

## **AGREEMENT IN LIEU OF TAXES**

This Agreement In Lieu of Taxes (this “Agreement”) is made effective as of the \_\_\_\_ day of \_\_\_\_\_, 2025, by and among the City of Covington, Kentucky (the “City”), the County of Kenton, Kentucky (the “County”), the Covington Independent School District (the “School District”) and Orleans Development, L.L.C., a Kentucky limited liability company, and its successors, permitted assigns and/or transferees (the “Developer” and, together with the City, the County and the School District, the “Parties”):

### **WITNESSETH**

WHEREAS, the Developer plans to adaptively reuse a vacant industrial building located at 1564 Banklick Street, Covington, Kentucky, as more particularly described in Exhibit A hereto (the “Property”), and will develop approximately 39 apartment units, including site amenities, (the “Project”); and

WHEREAS, the City has agreed to (i) issue and sell Industrial Building Revenue Bonds (the “Bonds”) to finance the acquisition and construction of the Project, (ii) accept title to the Property and enter into a Lease Agreement with the Developer for the Property (the “Lease Agreement”), and (iii) in conjunction with the foregoing, enter into this Agreement to memorialize the Developer’s obligation to make payments in lieu of taxes (“PILOT Payments”) with respect to the Property to the City and the County; and

WHEREAS, the Developer and the City will enter into a Memorandum of Agreement, wherein the City agrees to authorize, issue, and sell the Bonds in an amount specified therein, pursuant to KRS 103.200 through 103.285, to finance the acquisition and construction of the Project; and

WHEREAS, the economic incentive to the Developer by virtue of the issuance and sale of the Bonds and the execution of the Lease Agreement is the abatement of real property *ad valorem* taxes with respect to the Property and the Project; and

WHEREAS, it is understood by the Parties that the Kenton County Property Valuation Administrator (the “PVA”) is responsible for establishing assessed value of real property within Kenton County for the purpose of imposing real property *ad valorem* taxes; and

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

1. Recitals. The Parties hereafter confirm and affirm the accuracy of the Recitals contained above and those contained herein.

2. Valuation of Property and the Project. That the valuation of the Property and Project shall be the fair cash value for the Property as determined by the PVA, which shall be set and adjusted in accordance with the PVA’s standard practices as the Project is developed. The tax rates for use in calculating PILOT Payments for the term of this Agreement will be the City’s, County’s and School District’s real property *ad valorem* tax rates in effect for each respective year that the Bonds are outstanding. It is understood that the valuation of the Property may change over time as determined by the PVA.

3. Commencement of Obligations. The obligation to make PILOT Payments will be due on November 30<sup>th</sup> the year after the date the Bonds are issued and shall be due each November 30<sup>th</sup>, thereafter during the term of the Bonds, and shall be the obligation of the Developer or its assigns to remit these payments by the deadline to the

City, the School District and the County. PILOT Payments not paid by December 31<sup>st</sup> of each year shall be considered delinquent and shall bear penalty and interest the same as regular real estate payments *ad valorem* tax until paid.

4. Issuance of Bonds/Tax Abatement. Upon the issuance and sale of the Bonds, the transfer of the Property to the City and the execution of the Lease Agreement, the Property will be exempt from local real property *ad valorem* taxes pursuant to the provisions of Section 103.285 of the Kentucky Revised Statutes, but shall be subject to the PILOT Payments set forth in this Agreement. The term of the exemption from real property *ad valorem* taxes with respect to the Property shall terminate upon the earlier of (i) the termination of the Lease Agreement, (ii) twenty (20) years from the date the Bonds are issued, or (iii) the date the Bonds are fully paid or defeased (the “Exemption Termination Date”). The Developer’s obligation to make Pilot Payments in accordance with the terms of this Agreement shall be a Developer’s covenant in the Lease Agreement.

5. Obligation to Make PILOT Payments. The Developer shall make annual PILOT Payments to the City, County and School District, beginning the first year after the Bonds are issued in an amount as set forth in the following schedule:

Years 1 through 8 - 20% of the amount due, but for the issuance of the Bonds

Years 9 through 13 - 40% of the amount due, but for the issuance of the Bonds

Years 14 through 18 - 60% of the amount due, but for the issuance of the Bonds

Years 19 through 20 - 80% of the amount due, but for the issuance of the Bonds

PILOT Payments will be calculated based on the City’s, County’s and School District’s then current rates for *ad valorem* real property taxes for the respective tax year,

multiplied by the fair cash value of the Property for the respective tax year as determined by the PVA, and then multiplied by the applicable percentages as set forth above in this Paragraph 5 of the Agreement..

6. Real Property *Ad Valorem* Taxes After Bonds Mature. Upon the Exemption Termination Date, the City shall convey the Property to the Developer (or its assignees or transferees) at the cost of the Developer (for attorney's fees, recording fees, etc.), the real property *ad valorem* tax exemption shall cease, and the City, County, School District and other taxing authorities, shall receive from the Developer or its assigns one hundred (100%) of the real property *ad valorem* taxes with respect to the Property at the tax rates established at that time on an annual basis in accordance with the assessment for the Property as determined by the PVA.

7. Other Taxes. Other than the real property *ad valorem* taxes discussed herein, this Agreement does not affect or apply to any other non-*ad valorem* taxes or fees that may be owed by the Developer (or its assignees or transferees) to the City, the County, School District or other taxing districts. The Developer acknowledges that this Agreement will not be inconsistent or will not conflict with any bond placement agreement, any financing agreement, or the Lease Agreement executed or to be executed in connection with the Bonds (collectively, the "Bond Documents"), and to the extent that this Agreement is inconsistent or in conflict with the Bond Documents, the terms and language of this Agreement shall control over the Bond Documents.

8. Term of Bonds. It is further understood by the Parties that the final maturity date of the Bonds shall not exceed twenty (20) years from their date of issuance. Any

costs expended by the City related to the issuance of the Bonds shall be reimbursed or paid by the Developer.

9. Notices.

All notices sent to the Developer shall be sent to:

Orleans Development, L.L.C.  
830 Madison Avenue  
Covington, Kentucky 41011  
Attn: Anthony Kreutzjans

All notices sent to the City shall be sent to:

City of Covington, Kentucky  
20 West Pike Street  
Covington, Kentucky 41011  
Attn: City Manager

All notices sent to the County shall be sent to:

County of Kenton, Kentucky  
1840 Simon Kenton Way  
Covington, Kentucky 41011  
Attn: Judge/Executive

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

Covington Independent School District  
25 East 7<sup>th</sup> Street  
Covington, Kentucky 41011  
Attn: Superintendent

10. Default. In addition to any and all remedies specified in the Bond Documents relating to the payment of the PILOT Payments required by this Agreement the City, County or School District shall have the right to enforce the provisions of this Agreement in any matter that the City, County or School District deems appropriate. It is further agreed that in the event of a default, the Developer will pay all costs, including the

City's, County's and School District's reasonable attorney fees, associated with the collection of the due, but unpaid PILOT Payments and interest and penalties thereon.

11. Effect of Bankruptcy. In the event that the Developer or its successors, transferees, or assigns shall file a voluntary action seeking relief under applicable bankruptcy law, or have an involuntary action filed against it seeking such relief, then, and in that event, it is agreed that all payments required by this Agreement shall be treated the same as if they were local real property ad valorem taxes under applicable Kentucky law, giving said payments and obligations preference over all other secured and unsecured creditors.

12. Assignment. At its sole cost, the Developer shall have the right to assign its interest under this Agreement to a special purpose entity formed by Developer to undertake the Project or to an entity that is providing financing for the Project. Developer, with written notice to the City, may assign its interest under this Agreement to a third-party purchaser of the Project, and consent of the City, County, and School District shall be required, and the consent shall not be unreasonably withheld. No governmental entity is bound by the consent of the other two entities, and each may at their option withhold consent for one or more of the following reasons: the assignment is to a purchaser lacking the financial stability or creditworthiness of Developer; or the assignment is to a purchaser that lacks the Developer's reputation and skill in management of multi-family developments. Any Assignment of this Agreement shall require the Assignee to assume all rights and obligations of this Agreement, and pay any costs incurred by the City related to this action or process.

13. This Agreement is legally binding upon the City, the County, the School District and the Developer, its officers, affiliates, shareholders successors in interests, employees, and agents, and assigns and transferees.

14. Governing Law and Jurisdiction. The Parties agree that this Agreement is governed by the laws of the Commonwealth of Kentucky. Any action taken by the Parties to enforce or seek relief from the terms and conditions of this Agreement shall be brought in the Kenton Circuit Court.

15. Entire Agreement. This Agreement contains the entire agreement of the Parties hereto in respect to the transaction contemplated hereby and all prior agreements, whether oral or written, are superseded hereby.

16. Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid, but if any provision herein shall be deemed to be invalid such provision shall be ineffective to the extent of such invalidity without invalidating the remainder of the provisions contained in this Agreement.

17. Authorization. The Parties hereto represent that each is duly authorized and empowered to enter into this Agreement.

18. Counterparts. This Agreement may be executed in any number of duplicate originals and each duplicate original shall be deemed to be an original.

Signature Page to Agreement In Lieu of Taxes

CITY OF COVINGTON, KENTUCY

By: \_\_\_\_\_  
Ron Washington  
Mayor

COUNTY OF KENTON, KENTUCY

By: \_\_\_\_\_  
Kris Knochelmann  
County Judge/Executive

COVINGTON INDEPENDENT SCHOOL DISTRICT

By: \_\_\_\_\_  
Alvin Garrison  
Superintendent

Orleans Development, L.L.C.  
a Kentucky limited liability company

By: \_\_\_\_\_  
Anthony Kreutzjans  
Member



## **EXHIBIT A**

PIDN 055-11-31-027.00

Group 2241

Parcel I:

Being part of Block Six (6) of Southgate Subdivision, and more particularly described as follows:

Beginning at the northeast corner of West Sixteenth Street and Banklick Street; thence N.  $11^{\circ} 49'$  W. along the east line of Banklick Street, a distance of 79.85 feet; thence N.  $78^{\circ}$  E. 81.52 feet; thence N.  $12^{\circ}$  W. 4.15 feet; thence N.  $78^{\circ}$  E. 36.42 feet; thence S.  $11^{\circ} 48'$  E. and along the east face of a four story brick building a distance of 84 feet to the north line of West Sixteenth Street; thence S.  $78^{\circ}$  W. along the north line of West Sixteenth Street a distance of 117.90 feet to the beginning.

Parcel II:

Being a part of Block Six (6) of Southgate Subdivision, and more particularly described as follows:

Beginning in the east line of Banklick Street North  $11^{\circ} 49'$  West a distance of 79.85 feet from the northeast corner of Banklick Street and West Sixteenth Street; thence North  $78^{\circ}$  East a distance of 81.52 feet; thence North  $12^{\circ}$  West a distance of 4.15 feet; thence North  $78^{\circ}$  East a distance of 36.42 feet; thence North  $12^{\circ} 09'$  West a distance of 57.50 feet; thence South  $77^{\circ} 51'$  West a distance of 31 feet; thence North  $12^{\circ} 09'$  West a distance of 25 feet; thence N.  $77^{\circ} 51'$  East a distance of 31 feet; thence North  $12^{\circ} 09'$  West a distance of 133.50 feet to the south line of a 15 foot alley; thence South  $78^{\circ}$  West along the south line of said alley a distance of 116.67 feet to the east line of Banklick Street; thence South  $11^{\circ} 49'$  East along the east line of Banklick Street a distance of 220.15 feet to the place of beginning.

Parcel III:

Beginning at the northwest corner of Sixteenth and Russell Streets; thence northwardly along the west line of Russell Street 300 feet to a point in the south line of a 15 foot alley; thence westwardly along the south line of said alley 139.73 feet more or less to a point; thence southwardly and parallel to the west line of Russell Street, 133.5 feet to a point; thence westwardly and at right angles 31 feet to a point; thence southwardly and parallel to the west line of Russell Street 25 feet to a point; thence eastwardly and at right angles

31 feet to a point; thence southwardly and parallel to the west line of Russell Street, 141.5 feet to a point in the north line of Sixteenth Street; thence eastwardly along the north line of Sixteenth Street 139.73 feet more or less to the point of beginning.

Exception:

Excepted from the above Parcel II and Parcel III and not conveyed hereby is a previous conveyance by aforesaid J. Russell Bonnett to Northern Kentucky Goodwill Housing Corporation of a 37,714 square foot or 0.8658 acre tract further described in Deed from J. Russell Bonnett to Northern Kentucky Goodwill Housing Corporation dated March 31, 1987 and recorded on the 2<sup>nd</sup> day of April, 1987 in Deed Book 942, Page 200 of the aforesaid Kenton County Clerk's records at Covington, Kentucky.