
Development Plan

For

Fourth and Guthrie

Louisville/Jefferson County Metro Government

_____, 2016

Development Plan The Fourth and Guthrie Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **Fourth and Guthrie Development Area** (the “Development Area”) pursuant to KRS Sections 65.7041 to 65.7083, as the same may be amended (collectively, the “Act”), to encourage the mixed-use redevelopment project undertaken by Power Encore, LLC, a Kentucky limited liability company (the “Developer”), to be located at and adjacent to 535-539 S. Fourth Street and 321 W. Chestnut Street, Louisville, Kentucky. The Developer proposes to redevelop the site of a former office building into a 232+/- unit multifamily residential community with over 10,000 square feet of street level restaurant and retail space, while improving an existing parking garage (the “Project”). Louisville proposes to support the Project and provide redevelopment assistance through a pledge of a portion of the incremental increase in local, Louisville Metro ad valorem real property taxes generated within the Development Area as a result of the Project.

1.2. The Project will provide an updated urban housing option for Louisville Metro, catering to professionals and families desiring an urban lifestyle, as well as baby boomers and “empty-nesters” seeking an urban retirement experience that allows opportunities and ease of access to arts and cultural attractions downtown. .

1.3. The redevelopment plan for the Project is to redevelop the site of a former office space which has sat vacant since 2015 into a mixed-use project containing both residential units and restaurant and retail space. The Project will include many

common-area, high-quality amenity offerings, and will be professionally managed to provide the highest level of service for its residents. The Project will also improve an existing underutilized and under-maintained parking garage that is next to the former office building.

Redevelopment will transform an underutilized block in a significant retail corridor of Downtown Louisville, and will serve as a catalyst for further development of the surrounding area. In addition to contributing to and supporting Louisville Metro's explicit goal of bringing high-quality residential opportunities to the Downtown Louisville area, this proposed project will strengthen the basis for groceries and other urban services, and will drive and support further development on South Fourth Street.

Areas with a concentration of urban residents become true communities, and serve as a draw for the development of restaurant, shopping and entertainment venues. By providing an attractive, exciting place to live, the Project will reinforce the ability of private and public employers to recruit young professional and creative people to Louisville Metro in general. Many of Louisville Metro's peer cities are experiencing substantial growth in downtown housing and employment as a result of the creation of urban living spaces. Memphis, Nashville, Indianapolis, Charlotte, and Raleigh all serve as examples of this evolution. Downtown Louisville has the employment base and a growing restaurant and retail base to support urban living. Currently missing is a critical mass of urban living spaces, particularly upscale rental communities. This Project will serve as a catalyst for more urban residential development.

“Empty nesters” and young millennials are particularly attracted to living environments that are well connected to active walkable amenities, particularly urban streets with restaurant, entertainment and shopping opportunities. Not only will the Project provide a connection to existing shops and restaurants on South Fourth Street, but it will serve as the catalyst for expansion of other uses in the Downtown area.

1.4 Size and Location. The Development Area is an approximate 1.9456 acre area in Downtown Louisville identified more specifically on the map attached as Exhibit “A”. This location, in Downtown Louisville, is perfectly situated for development of the Project, which will become the anchor and development catalyst for continued high quality growth and development in the surrounding areas.

2. The Development Area

2.1. Assurances Regarding the Size and Taxable Assessed Value of the Development Area and Other Matters. Louisville Metro finds in accordance with the Act that:

(a) The Development Area is a contiguous area consisting of approximately 1.9456 acres, which is less than three square miles in area;

(b) The establishment of the Development Area will not cause the assessed taxable value of real property within the Development Area and within all “development areas” and “local development areas” established by Louisville Metro (as those terms are defined

in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Louisville Metro. To date, Louisville Metro has established several other development areas with a combined taxable real property assessment of \$1.494 billion. The taxable real property within the Development Area for calendar year 2015 is approximately \$10,012,280, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.504 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2015 exceeds \$53 billion, 20% of which is \$10.6 billion. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Louisville Metro; and

(c) That the Development Area constitutes previously developed land as required by KRS 65.7043(2).

2.2. Statement of Conditions and Findings Regarding the Development Area. Pursuant to KRS 65.7049(3), a development area shall exhibit at least two of the following conditions to qualify for designation as a “development area” under the Act.

(a) Substantial loss of residential, commercial, or industrial activity or use;

- (b) Forty percent (40%) or more of the households are low-income households;
- (c) More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;
- (d) Substantial abandonment of residential, commercial, or industrial structures;
- (e) Substantial presence of environmentally contaminated land;
- (f) Inadequate public improvements or substantial deterioration in public infrastructure; or
- (g) Any combination of factors that substantially impairs or arrests the growth and economic development of the city or county; impedes the provision of adequate housing; impedes the development of commercial or industrial property; or adversely affects public health, safety, or general welfare due to the development area's present condition and use.

Louisville Metro has reviewed and analyzed the conditions within the Development Area and finds that the Development Area meets more than two (2) of the seven (7) qualifying characteristics as follows:

1. **A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area.** The

Development Area is the site of a former office building that has sat vacant since late 2015, when the former owner moved its employees to another location. In addition, the parking garage that is part of the project has vacant retail space on the ground floor and has not been maintained.

2. **Inadequate public improvements or substantial deterioration in public infrastructure.** The parking garage in the Development Area has been underutilized and under-maintained. In addition, some of the existing utilities need to be relocated, while a vault needs to be constructed for stormwater detention and drainage.

3. **A combination of factors substantially impairs or arrests the growth and economic development of the city or county and impedes the development of commercial or industrial property due to the Development Area's present condition and use.** Development of the Project site without assistance as provided by the Act is not feasible due to the large scale costs associated with the redevelopment of the proposed Project. Potential revenue alone cannot underwrite the costs of the proposed improvements. No other adequate funding mechanism affords the proposed improvements absent the incentives provided under the Act. These improvements cannot be facilitated with private investment alone. The aesthetic improvement resulting from the development of the proposed Project will have a positive effect on Louisville Metro and

surrounding area, especially the impact on South Fourth Street.

2.3. Assurances the Development Area Is Not Reasonably Expected to Develop Without Public Assistance. Louisville Metro finds that the Development Area will not reasonably be developed without public assistance, including incentives as provided by the Act. The high cost of site development expenses needed for the Project make public incentives critical to the financing of the Project.

2.4. Assurances Regarding the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. Louisville Metro finds that the public benefits of redeveloping the Development Area justify the public costs proposed. The investment in the Development Area will result in significant returns through increased property valuations for the surrounding area, will facilitate secondary and tertiary re-development within the area, and will bring additional residents, diners and other visitors to Louisville. The Development Area has a 2015 taxable assessment of approximately \$10,012,280, but currently generates \$0 in ad valorem real property taxes to Louisville because its owner qualified for the property tax exemption pursuant to Section 170 of the Kentucky Constitution. The Project will increase capital investment by approximately \$35,000,000, which will provide significant new taxes to Louisville Metro and the other taxing districts. While Louisville Metro will pledge 80% of the incremental increase of the local ad valorem real property taxes from the Development Area, up to a cap of \$3,442,448, to provide redevelopment assistance to the project, it will retain 20% of the new incremental increase in the local ad valorem real property taxes from the Development Area, and 100% of the increase in any other

taxes, such as local occupational taxes. The property is currently generating no revenue to Louisville Metro, and has not for several years. Therefore, even when considering the requested incentives for the Project from Louisville Metro, the Project will be financially beneficial to Louisville Metro. Further, the Project will serve as a catalyst for additional development in the area surrounding the Development Area.

2.5. Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise or, if the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, that there are certain special circumstances within the Development Area that would prevent its development without public assistance. The majority of the property in the Development Area has sat vacant since 2015. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them. Increased residential density will increase the feasibility of developments within the area, not only within this Development Area, but also the development of the surrounding area.

The area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise independent of public support. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them. This Project, at this time, is a catalyst project that can

excite, and create the momentum needed to completely transform, this area over the coming years.

2.6. Development Area Description. The Development Area includes the real property within the boundaries described on the site plan and legal description attached hereto as Exhibit “A.”

2.7. Existing Uses and Conditions. The Development Area consists of approximately 1.9456 acres located at 535-539 South Fourth Street and 321 West Chestnut Street in Downtown Louisville. The existing site includes a former office building that has been vacant since 2015 and is proposed to be demolished.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. No change is needed in zoning to implement the Development Plan.

2.9. Certification of Compliance with the Comprehensive Land-Use Plan. The Project complies with the Comprehensive Land-Use Plan for Louisville Metro.

3. The Development Program.

Designed to appeal to young professionals and creative types of the millennial generation, this Development will provide an attractive living environment for this group of individuals who are so highly sought after by employers and create the necessary and critical support for a vibrant urban life. Additionally, it will appeal to

middle class empty nesters and others who specifically seek the lifestyle offered by a high quality urban living environment.

4. Redevelopment Assistance and Finance Plan.

Louisville Metro proposes to provide redevelopment assistance and pay for Project costs through a pledge of a portion of the incremental increases in tax revenues from local ad valorem real property taxes from the Development Area. Louisville Metro proposes to pay annually to the Agency, as defined in the Local Participation Agreement, the Released Amount which shall be calculated as provided in the Local Participation Agreement as follows: (i) for the first ten (10) years of the term of the Local Participation Agreement, 100% of the Louisville Metro Ad Valorem Real Property Tax Increment, as that term is defined in the Local Participation Agreement, and (ii) for the next ten (10) years of the term of the Local Participation Agreement, 65% of the Local Metro Louisville Ad Valorem Real Property Tax Increment (which averages 80% over the term of the Local Participation Agreement), subject to the following condition: in no event shall the total of the Released Amount paid to the Agency over the term of the Local Participation Agreement exceed \$3,442,488 as set forth in the Local Participation Agreement. The projected incremental revenues and proposed time frame of the financial obligations is attached as Exhibit "B."

Louisville Metro will establish a special fund for the deposit of pledged incremental revenues as required by KRS 65.7061. Pledged incremental revenues deposited into this special fund will be used solely to reimburse the Developer for redevelopment assistance or pay for project costs in compliance with this Development

Plan, the Act, and all agreements and documents entered into in connection therewith. Louisville Metro will enact an ordinance establishing the Development Area and adopting this Development Plan. The development area ordinance will designate the Metro Development Authority, Inc. (the “Agency”), organized by Louisville Metro, as the entity in charge of overseeing, administering and implementing the terms of the development ordinance.

5. Conclusions.

In conclusion, the Project will serve as an important catalyst to the further development of Downtown Louisville, will generate significant new tax revenues to Louisville Metro, and will facilitate an increase in the availability of high quality urban living opportunities needed to support the growth and development of Louisville Metro. The incentives proposed to be provided under the Act are reasonable and critical to the overall financing for the Project.

Exhibit A

Map and Description of Development Area

321 W. Chestnut Street

Beginning at a point in the East line of Fourth Street, 644 feet South of the South line of Muhammad Ali Boulevard (formerly Walnut Street); thence East and parallel with said South line of Muhammad Ali Boulevard, 250 feet; thence Southwardly, parallel with the East line of Fourth Street, 100 feet, more or less, to the North line of Chestnut Street; thence West 250 feet with the North line of Chestnut Street, to the East line of Fourth Street; thence North with the East line of Fourth Street, 100 feet, more or less, to the beginning.

535 S. 4th Street

Beginning at a point in the East line of Fourth Street distant Southwardly from the intersection of the East line of Fourth Street with the South line of Muhammad Ali Boulevard (formerly Walnut Street), 405 feet measured along the East line of Fourth Street; running thence Eastwardly and parallel with the South line of Muhammad Ali Boulevard, 250 feet to a point; running thence Westwardly and parallel with the South line of Muhammad Ali Boulevard, 250 feet to the East line of Fourth Street; running thence Northwardly along the East line of Fourth Street, 100 feet to the point of place of beginning.

539 S. 4th Street

Beginning at a point in the East line of Fourth Street distant South from the intersection of the East line of Fourth Street with the South line of Muhammad Ali Boulevard (formerly Walnut Street) 505 feet, measured along the East line of Fourth Street; running thence East and parallel with the South line of Muhammad Ali Boulevard, 250 feet to a point; running thence South and parallel with the East line of Fourth Street, 139 feet to a point; running thence West and parallel with the South line of Muhammad Ali Boulevard, 250 feet to the East line of Fourth Street; running thence North along the East line of Fourth Street; running thence North along the East line of Fourth Street, 139 feet to the point or place of beginning.

Being the same property conveyed to Power Encore, LLC, a Kentucky limited liability company by special warranty deed dated September 23, 2016, and of record in Deed Book 10717, Page 841 in the office of the clerk of Jefferson County, Kentucky.

EXHIBIT B

ESTIMATE OF NEW REAL ESTATE TAX REVENUE

2017	167,720
2018	171,913
2019	176,211
2020	180,616
2021	185,131
2022	189,760
2023	194,504
2024	199,366
2025	204,351
2026	209,459
2027	214,696
2028	220,063
2029	225,565
2030	231,204
2031	236,984
2032	242,909
2033	248,981
2034	255,206
2035	261,586
2036	268,126