Parcels B & C TIF Benefits & Response to Objections

Benefits

- Frankfort Independent Schools receive about $800,000 per year in additional property tax revenue at full completion of the development (based on $80,000,0000 of private investment)
- Community gets new infrastructure that benefits other future developments for generations to come like opening up Washington Street, providing streetscapes, new parking garage, etc.
- Meets demand for modern residential living downtown with over 200 residential units planned, creating a mini summer concert for downtown merchants every day of the year
- Provides largest capital investment in downtown Frankfort's history, creating new jobs, new tax revenues, new business activity, new energy and a new reason to want to live, work and play downtown
- Creates road connection between new development and the old historic downtown Frankfort
- Creates opportunity to fast track development of vacant dilapidated building on Broadway into new bourbon tourist attraction and additional over-night accommodations
- Functionally obsolete YMCA building gets the opportunity to build a new modern facility that will attract families to want to live downtown
- The new tax revenues generated within the footprint of a TIF do not impact the current tax base, but since only a portion of the new tax revenues will likely be dedicated to the infrastructure improvements, the city and county will benefit from new tax revenues.
- The TIF is a key component in obtaining bank financing for the project

Responses to Objections

- Developer knew when they bid that building a garage was part of the deal, so why are they asking for TIF funds now? TIF funds do not go to the developer, but will help the community build infrastructure that has been desired by the community for years.
- We are asking taxpayers to line the pockets of rich developers? TIF funds do not go to the developer, but are used to pay for infrastructure costs like parking garage, streets, sidewalks, etc. TIFs are precluded from being used to pay for direct costs of the developer's buildings. If developers make a

profit from their own capital put at risk, that is a desirable outcome to encourage even further investment in Frankfort.

- We are asking people to buy into a deal without knowing all the details? TIF districts follow a state mandated process that starts with the filing of a **Development Plan**. Next comes **Public Hearings**, followed by a **Development Agreement** among the City, County, Agency and Developer. Following the public hearing (or concurrent therewith), and assuming the parties are agreeable with the terms of the Development Agreement, a **Local Participation Agreement** among the City, County, any special taxing districts that agree to participate, and the Agency chosen by the City to provide the oversight, administration and implementation of the Development Area. You do not start with the **Local Participation Agreement** until the public hearings have been held and the **Development Agreement** is in place. Defined time frames are in pace between major steps of the process to allow for public input.
- Why not split the parcel up into smaller lots and let local developers develop the project? This piecemeal approach could take decades to reach the capital investment levels, if ever, that would be achieved from one developer. Multiple developers would lack a comprehensive and cohesive approach, yet still require a need for infrastructure and leave valuable components like the possibility of a new YMCA building out of the mix. Any local developers who wanted to split up the lots would also have to split up the cost of the parking garage…and we didn't have any local developers who were interested in that.
- TIF is going to cause local taxes to rise. The new tax revenues generated within the footprint of a TIF do not use funds from the current tax base. Only a portion of the new tax revenues will be dedicated to the infrastructure improvements, leaving the city and county with truly new tax revenues. The Frankfort Independent Schools (FIS) will receive all of the new tax revenues. Currently only 8 school districts out of 171 districts have a higher real property tax rate than FIS. The FIS real property tax rate has risen 19% from 2015 to 2019, while the Franklin County School district rate has only risen 14% over the same time period. The additional tax revenues to FIS would tend to slow the rate of increase in property tax rates for existing property owners. If we do not approve a local TIF, we will not qualify for a state TIF, thus sending approximately $3M in tax revenue to the state rather than have it invested in our community.

- Developer does not have skin in the game, just $1000. The developer has spent time and money on a development plan, attorneys, architects, engineers and other professionals to determine the viability of the development of approximately 12 acres and he will have millions invested before the project sees any benefit from the TIF.
- Do we have a commitment from the state to participate? Asking for state participation is one of the last steps in the TIF district process. The state does not give approval on the front end, but does provide guidance in their documents about what is needed in a successful application for state participation. After the adoption of the related ordinances and establishment of the Development Area and the execution of the related agreements, if an application is to be filed seeking a pledge of state incremental taxes under the Act, the Agency, in participation with the City, County and Developer, will prepare and submit the application to the Kentucky Economic Development Cabinet. State TIF program managers at KCED have been consulted by city officials and KCDC to determine the best ways to negotiate the TIF and best strategies for success. This includes adding the properties in the 100 block of East Broadway to the TIF district to facilitate the possibility of state participation.
- If the private development portion of the project is not successful (or as successful as projected), will local government be obligated with additional debt from the public infrastructure with no means to pay the bond indebtedness? The answer depends on whether the City and/or County simply pledge the increment to the Project and the Developer assumes all debt obligations. If that is the case, the City and County will have no obligation since all they would have agreed to do is to pledge increment that may be created. Even if increment bonds are issued by the City, so long as they are bare TIF bonds (only issued as special obligations supported only by the increment pledged), the City and/or County will have no obligation to pay the bonds, other than the requirement to pay over the increment that has been pledged to the Project. If the Project fails and no increment is generated then the City and/or County will have no obligation to pay the underlying debt. The City and/or County will only be obligated to pay the underlying debt or bonds if they agree to backstop or pay the bonds other than simply pledging the increment.

Below are few articles about successful TIFs in other communities:

https://www.bgdailynews.com/news/tif-payments-top-19-million-mark/article_ba25e883-8a76-5cc3-b16b-c42f6b1137f9.html

https://www.somerset-kentucky.com/news/speda-to-unveil-tif-district-preliminary-plans-in-march/article_c322604c-49f6-11ea-8938-976374856330.html

https://campbellcountyky.gov/topic/index.php?topicid=82&structureid=9
https://www.lanereport.com/127751/2020/06/tif-projects-top-10-billion/