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City agrees to Payment In Lieu of Taxes for proposed senior living facility

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City leaders unanimously OK'd a resolution and memorandum of agreement (MOA) for a Payment In Lieu of Taxes (PILOT) for a proposed senior living facility to be located at the corner of Martin Luther King Jr. Boulevard and the East-West Connector at its Jan. 24 meeting.

The property was purchased by Prescient Frankfort 1 LLC for \$750,000 in November 2020 and the city commission previously approved a zoning change for the 42-acre lot.

The facility will include approximately 120 senior housing units, 100,000 square feet of indoor space and is expected to employ approximately 75 workers.

At an October meeting, representatives from Prescient presented the project to the public and asked the city to bond up to \$40 million. In the bond arrangement, the city would act as a channel through which through which the project could finance itself via government bonds. Interest rates on government bonds are usually lower than obtaining private financing.



This 42-acre property at the corner of the East-West Connector and Martin Luther King Jr. Boulevard was purchased by Prescient Frankfort 1 LLC for \$750,000 in November 2020 and the city commission previously approved a zoning change. (Map courtesy of Franklin County PVA office)

An attorney representing Prescient stated there was “no risk to the city” if it floats the several million dollar bond to the company. The company’s land would be exempt from property tax due to the fact that the city would hold the title to the project and lease it to the company — thus affecting the tax rolls.

At the direction of city leaders, City Solicitor Laura Ross negotiated with Prescient for a PILOT that would be equal to 50% of the total city and county occupational license tax collected annually “less any property taxes paid by the company to the city on any portion of the value of the leasehold interest in the project owned by the city created through any private financing.”

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“We presented you all with an option that basically chose an amount that just seemed to be easy to calculate and that would make sense going forward that is equal to one half of the occupational license tax that we will receive each year from Prescient,” Ross told the commission.

“They will of course be making their full occupational tax license payment but an additional payment that is just merely equal to one-half of the wage tax on the employees,” she added. “That is an option we recommended. That is the option you all directed us to proceed with and that is what is before you in the payment of taxes tonight.”

A dedicated portion of the PILOT income will go to other taxing districts to offset lost property tax revenue, with the exception of Franklin County Schools, which will receive a PILOT payment directly from Prescient so as to not be impacted to the same extent as other taxing districts.

Per the agreement, PILOT payments will be submitted annually at the same time and in the same manner as city occupational license taxes on the company’s net profits. Prescient is to deliver its payment with supporting calculations to the city with its annual net profits tax return.

Ross said the resolution, which was approved in a 5-0 vote, includes amendments that were previously made to account for the need for Prescient to hit a job target within the first five years. It also gives the city the ability to cancel the bonds after 30 years and the ability to terminate if operations were to cease at the facility.

“Ultimately, we have taken all steps necessary until Prescient comes back to the City to tell us they have completed the work needed to issue the bonds,” Ross stated. “When the bonds are approved by the Board of Commissioners for issuance, all of the items required and authorized by the Resolution and MOA — including the PILOT — will go into effect.”

Mayor Pro Tem Katrisha Waldridge inquired as to whether the bond was for 30 years or 40 years.

“It is still a 40-year term, however the city has the option at 30 years to terminate the bonds.” Ross stated. “We have not changed that provision at all since the last time you all agreed to it.”

Mayor Layne Wilkerson added that the city can terminate the bonds for any reason after 30 years as well as after five years if the company does not meet the required 75 jobs.

“If in the 10th year maybe the jobs have fallen off, maybe they are down to 20 jobs we’re not really protected there,” he added. “But I’m going into this optimistically and I appreciate you working so hard, Ms. Ross, putting in these safeguards to make this a workable incentive for this project.”

One concern raised by city leaders was an increase in fire department service costs related to runs that would have to be made to the new facility.

“Has that been considered or is there a way for us to be able to recoup something there for our fire services?” Waldrige questioned.

Ross said the point of doing PILOT is to recoup some of the costs associated with the runs.

“So what you’ll see over the years as this project develops is an increase every year a little bit in the occupational taxes that they will be giving to us, which means our payments will slowly increase over the years,” the city solicitor explained. “It’s a payment to help us cover those service costs and provide some coverage for us while still making the project viable and cost effective for the company, but we will now get some of our costs back and also hopefully be able to work some of the other local taxing districts on their revenue needs.”

Commissioner Kelly May made a motion to approve the resolution and fellow Commissioner Kyle Thompson “happily” seconded it.

“To my knowledge this is the first (PILOT) that the City of Frankfort has considered and certainly adopted. I think this is one where we’re supportive of the project and supportive, of course, of economic development,” Wilkerson stated. “I think we did a good job in protecting the city’s interests and giving us an out if it doesn’t come to fruition the way we expect and also with this particular project we know that there’s going to be added costs based on history. I think we negotiated that in there.”

Commissioner Leesa Unger stressed that she wants to be a good steward of taxpayer revenue and that this decision was heavy on her mind.

“It also shows that we are pro-economic development but we also have to take into consideration the taxpayer money will be spent on services related to the new facility and I hope it does open and is successful as the business plan showed that it can be,” she explained.

Unger also added that she would have preferred to have had an application for PILOT already set up and a process in place before pushing forward on the project. She noted that the company didn’t bring the project to the city until Oct. 11 and that she wished communication between the parties had started earlier.

Ross remarked that staff was directed to develop an application process and other policies and procedures in the future.

“We will definitely be doing that. We think we have learned a lot about IRBs and have done some research into other cities and we will get a good process in place going forward that will hopefully make this less painful the next time one of these comes up,” Ross added.