

Memo

To: Mayor and Board of Commissioners
From: John Sadosky, Interim Director of Economic Development
Date: June 16, 2026
Re: Amended and Restated State TIF Agreement

BACKGROUND

Covington received Preliminary Approval for a State Signature Project TIF (KRS 154.30-050) for the CCR site, including the Convention Center, on December 10, 2020. This “Signature Project” TIF allows the City to recoup 60% of all state taxes generated at the site up to \$45.5 million for 30 years. The agreement also requires a Minimum Capital Investment of \$200 million before the City can “activate” the TIF and start collecting state tax increments. The Minimum Capital Investment consists of public and private capital expenditures. Because the City acquired the IRS site prior to the project's December 10, 2020 approval date, acquisition costs cannot be included in the Minimum Capital Investment. Demolition, engineering, and public infrastructure costs, however, are eligible.

The City received final approval for the Signature TIF on May 26, 2022, triggering a requirement that at least \$200 million in Minimum Capital Investment be incurred within two years to activate the TIF. After the threshold was not met, the City obtained the final two-year extension permitted under the agreement. Because the investment requirement remains unmet and no further extensions are allowed under current law, Cabinet officials have proposed amending the agreement to convert the Signature TIF to a Mixed-Use TIF pursuant to KRS 154.30-060.

STATE TIF – FROM “SIGNATURE TIF” TO “MIXED-USE TIF”

This amendment would allow the City to continue recapturing 60% of state tax revenues generated at the site, while reducing the TIF term from 30 years to 20 years and lowering the maximum reimbursement amount from \$45 million to approximately ~\$30.1 million. In exchange, the Minimum Capital Investment required to activate the TIF would decrease from \$200 million to \$20 million, allowing the City to immediately activate the TIF and begin receiving state revenues.

While the total reimbursement capacity would be reduced, several factors support acceptance of the amendment:

1. **Time Value of Money.** The approximately \$15 million reduction in potential reimbursement occurs in years 21–30 of the agreement. The present value of those future revenues is substantially less than their nominal value today.
2. **Additional Funding Secured.** Since the TIF was originally approved, the City has secured a \$10 million state appropriation for Phase I infrastructure and a \$4.5 million federal appropriation for Phase II infrastructure. These funds were not anticipated when the original TIF was established and offset a significant portion of the reduced reimbursement capacity.
3. **Immediate Revenue Generation.** Activation of the amended TIF would allow the City to begin receiving state revenues immediately rather than delaying collection for an additional two years, even if another extension under the existing agreement were possible.
4. **Limited Alternative Options.** Reapplying for a new Signature TIF is not advisable, as statutory changes have increased the minimum investment requirement for new Signature TIF districts from \$200 million to \$500 million.

STAFF RECOMMENDATION

Staff recommends accepting the Commonwealth's proposal to amend the existing Signature TIF Agreement to a Mixed-Use TIF. The amendment preserves state participation in the project and allows immediate activation of the TIF.