

A photograph of the City of Erlanger building, a modern structure with a curved roof and large windows. Three flagpoles stand in front of the building, flying the American flag, the state flag of Kentucky, and a local flag. A tall communication tower is visible in the background to the left. The sky is clear and blue.

City of Erlanger

November 15, 2022

Circleport Industrial Revenue Bond Discussion



The Project Area

- Approximately 217 acres left to be developed.
- Sites have been underutilized for 20+ years.
- Sites have received a lot of interest. However, the City has been able to land the type of quality employers desired due to site constraints.
- Sites are not “pad ready”.
- Some sites are heavily wooded and therefore not visible from the street.
- Topography is extreme, making it difficult to visualize the development potential.
- Site work needed to create building pads extends the lead time, deterring development.



LINK-GIS Web Map

Building

- Building
- Pool
- Tank
- Concrete Pad

Roads

- Paved Road
- Unpaved Road
- Bridges
- Paved Parking
- Unpaved Parking
- Railroad

Utilities

- Sewer
- Sewer Structure
- Water Pipe
- Water Hydrant

Recreation

- Ball Fields
- Playground/General Rec
- Tee/Green

Topography

- Index Contour
- Intermediate Contour
- Creek / Stream
- River / Lake

Boundaries

- Parcel
- Zoning

1:6,000

0 125 250 500 Feet

↑

LINK-GIS

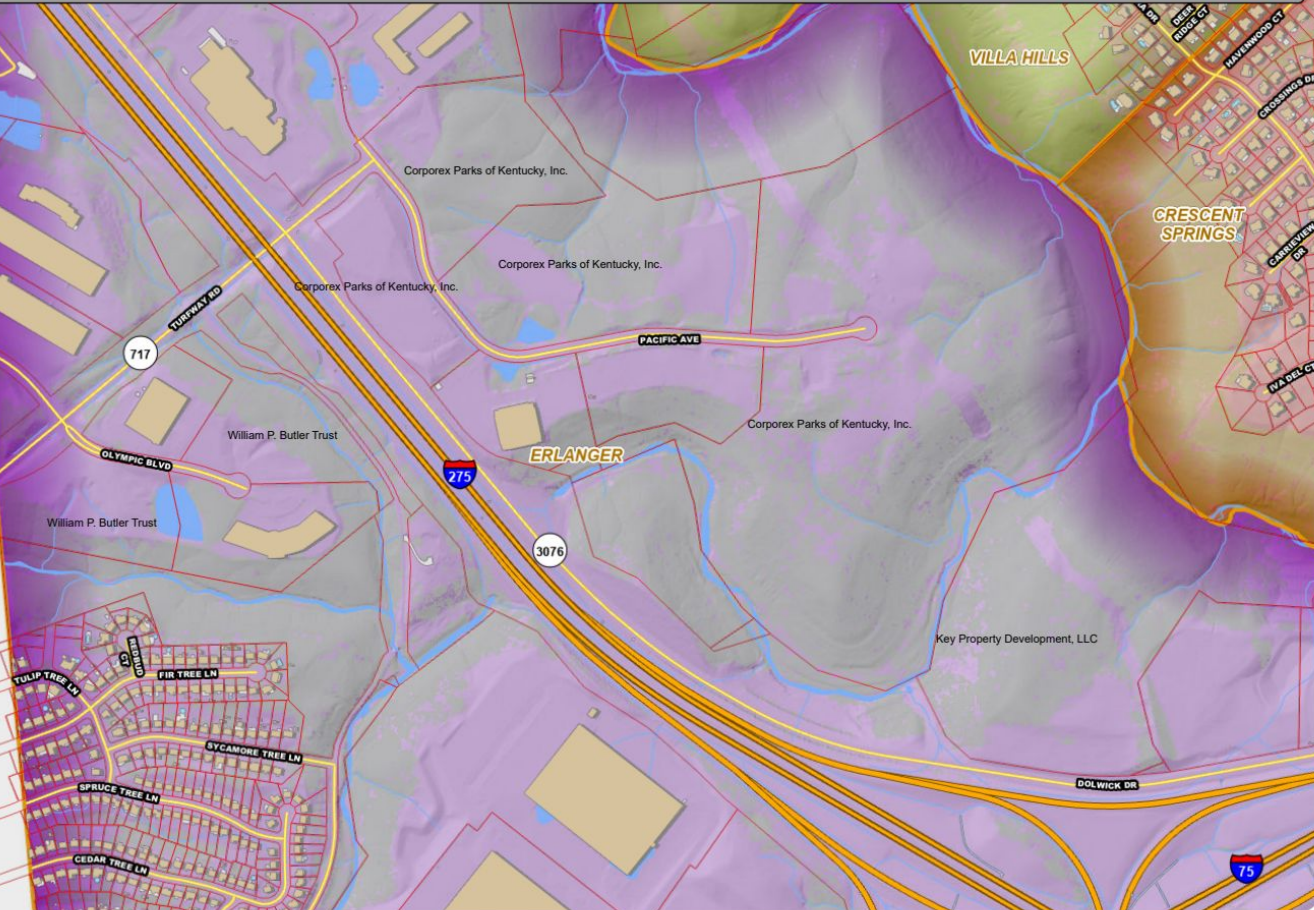
PDS

1840 Simon Kenton Way
Covington, KY 41011
859.331.9980
Office hours M-F 8-5
www.linkgis.org

Parcel data provided by CCPVA, KCPVA,
PCPVA and LINK-GIS.

Date: 8/25/2022

These GIS data are deemed reliable and every effort has been made to ensure their accuracy. They are, however, provided "as is" without warranty of correctness, timeliness, reliability, or completeness. Map elements do not represent a legal survey of land. Use of these data for any purpose should be with an acknowledgement of their limitations, including the fact that they are dynamic in nature and in a constant state of maintenance. Field investigation may be necessary.



The Project

- All parcels will be cleared, graded flat and improved to make sites attractive to buyers
 - Reduce timeline from purchase to construction by doing up front site work
 - Buyer will be able to “visualize” their project on the site
 - Reduce total project costs to end user
 - Connect sites to pedestrian ways via new sidewalks.
- Project cost
 - Construction - \$8.555 million
 - Bond issue cost - \$5.570 million (maximum, could be less)
 - **Total Bond Request - \$14.125 million**

IRB - Industrial Revenue Bond

- The City will serve as a conduit to allow bond financing for a site preparation project, which will be mutually beneficial.
- The borrower (developer) will use the funds from the bond to cover the costs of the project.
- The City will hold the title of the property through the term of the bond, therefore making the property exempt from property taxes.
- The City and the developer will agree to a Payment In Lieu of Taxes (PILOT) through a mutual agreement.
- The PILOT agreement will provide a savings in taxes obligated to be paid by the development, which will be used to pay the debt service on the bond.
- This agreement also incentivizes the developer to proceed with the project in an expeditious manner to pay off the bond.

IRB - Industrial Revenue Bond

- The developer is obligated to repay the bond, regardless of the progression of the development.
- The City is not obligated to pay off the bond.
- The bond will not be considered debt of the City and will not affect the City's credit rating.

Proposed Development at build-out

- 1,200,000 SF Manufacturing
- 110,000 SF Distribution
- 400,000 SF Office
- 130,000 SF Office (Flex)



Figure 3

CirclePort Expansion Project Estimated Buildout and Development Costs by Year (Upon Completion)												
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Manufacturing												
Acres	-	-	48.14	-	-	48.14	-	32.06	-	-	-	128.33
Square Feet	-	-	450,000	-	-	450,000	-	300,000	-	-	-	1,200,000
Development Cost	-	-	\$112,500,000	-	-	\$112,500,000	-	\$75,000,000	-	-	-	\$300,000,000
Distribution												
Acres	14.73	-	-	-	-	-	-	-	-	-	-	14.73
Square Feet	110,000	-	-	-	-	-	-	-	-	-	-	110,000
Development Cost	\$12,650,000	-	-	-	-	-	-	-	-	-	-	\$12,650,000
Office (Dedicated)												
Acres	-	-	-	-	-	-	-	-	46.00	-	9.06	55.06
Square Feet	-	-	-	-	-	-	-	-	200,000	-	200,000	400,000
Development Cost	-	-	-	-	-	-	-	-	\$45,000,000	-	\$45,000,000	\$90,000,000
Office (Flex)												
Acres	-	9.48	-	-	9.66	-	-	-	-	-	-	19.14
Square Feet	-	80,000	-	-	50,000	-	-	-	-	-	-	130,000
Development Cost	-	\$14,560,000	-	-	\$9,100,000	-	-	-	-	-	-	\$23,660,000
Total												
Acres	14.73	9.48	48.14	-	9.66	48.14	-	32.06	46.00	-	9.06	217.26
Square Feet	110,000	80,000	450,000	-	50,000	450,000	-	300,000	200,000	-	200,000	1,840,000
Development Cost	\$12,650,000	\$14,560,000	\$112,500,000	-	\$9,100,000	\$112,500,000	-	\$75,000,000	\$45,000,000	-	\$45,000,000	\$426,310,000

Current Jobs and
Occupational
Tax Information
versus
Estimated
At Build-out

	Current	Estimated Impact
JOBS	0	3,028
ANNUAL TOTAL PAYROLL	\$0	\$146,620,649
ANNUAL KENTON COUNTY OCCUPATIONAL LICENSE FEES	\$0	\$714,571
ANNUAL CITY OCCUPATIONAL LICENSE FEES	\$0	\$2,199,310

Current Annual Property Tax Information (all parcels)

ASSESSED VALUE	\$10,188,000
STATE	\$12,124
CITY	\$31,277
SCHOOLS	\$77,020
EXTENSION	\$1,121
FISCAL COURT	\$15,690
HEALTH	\$2,547
LIBRARY	\$11,512
PLANNING	\$2,292
TOTAL ANNUAL PROPERTY TAX	\$153,801

Estimated Property Value At Build-Out (all parcels)

ESTIMATED ASSESSED VALUE	\$426,310,000
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Payments in Lieu of Taxes (PILOT)

- PILOT payments will begin at 20% of actual property tax owed based on assessed value (“contribution” is the % the city is contributing toward the project and withheld by the developer).
- Payments will grow over time as the PILOT payment % increases at 5% every 5 years.
- Payments will also grow over time due to the development building out.

	% of Contribution	PILOT
12/1/2023		
12/1/2024	80%	7,615
12/1/2025	80%	16,380
12/1/2026	80%	84,105
12/1/2027	80%	89,584
12/1/2028	80%	157,309
12/1/2029	75%	196,636
12/1/2030	75%	196,636
12/1/2031	75%	253,073
12/1/2032	75%	286,936
12/1/2033	75%	286,936
12/1/2034	70%	384,958
12/1/2035	70%	384,958
12/1/2036	70%	384,958
12/1/2037	70%	384,958
12/1/2038	70%	384,958
12/1/2039	65%	449,118
12/1/2040	65%	449,118
12/1/2041	65%	449,118
12/1/2042	65%	449,118
12/1/2043	65%	449,118
12/1/2044	60%	513,277
12/1/2045	60%	513,277
12/1/2046	60%	513,277
12/1/2047	60%	513,277
12/1/2048	60%	513,277
12/1/2049	55%	577,437
12/1/2050	55%	577,437
12/1/2051	55%	577,437
12/1/2052	55%	577,437
12/1/2053	55%	577,437
		11,199,158

Development Agreement

- No occupational license fees are pledged as a part of this agreement.
- The size of the bond amount is minimal compared to the anticipated excess cash flow (contributions) provided by the PILOT agreement. This has been done to secure the best possible interest rates in today's market.
- However, the excess cash flow, meaning the combined contributions of each of the taxing entities generated through the PILOT agreement, may only be used by the developer in one of two ways:
 - A. To pay off the bond early and return the parcels to the tax rolls sooner, or;
 - B. The excess cash flow will be distributed back to the taxing entities per the attached Excess Cash Flow Distribution Schedule.

Potential Excess Cash Flow Distribution

- Excess Cash Flow - any contributions by taxing entities above what is necessary pay off the bonds.
- These excess revenues will be distributed back to the taxing entities, if not not used to pay down the bond early.
- This ensures that the taxing entities are not giving up more that what's necessary to pay for the project.

	Projected Revenues	Net Debt	Excess Revenues	City Distribution
12/1/2023				
12/1/2024	109,845	-	109,845	30,461
12/1/2025	295,514	-	295,514	65,522
12/1/2026	1,595,488	1,150,000	445,488	336,422
12/1/2027	1,699,410	1,179,600	519,810	358,334
12/1/2028	2,984,160	1,301,800	1,682,360	629,234
12/1/2029	2,839,002	1,299,000	1,540,002	589,907
12/1/2030	2,839,002	1,300,400	1,538,602	589,907
12/1/2031	3,653,840	1,300,600	2,353,240	759,220
12/1/2032	4,262,217	1,299,600	2,962,617	860,807
12/1/2033	4,606,467	1,297,400	3,309,067	860,807
12/1/2034	4,617,850	1,299,000	3,318,850	898,235
12/1/2035	4,617,850	1,299,000	3,318,850	898,235
12/1/2036	4,617,850	1,297,400	3,320,450	898,235
12/1/2037	4,617,850	1,299,200	3,318,650	898,235
12/1/2038	4,617,850	1,299,000	3,318,850	898,235
12/1/2039	4,365,105	1,296,800	3,068,305	834,076
12/1/2040	4,365,105	1,297,600	3,067,505	834,076
12/1/2041	4,365,105	1,301,000	3,064,105	834,076
12/1/2042	4,365,105	1,301,600	3,063,505	834,076
12/1/2043	4,365,105	1,299,400	3,065,705	834,076
12/1/2044	4,112,359	1,299,400	2,812,959	769,916
12/1/2045	4,112,359	1,301,200	2,811,159	769,916
12/1/2046	4,112,359	1,299,400	2,812,959	769,916
12/1/2047	4,112,359	1,299,000	2,813,359	769,916
12/1/2048	4,112,359	1,299,600	2,812,759	769,916
12/1/2049	3,859,614	1,300,800	2,558,814	705,756
12/1/2050	3,859,614	1,297,200	2,562,414	705,756
12/1/2051	3,859,614	1,298,800	2,560,814	705,756
12/1/2052	3,859,614	1,299,800	2,559,814	705,756
12/1/2053	3,859,614	1,352,300	2,507,314	705,756
	109,659,587	36,165,900	73,493,687	21,120,536

Project Summary

- The IRB will fund the work to get the sites “building pad” ready.
- We are competing to land good companies with other communities that are creating “pad ready” sites as a competitive advantage.
- The City, County and Schools will give up some future property tax that may not have been achieved without the bond.
- Without readying the sites, the sites may remain vacant and continue to generate zero jobs and no additional tax revenue.
- The City will gain future occupational license fees that do not currently exist.
- The City will gain revenue in excess of the current property tax collection amount within a few years through PILOT payments and excess cash flow distribution.
- Corporex has a demonstrated track record of being patient and targeting quality corporate deals (such as Toyota & Wild Flavors).

Next Steps

- Get feedback from Council.
- Get feedback from Kenton County Fiscal Court, Erlanger Elsmere School District and Kenton County School District.
- Based on feedback, finalize the development agreement, PILOT agreement and create legislation.
- Formal action at December 6th Council meeting.



Questions?
Comments?