



VACANT PROPERTY INCENTIVE FOR DEVELOPERS

Overview:

Covington derives more than half of its annual revenue from payroll tax revenue, but due to demand, we have a lack of move-in ready commercial space! Therefore, partnering with our development community is critical to preserving our historic assets and attracting new employers and residents.

The Vacant Property Incentive is designed to entice developers and real estate investors to convert vacant, historic buildings into move-in ready, quality commercial space (office and retail) for prospective businesses. In return, we pledge 50% of the payroll tax from any new tenant to Covington the developer attracts for 5 years (or 25% for an existing Covington tenant. While it doesn't provide upfront capital to renovate, it ultimately boosts the developer's revenues and return on investment.

The City's hopes to partner with developers to attract new restaurants, bars, entertainment options, boutique retail, and new office users that will add to the vibrancy and momentum in our neighborhoods.

Whether you're a small real estate investor or a large development company, we have incentives to help you grow and thrive in Covington.

Eligibility:

To apply, a developer must submit an application outlining their proposed building renovation **before** any work has begun. The building must 1) be at least 50 years old and 2) at least 51% vacant, as measured by gross floor space, for a period of 24 or more continuous months at the time of application. For purposes of this requirement, area used for storage or residential shall be considered to be vacant. If the property falls outside of our TIF District, a vacant property rehabilitation incentive may be offered in conjunction which will freeze **city** property taxes at the pre-rehab level for a period of five years.

By utilizing this incentive, prospective tenants at the building will be unable to apply for a payroll incentive with the City, as this has been already pledged to the developer.

Rate:

- Attract a NEW business to Covington: Receive **1.25%** of all taxable W2 payroll created **for 5 years**
- Relocate an existing Covington business: Receive **0.625%** of all taxable W2 payroll created **for 5 years**



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Application Process:

After submitting a complete application, the City will review the application. Staff is happy to help applicants estimate their future payroll projections for their application. Depending on the project's complexity, this may take approximately 2 weeks before an offer letter will be given to the developer. All applicants will be connected with our Historic Preservation Specialist to review the proposed exterior improvements to ensure they meet our urban design guidelines. Finally, all incentive offers are contingent on approval by City Commission and successful execution of a development agreement. Approved incentives are performance based and are reimbursement only.

Post Construction:

As the developer, you oversee and complete construction according to approved plans and then market the property to commercial users. It's in your best interest to attract non-Covington companies with high payroll or many jobs. The City of Covington is happy to facilitate an introduction to get your property listed on Costar which is free, but we encourage you to partner with a local agent or broker for the best results. Once you have secured your tenant, you will submit an annual reimbursement request each Spring. The prior year's payroll tax revenue from your tenant(s) will be calculated and sent directly to the developer.

Example 1: Larger Office Building

A developer was looking to renovate a 15,000 SF building into spec office to attract office users. Based on an estimated 250 square feet per employee, the developer estimated that this would bring 60 new employees to Covington. Based on the city's average wage of \$54,000, this development would be expected to reimburse the developer approximately \$202,500 over 5 years for renovating and attracting new commercial users into the building vs. keeping vacant.

	Square Feet (SF)	Est. # of Full-Time Employees	Est. Payroll	Est. Annual Incentive	5 - Year TOTAL Incentive
Office User	15,000	60	\$3,240,000	\$ 40,500	
				\$ 40,500 x 5 years	\$ 202,500



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Example 2: Smaller Mixed-Use Building

A developer was looking to renovate a 6,000 SF building to attract a restaurant on the first floor and an office user on the second floor. In total, we would expect to **reimburse the developer around \$66,000** over 5 years for renovating and attracting new commercial users into the building vs keeping vacant.

	Square Feet (SF)	Est. # of Full-Time Employees	Est. Payroll	Est. Annual Incentive	5 - Year TOTAL Incentive
Restaurant Use	3,000		\$ 250,000	\$ 3,125	
Office User	3,000	15	\$ 810,000	\$ 10,125	
				\$ 13,250 x 5 years	\$ 66,250

Contact:

If you have any questions throughout the process, don't hesitate to contact us. We look forward to working with you!

Tom West



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Instructions: Please complete this application in its entirety. Staff are able to assist with any questions or help estimate payroll for anticipated users. A **check of \$1,000** made out to the City of Covington must be **attached** the application. After review of the application by City Staff, an offer letter will be provided to the applicant. If accepted by applicant, the City will cash the check and draft a development agreement with the incentive terms, subject to review and approval by Covington City Commission.

Applicant Information

Legal Owner of Property			
IRS Tax EIN		Women, Minority, or Veteran Ownership?	
Building Address:			
Mailing Address:			
Building Square Feet (breakout by floor)			
Age of Building		% Vacant? For how long?	
Applicant Contact Person		Title	
Email		Phone	
Using Any Covington Contractors? (list)			

Project Description

<ol style="list-style-type: none"> 1) Describe the building 2) Describe the planned rehab 3) Describe the anticipated users <p>Attach a separate page, if necessary.</p>	
All Funds in Place to Complete Project? (We will request proof)	



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Projected Rent per Floor (or Rent per Square Foot)		
Anticipated Construction Start and Completion Date	Start:	Completion:

Budget

Est. Interior Renovation Costs	
Est. Exterior Renovation Costs	
Est. Design Costs	
Est. Soft Costs	
Other (specify)	
Other (specify)	
EST. TOTAL PROJECT COSTS	

Funding Sources

Owner Equity	
Bank Loan (specify)	
Bank Loan (specify)	
Other (specify)	
Other (specify)	
EST. TOTAL PROJECT COSTS	

Future Tenants – Anticipated Payroll

	Office or Retail	Est. Square Feet	Est. # of Employees	Est. Annual Payroll
Tenant 1				
Tenant 2				
Tenant 3				

Anything else we should know?



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Required Attachments

1) Attach proof of financing equal to the total project cost

- We want to know you have the financial resources to complete the total project. You can document this with a bank loan, bank term sheet outlining loan terms, or a checking account statement showing the full total project costs available to complete the project.

2) Attach budget, contractor quotes, bids, and drawings of proposed improvements

- A good architect is worth their weight in gold to help you budget appropriately.
- We encourage you to shop local and use Covington contractors. Contact us to learn more!
- Bids allow us to see that your budget is realistic and who you intend to use.
- Drawings give us a visual of the improvements when seeking approval.

Signature

I declare under penalties of falsification that this application, including any and all enclosed documents and statements, has been examined by me, and to the best of my knowledge and belief is true, correct, and complete. The Covington BOC may adopt legislation from time to time that can impact eligibility, benefits and evaluation criteria. Staff of the Economic Development Department makes every effort to update these applications and program guidelines as quickly as possible once changes are adopted. It is the responsibility of the applicant to assure that the application and guidelines being followed are the most recently adopted at the time of submission.

Signature of Applicant: _____

Printed Name: _____

Title: _____

Date: _____