
Development Plan

For

The 800 Building

Louisville/Jefferson County Metro Government

July 2015

**Development Plan
The 800 Building Development Area**

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville”) intends to establish the **800 Building Development Area** (the “Development Area”) pursuant to the provisions of KRS 65.7041 to 65.7083, as the same may be amended (collectively, the “Act”), to encourage the redevelopment of a project consisting of a multifamily residential use being undertaken by Village Green Holding, LLC, a Delaware limited liability company (the “Developer”), to be located at and adjacent to 800 S. 4th Street, Louisville, Kentucky. The Developer proposes to redevelop an existing 247 unit apartment building into a 289± unit multifamily residential community (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 the City of Louisville, 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. Village Green’s redevelopment plan will convert several 3- and 4-bedroom units into 1-bedroom units, resulting in an increase in the number of affordable units offered in the building, but without increasing the size of the structure. Village Green will include many common-area, high-end amenity offerings, such as a rooftop

pool and state of the art fitness facilities. Interior features at The 800 will be high-end as well, including stainless steel appliances and various other luxury lighting, plumbing and trim details. The 800 will be professionally managed to provide the highest level of service for our residents.

Redevelopment of The 800 will transform a historic but neglected building in urban Louisville, and will be a catalyst for further development of the surrounding SoBro area. Village Green appreciates the opportunity provided by the building, given its location in downtown Louisville, the adjacent urban neighborhoods, and its close proximity to the Medical District and Nucleus Innovation Park. In addition to contributing to and supporting the City's explicit goal of bringing high-quality residential opportunities to Downtown Louisville, this proposed project will strengthen the basis for groceries and other urban services, and will drive further development in the Central Business District.

Areas with a concentration of urban residents become true communities, and serve as a draw for the development of restaurant, shopping and entertainment venues. This Project will support the City's goal of bringing high quality residential opportunities to urban Louisville. 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 in general and to Louisville's Central Business District in particular. Many of Louisville'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.

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 in the Central Business District, but it will serve as the catalyst for expansion of other uses to SoBro and Old Louisville.

A sense of community within their living environment is one of the prime characteristics desired by urban residents. The Project is being designed with multiple indoor and outdoor gathering spaces to facilitate building this sense of community. The Project will reinforce the design intent by providing regular planned opportunities for residents to come together, both in-house as well as gatherings in nearby restaurant and entertainment venues.

1.4 Size and Location. The Development Area is an approximate .811 acre area in Louisville's downtown identified more specifically on the map attached as Exhibit "A". This location, on the edge of the Central Business District and within the SoBro neighborhood, 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 finds in accordance with the Act that:

(a) The Development Area is a contiguous area consisting of approximately .811 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 (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Louisville. To date, Louisville has established several other development areas with a combined taxable real property assessment of \$1.475 billion. The taxable real property within the Development Area for calendar year 2014 is approximately \$10,100,000, and that combined with the other development areas that have been established by Louisville totals approximately \$1.485 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville for the calendar year 2014 exceeds \$51 billion, 20% of which is \$12 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; 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 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 includes a single residential apartment building that has experienced increasing vacancy rates over several years. The current vacancy rate in the building today is approximately 30%.
2. **More than fifty percent (50%) of the residential, commercial, or industrial structures are deteriorating or deteriorated.** The census data for the site including and surrounding this Development Area demonstrate a trend of deteriorating and abandoned properties, diminishing home ownership and a reduction in commercial development over the last several decades. The structures in the area surrounding the Development Area include vacant, dilapidated, and abandoned buildings. There

is a single structure in the Development Area, so the structures constituting more than fifty percent (50%) of the structures within the Development Area are deteriorating or deteriorated, as a result of the lack of investment provided for by the current owner.

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 the city and surrounding area, especially the impacts on both the Broadway and 4th Street corridors.

2.3. Assurances the Development Area Is Not Reasonably

Expected to Develop Without Public Assistance. Louisville 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 the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. Louisville 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, facilitate secondary and tertiary re-development within the area, and bring additional residents, diners and other visitors to Louisville. The Development Area has a 2014 taxable assessment of approximately \$10,100,000 and annually generates \$131,059 in real estate taxes to Louisville. The Project will increase capital investment by approximately \$32,000,000 (including \$20,650,000 in purchase price), which will provide significant new taxes to Louisville and the other taxing districts. Based on a financial report, attached hereto as Exhibit "B", the direct impact of the Project will increase employment within the Development Area by an estimated 100-125 on-site construction jobs and generate new Louisville taxes over the twenty (20) year life of the Development Area by more than \$467,000 via occupational taxes (in addition to property taxes). Therefore, even when considering the requested incentives for the Project from Louisville, the Project will be financially beneficial to Louisville. 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. These special circumstances include the restricted economic feasibility for development of structured parking and utility infrastructure within the Development Area. 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. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them. The area surrounding the Development Area is at a turning point. There remains a distinct lack of quality residential rental units, and abandoned structures now offer potential for re-development. There is the potential for attractive and desirable new multi-family housing and retail space within the surrounding area. 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.

These investments, and others, by public institutions in the surrounding area will be positively affected by the investment in this Development Area.

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 .811 acres on the south west corner of the intersection at York Street and S. 4th Street near the Central Business District of Metro Louisville. The existing site includes a single multifamily apartment building that has experienced rising vacancy over several years.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. The site is currently zoned within the SoBro PDD. 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.

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

4. Redevelopment Assistance and Finance Plan.

Louisville 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, Louisville Metro ad valorem real property taxes from the Development Area. Louisville proposes to pay annually to the Agency, the Released Amount which shall be calculated as provided in the Local Participation Agreement, not to exceed a sum equal to 100% of the local, Louisville Metro ad valorem Real Property Tax Increment in excess of the taxes otherwise due on the first \$10,100,000 of the valuation of the Project, 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 \$2,669,973 as set forth in the Local Participation Agreement.

Louisville 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 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 the City, 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 the SoBro neighborhood, Central Business District and surrounding

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

List of Exhibits

Exhibit A - Map and Description of Development Area
Exhibit B – Financial Forecast from Village Green Holding, LLC

16153558_3.doc