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# NEWPORT

KENTUCKY

February 22, 2022

## Northern Lights Executive Summary

Newport Eleven, LLC, a Kentucky limited liability company, plans to construct 13 new single-family homes located at 1129 East Eleventh Street in the City of Newport. The project will be known as the “Northern Lights” subdivision, which is in the redevelopment area designated by the City for IRB assistance. The total project costs, including infrastructure, will be \$18,000,000.

At the request of the City, the developer engaged the services of the Catalytic Development Fund to do a study to justify the use of the IRB incentive for this project. Their study concluded that there were extraordinary infrastructure costs associated with the project, mainly due to the topography and geotechnical issues, and those costs were in excess of \$3,000,000. These infrastructure expenditures include streets, retaining walls, and sanitary and storm sewers. As such, it was concluded that the project would not be able to obtain conventional financing without the IRB incentive being provided to help pay for these extraordinary infrastructure costs.

The City has given preliminary approval to the project and the proposed IRB issue, and the matter is before the State Local Debt Officer for hearing on March 23, 2022.

[SCHOOL LETTERHEAD]

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Date

Hon. Thomas Guidugli, Jr.  
Mayor  
City of Newport, Kentucky  
998 Monmouth Street  
Newport, Kentucky 41071

RE: City of Newport, Kentucky \$18,000,000 (Maximum Principal Amount) Industrial  
Building Revenue Bonds, Series 2022 (Northern Lights Project)

Dear Mayor Guidugli:

I understand that the City of Newport, Kentucky (the "City") intends to issue not to exceed \$18,000,000 of industrial building revenue bonds to provide funds for the proposed acquisition and construction of the Northern Lights Project, which is a new residential development to redevelop the 11<sup>th</sup> Street area in the City of Newport (the "Project"), which is being undertaken by Newport Eleven LLC, a Kentucky limited liability company. I understand that as part of the bond issue, the property will be exempted from *ad valorem* taxation during the term of the bonds issued by the City for the Project, but, subject to certain payments in lieu of taxes to the City, which will be shared with the Newport Independent School District and the County of Campbell, Kentucky.

The Project, as described in the public meetings of the City, as well as in newspaper accounts of the same, presents the City with an opportunity to continue the economic revitalization and expansion which has occurred in recent years, as well as to redevelop a blighted area the City.

Pursuant to KRS 103.2101, I am writing to confirm to you that I, as Superintendent of the Newport Independent School District, understand the nature of the proposed financing plan for the Project and I am in agreement with the negotiated financial arrangement, including the exemption from *ad valorem* taxes during the time the bonds are outstanding.

If you have any questions or need additional information, please let me know.

Sincerely,

Tony Watts  
Superintendent

## **AGREEMENT IN LIEU OF TAXES**

\_\_\_\_\_  
This Agreement is made effective as of the \_\_\_\_ day of \_\_\_\_\_, 2022, by  
and between the Newport Independent School District, Kentucky (the "School District")  
and the City of Newport, Kentucky, a Kentucky municipal corporation (the "City"):

### **WITNESSETH**

WHEREAS, Newport Eleven, LLC (the "developer") intends to construct 13 new  
single family units along 1129 West 11<sup>th</sup> Street, (the "Project");

WHEREAS, to assist with the Project the City plans to issue Industrial Building  
Revenue Bonds (the "Bonds") to finance the acquisition and construction of the Project,  
with a term of thirty (30) years;

WHEREAS, the Developer and the City will enter into an Inducement Contract,  
for the City to authorize, issue, and sell the Bonds pursuant to KRS 103.200 through  
103,285, to finance the acquisition and construction of the Project, which Inducement  
Contract shall also provide for the payment by the Developer of PILOT Payments;

WHEREAS, the economic incentive to the Developer by virtue of the issuance of  
the Bonds is the abatement of real estate *ad valorem* taxes with respect to the Project;  
and

NOW, THEREFORE, in consideration of the premises and mutual covenants  
hereinafter contained, the parties hereto agree as follows:

1. The School District and the City hereafter confirm and affirm the accuracy  
of the Recitals contained above and those contained herein.

(a) Upon the issuance of the Bonds, the Project will be exempt from ~~real estate *ad valorem* taxes pursuant to the provisions of Section 103.285 of the~~ Kentucky Revised Statutes.

(b) Beginning in the first tax year, after the completion of the project, the City will pay to the School District annual payments in lieu of taxes in the amount of \$4.00 per \$1000 of appraised value.

(c) Commencing in the year following the year on which the Bonds mature, the unit owners will begin paying to the School District, and other taxing authorities, as *valorem taxes* at the tax rates established at that time on an annual basis. In accordance with the assessments on their property as determined by the PVA.

2. The City will make the payments provided for in this Agreement on an annual basis no later than December 31<sup>st</sup>.

3. Other than the *ad valorem* taxes discussed herein, this Agreement does not affect or apply to any other taxes or fees that may be owed by the Developer (or its assignees or tenants) to the School District or other taxing authorities.

4. All notices sent to the City shall be sent to:

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City of Newport, Kentucky  
998 Monmouth Street 41071  
Attn: City Manager

All notices sent to the School District shall be sent to:

Newport Independent School District  
30 W. 8<sup>th</sup> Street  
P.O. Box 72340  
Newport, Kentucky 41071  
Attn: Superintendent

5. Modification. This Agreement In Lieu of Taxes may not be changed orally, but only by an agreement in writing executed by the County and the City.

(Signature Page on Next Page)

IN WITNESS WHEREOF the Parties have hereunto set their hands.

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NEWPORT INDEPENDENT SCHOOLS

BY: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

CITY OF NEWPORT, KENTUCKY

BY: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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