorem Tax Revenues. The following rules apply to the establishment of a development area eligible to receive state assistance.



- The city or county (or acting jointly) must adopt a Development Plan.
- The maximum size of the redevelopment area (TIF district) cannot exceed three square miles.
- The total amount of property with the TIF Development Area cannot exceed 20 percent of the value of all property within city and/or county (depending on jurisdiction establishing TIF district).
- The area must meet two or more of the seven conditions related to deterioration or blight (see legislation for details).
- The local government must find that this development would not occur without public investment and that the benefits outweigh the public cost.

The TIF development program most suited for consideration by the City of Shelbyville is the Mixed Use Redevelopment of Blighted Areas Commonwealth Participation Program. The criteria of this program allow TIF revenues to fund redevelopment projects which establish a mix of residential and commercial land uses. As illustrated in the East End Master Plan, improvements to the study area are oriented toward encouraging residential, entertainment/hospitality, and recreational development. The following are specific requirements/details of the legislation establishing the Mixed Use TIF program.

- A mixed use project of at least two of the following land uses with each representing 20 percent of total finished square footage or total capital investment:
  - Residential
  - Retail
  - Office
  - Hospitality
- Restaurant
- Three of the blight or deterioration conditions defined in the legislation are met
- Represent new economic activity in the Commonwealth
- Result in a minimum capital investment of \$20 million, not to exceed \$200 million
- Result in a net positive impact to the Commonwealth
- The project may recover up to 100 percent of approved public infrastructure cost and cost associated to the preparation, demolition and clearance of property

In order to fund future transportation, streetscape, and aesthetic enhancements, and ensure funding is available for the development of the East End park system, the proposed TIF Development Area covers the entire East End study area. As called for in the legislation, a TIF Redevelopment Plan will be required to firmly establish official TIF boundaries and justify the need for state assisted TIF funding. To ensure funding is available for all improvements proposed in the East End Master Plan, Figure 6-1 illustrates a preliminary East End TIF District which encompasses the entire study area.

For more  
information on  
Kentucky's various  
TIF programs visit:  
<http://finance.ky.gov/>

## URBAN RENEWAL AND COMMUNITY DEVELOPMENT AGENCY

Authorized by Chapters 99.33 – 99.59 of the Kentucky Revised Statutes, an Urban Renewal and Community Development Agency (URCDA) authorizes a community to purchase, lease, or acquire, by negotiation or eminent domain, any property for the purposes of redevelopment. Special powers are granted to an Urban Renewal Board which may sell, rent, repair, or manage land owned by the Board. Urban Renewal Boards have the authority to obtain loans, grants, or secure other funds to be used for the purposes of redevelopment. The Board may also develop building sites, make infrastructure improvements, or demolish property. The following criteria must be established by a city to sanction the creation of a URCDA:

- There are blighted areas in the community (see definition of blighted area below)
- There is a need to exercise the powers of a URCDA
- It would be more efficient and in the public interest for such powers and duties to be executed by the URCDA.

Blighted Areas are defined as:

- Predominance of defective or inadequate street layout;
- Faulty lot layout (size, adequacy, accessibility, usefulness);
- Submergence of water;
- Deterioration of site improvement; or
- Tax delinquency

Several parcels located within the East End are available for sale or may be available for sale in the near future. In addition, under the above criteria, many of these parcels may be considered blighted or inadequate. An agency, acting on the behalf of the City of Shelbyville, should be established which would allow the City to acquire this property for future redevelopment when it comes available. The creation of an URCDA will permit the City to acquire this land, often under favorable terms, for the City and its taxpayers.

The following are a few Kentucky cities with active URCDA Boards:

- Paducah
- Paintsville
- Barbourville
- Danville
- Glasgow
- Pineville

