

Villa Hills is in the process of adopting a Local Development Area (LDA), commonly referred to as a Tax Increment Financing (TIF) district for the Sanctuary Village project. This is a way for local governments use new taxes generated by developments to pay for public infrastructure improvements related to the development.

Q. What is a TIF district?

A. A Tax Increment Financing (TIF) district is a development tool commonly used throughout the United States. In Kentucky, local governments can use them to spur development of undeveloped or blighted land. All or a portion of the new tax revenue generated in the TIF district is captured and placed in a restricted fund to pay for public improvements.

Q. Why does Villa Hills want to create a TIF district for the new Sanctuary Development?

A. To capture a portion of the new tax revenue that will be generated by the development to make public improvements to alleviate existing and projected traffic problems. Traffic concerns were the number one issue identified during 2 public meetings attended by over 400 people during the planning process for the development. This will provide funding to pay for the needed improvements to solve that problem.

Q. What are the needed public improvements?

A. The State Transportation Cabinet has identified two problems that need to be addressed before they will issue the permit needed to connect the new subdivision to the state route system.

First is to resignalize the Intersection of Buttermilk and Collins with dedicated turn lanes onto eastbound Buttermilk from Collins. Also the current traffic lights/poles are of an obsolete design that is no longer authorized. The entire system needs to be replaced and upgraded. The city's proposal is to include two dedicated left turn lanes onto Buttermilk and using a split phase so Collins and Western Reserve move separately. This will greatly reduce the accidents at the intersection and reduce the long que that forms waiting to turn that block Kremers and often times Cecelia and Frank. This improvement addresses a clear safety issue.

The second improvement is to address the congestion at Amsterdam and Collins. Traffic studies have suggested a roundabout at this location, but Council included language into the development agreement that gives the city the option to signalize the intersection with the state's permission. Both will be explored before a final design is selected.

The City has also agreed to add sidewalks on the north side of Amsterdam as a part of the improvements in order to make the connection from River Ridge Elementary School and Prospect Point to the Villa Sports Complex and Madonna Manor.

The estimate for the public improvements is \$1.35 million dollars.

Q. Who cares about connecting the new subdivision to the state route? Not our problem.

A. *The property owners, the Benedictine Monastery of St. Walburg, have been active members of the Villa Hills community for decades. They are selling 85 acres of their land to fund their retirement. Without the permit to connect to the road system the land cannot be sold. In the 1960s there were over 200 sisters. Now there are less than 50 and most are over 70 years old. They deserve to be able to sell their land for a secure retirement. Nuns did not pay into social security. The Diocese does not provide them pensions. This land is the only thing they have.*

Second, the land also represents one of the last easily developable parcels in the heart of the city. It is our last good opportunity to expand the tax base before becoming essentially "built-out".

Third, if the land cannot be sold, it could open the City to legal liability.

Q. What are the advantages of a TIF over just earmarking funds through the city budget?

A. *The city could certainly earmark funds through the budget process, but such funds would have to be set aside each year and subject to being moved to other parts of the budget. The TIF offers several protections over simple earmarking:*

1. The funds are legally restricted into a separate fund and can only be spent on the agreed upon public improvements. If the funds were earmarked in the budget they would only be dedicated which means they could be used for other purposes with no guarantee the road improvements would be completed. Once a TIF is created it cannot be shut down until all of the agreed upon obligations have been met or the 30 year time limit expires. That kind of certainty in completing the proposed road improvements is just not available through the normal budget process for road projects this size.

2. The TIF will provide a portion of the tax money from the City, the County and the Planning Commission. The other agency funds being contributed are estimated at \$150,000 per year at full buildout. This is on top of the estimated \$233,000 annual amount provided by the city. Earmarking does not provide the annual \$150,000 in other agency funds towards the improvements.

3. Current tax dollars won't go toward the road improvements. With the TIF, only properties in the new Sanctuary development will have some of their tax dollars pledged towards the road improvements. As a result, current services that our current residents are paying for will continue to be funded just like they have been. Current residents will not pay towards the needed road improvements, only the property in the Sanctuary development will.

Q. Won't we need those taxes for services for the new residents?

A. *Certainly the addition of new residents will require additional city services. Annually, only about one-third (\$233,000) of the new city taxes generated by the development are pledged toward the needed road improvements. Most of the remaining two-thirds (\$467,000) will go to pay for expanded services for the new residents and help offset the rising costs of existing city services. About \$100,000 per year will go into the Road Tax fund to pay to fix existing city streets. This will definitely help close the remaining gap in deferred road maintenance left by previous mayors and councils.*

Q. How long will the TIF last?

A. Up to 30 years but it could be shut down any time after the agreed upon improvements are completed.

Q. Why not charge a Development Impact Fee and make the developer pay for all the road improvements?

A. There are several things to keep in mind in regards to impact fees. For one, Kentucky is one of 21 states that do not have enabling legislation for Development Impact Fees. Bills to allow Development Impact fees were soundly defeated by the General Assembly in 2004 and 2005.

Second, keep in mind that the improvements being required by the state are for more than just this development. They are for all of the past developments (75% of projected traffic) and for 4 additional developments not related to Sanctuary Village. It is not fair to ask one developer to pay for a problem that is almost entirely created by others. The Sanctuary Village is expected to contribute 14% of the projected future traffic in Villa Hills.

Q. Why pay for the road improvements to state routes? Make the State pay for it!

A. Everyone would like nothing more than the Commonwealth to pay for the needed improvements to the state route system. The sad truth of the matter is that the state does not have the funds available to fully pay for all the needed improvements. By providing a local contribution it is much more likely the state will step in to leverage local dollars to upgrade the state route system by providing some funding.

Q. Villa Hills should have negotiated a better deal with the developer!

A. Villa Hills negotiated a very good deal with the developer based on the limited leverage it had. In most development agreements, the developer is asking to purchase land from the city, for tax abatements, tax rebates, direct assistance in paying for development costs, or have the city float tax free bonds for the development. Villa Hills does not own the land and Ashley Commercial Group did not ask for any of these types of assistance. All that was asked for was that the city to address the infrastructure improvements needed on existing public roads in order to satisfy the state. In return the City (most importantly) got a timeline of how much of the development (valuation) would be built by certain dates with penalties if the valuation numbers are not met. No other residential development has this kind of guarantee built into it. This guarantees tax revenue to the city on a predictable timeline so the improvements can be planned and paid for. The city also gets to keep construction traffic out of Amsterdam Village, routine clean ups along the construction route, a say in maintaining the design standards in the new development, guaranteed access to most of the community amenities for the whole city, and a limited access license to community meeting space for government meetings. The TIF provides more than enough revenue to address the needed public infrastructure improvements. Best of all the traffic problems will be addressed.

Q. Can't TIF money be used to help the developer pay for their development costs?

A. Legally yes, but the Sanctuary Village Local Development Agreement specifically prohibits that from happening. This TIF will only pay for public infrastructure improvements. The developer is paying 100% of the costs of their development, just like every other developer in Villa Hills before them. There are no tax abatements, no floating of tax-free bonds, or any incentives being provided by the city.