
Development Plan

For

Louisville Chemical Building

Louisville/Jefferson County Metro Government

_____, **2017**

Development Plan
The Louisville Chemical Building Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **Louisville Chemical 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 two historic buildings as part of a mixed use redevelopment project being undertaken by 601 East, LLC, a Kentucky limited liability company, or an affiliate of same (the “Developer”), to be located at and adjacent to 601-615 E. Jefferson Street and 600 E. Market Street, Louisville, Kentucky. The Developer proposes to redevelop two historic buildings for a mixed-use project consisting of approximately 12,000 square feet of office space, 10,000 square feet of retail space and 12 furnished short term rental/apartment units, along with improvements to the public infrastructure connecting the two buildings, all of which will cost approximately \$7 million (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 have approximately 12,000 square feet of office space, 10,000 square feet of retail space and 12 furnished short term rental/apartment units, along with improvements to the public infrastructure connecting the two historic buildings that will be restored and redeveloped as part of this project.

1.3. The redevelopment plan for the Project will redevelop a site that consists of two historic buildings, one of which, the Louisville Chemical Building, has sat vacant for more than a decade, while the other is presently the home of a church that is in the process of relocating to another location.

Redevelopment will transform two underutilized corners in the Nulu neighborhood, and will be a catalyst for further development of the surrounding area. In addition to redeveloping two historic structures, this proposed project will provide additional opportunities for tourists, and will drive further development in the Nulu neighborhood.

1.4 Size and Location. The Development Area is an approximate 0.89 acre area in the Nulu neighborhood of Louisville identified more specifically on the map attached as Exhibit “A”. This location, in the Nulu neighborhood of 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 0.89 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 \$1.507 billion. The taxable real property within the Development Area for calendar year 2016 is approximately \$930,580, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.508 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2016 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 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 two historic buildings, one of which has sat vacant for more than ten years, while the other one is currently occupied by a church, who is in the process of vacating the building and moving to another location.
2. **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, including the redevelopment of two historic buildings, one of which has brownfield and environmental issues. 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 S. Hancock. E. Market and E. Jefferson Streets.

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 visitors and diners to Louisville Metro. The Development Area has a 2016 taxable assessment of approximately \$930,580 but annually generates \$3,293 in ad valorem real property taxes to Louisville Metro because one of the parcels in the Development Area (assessed at \$242,000) was exempted from ad valorem real property taxes pursuant to Section 170 of the Kentucky Constitution. The Project will increase capital investment by approximately \$7,000,000, 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 \$631,513, to provide redevelopment assistance to the project, it will retain 20% of the new incremental increase of 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. Further, the existing ad valorem real property taxes will be retained by Louisville Metro. 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. While the area immediately surrounding the Development Area has been subject to growth and development by private investment, (i) some of that development has required public support, and (ii) there are special circumstances, because of the brownfield issues associated with the Louisville Chemical Building and additional costs required to preserve the two buildings that prevent its development without public assistance. 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 0.89 acres east side of S. Hancock Street between E. Jefferson and E. Market Streets in the Nulu neighborhood of Louisville. The existing site consists of two historic structures, one of which has sat vacant for more than ten years, and the other is currently occupied by a church who is in the process of vacating the building to move to another location.

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.

The Development is expected to consist of additional retail and office

space to support the Nulu neighborhood as well as providing furnished short term rental/apartment units, which will complement the Bourbon Trail, the renovated and expanded Kentucky International Convention center and Downtown Louisville Metro by providing another option for visitors wishing to lodge in Louisville.

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: 80% of the Louisville Metro Ad Valorem Real Property Tax Increment, as that term is defined in 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 \$631,513 as more particularly 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 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 the Nulu neighborhood in Louisville and surrounding areas, will generate significant new tax revenues to Louisville Metro, and will facilitate an increase in the availability of short term rental, apartment, retail and office space 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

Parcel 1

Beginning at the Southeast corner of Hancock and Market Streets, running thence Eastwardly and fronting on the South side of Market Street one hundred and five (105) feet and extending back Southwardly on equal width one hundred and forty four (144) feet.

Being the same property conveyed to Church of Our Lord Jesus Christ of the Apostolic Faith, Inc., and Raymond Keith, Ronald Campbell, Linda Bolware, Samuel Toomer, Clyde Travis, Joan Keith, Tamara Tarver and Eric Turner, as Trustees of the Refuge in Kentucky Church of Our Lord Jesus Christ of the Apostolic Faith by quitclaim deed dated March 8, 1991, of record in Deed Book 6043, Page 729 in the Office of the County Court Clerk of Jefferson County, Kentucky.

Parcel 2

Tract No. 1: Being lot 1 Revised, as shown on Minor Subdivision Plat, approved by the Louisville Metro Planning and Zoning on December 11, 2006, Docket No. 244-06 and attached to and made a part of Deed of record in Deed Book 8974, Page 658, in the Office of the Clerk of the County Court of Jefferson County, Kentucky.

Tract No. 2: Being Lots 3 and 4, as shown on Minor Subdivision Plat, approved by the Jefferson County Planning Commission on April 21, 2000, Docket No. 089-00 and attached and made a part of Deed dated April 24, 2000, of record in Deed Book 7437, Page 109, in the Office of the County Court Clerk of Jefferson County, Kentucky.

Being all of the same property conveyed to 601 East, LLC, by virtue of Deed dated January 21, 2016, of record in Deed Book 10543, Page 97 in the Office of the County Court Clerk of Jefferson County, Kentucky.

Parcel 3

A PORTION OF SOUTH HANCOCK STREET BETWEEN EAST JEFFERSON STREET AND EAST MARKET STREET IN LOUISVILLE, KENTUCKY AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A FOUND MAG NAIL WITH WASHER STAMPED "D. L. KRAUS 2613", SAID POINT BEING AT THE SOUTHEAST CORNER OF SOUTH HANCOCK STREET AND EAST MARKET STREET ALSO BEING THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO CHURCH OF OUR LORD JESUS CHRIST OF THE APOSTOLIC FAITH, INC. BY DEED DATED MARCH 9, 1991, OF RECORD IN DEED BOOK 6043. PAGE 729, IN THE OFFICE OF THE CLERK OF JEFFERSON COUNTY, KENTUCKY; THENCE ALONG THE EAST LINE OF SOUTH HANCOCK STREET SOUTH

8°46'19" WEST (THIS AND ALL SUBSEQUENT BEARINGS ARE BASED ON GRID NORTH OF THE KENTUCKY STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NAD '83) 144.00 FEET TO A FOUND MAG NAIL WITH WASHER STAMPED "D. L. KRAUS 2613" AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO DOMINO PARTNERS BY DEED DATED OCTOBER 1, 1990, OF RECORD IN DEED BOOK 5999, PAGE 617 IN THE AFORESAID CLERK'S OFFICE; THENCE WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°46'19" WEST, 60.00 FEET TO A POINT IN THE NORTHERLY LINE OF A 12 FOOT ALLEY; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET AND CROSSING SAID 12 FOOT ALLEY SOUTH 9°53'46" WEST, 12.62 FEET TO A POINT AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO DOMINO PARTNERS, LTD BY DEED DATED JANUARY 25, 2007, OF RECORD IN DEED BOOK 8974, PAGE 658 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°45'18" WEST, 30.00 FEET TO A POINT AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO A & G GENERAL CONTRACTORS, LLC BY DEED DATED APRIL 24, 2000, OF RECORD IN DEED BOOK 7437, PAGE 109 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°45'18" WEST, 44.50 FEET TO A POINT AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO 601 EAST, LLC BY DEED DATED JANUARY 21, 2016, OF RECORD IN DEED BOOK 10543, PAGE 96 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°45'18" WEST, 129.50 FEET TO A POINT IN THE NORTH LINE OF EAST JEFFERSON STREET; THENCE LEAVING THE EAST LINE OF SOUTH HANCOCK STREET AND FOLLOWING THE NORTH LINE OF EAST JEFFERSON STREET NORTH 81°55'58" WEST, 59.91 FEET TO THE WEST LINE OF SOUTH HANCOCK STREET AND THE SOUTHEAST CORNER OF A TRACT OF LAND CONVEYED TO FIRST LH2, LLC BY DEED DATED AUGUST 8, 2016, OF RECORD IN DEED BOOK 10685, PAGE 776 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE WEST LINE OF SOUTH HANCOCK STREET NORTH 8°48'10" EAST, 191.00 FEET TO THE SOUTH LINE OF A 25 FOOT ALLEY; THENCE CROSSING THE AFORESAID 25 FOOT ALLEY AND CONTINUING WITH THE WEST LINE OF SOUTH HANCOCK STREET NORTH 8°45'14" EAST, 26.36 FEET TO THE SOUTHEAST CORNER OF A TRACT OF LAND CONVEYED TO DOMINO PARTNERS BY DEED DATED OCTOBER 1, 1990, OF RECORD IN DEED BOOK 5999, PAGE 617 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE WEST LINE OF SOUTH HANCOCK STREET NORTH 8°46'19" EAST, 204.00 FEET TO THE SOUTH LINE OF EAST MARKET STREET; THENCE LEAVING THE WEST LINE OF SOUTH HANCOCK STREET AND FOLLOWING THE SOUTH LINE OF EAST MARKET STREET SOUTH 81°13'41" EAST, 60.00 FEET TO THE POINT OF BEGINNING AND CONTAINING 25,221 SQUARE FEET OR 0.579 ACRES.

Exhibit B

PROJECTED NEW REAL ESTATE TAX REVENUES

2018	33,481
2019	34,318
2020	35,176
2021	36,055
2022	36,957
2023	37,881
2024	38,828
2025	39,798
2026	40,793
2027	41,813
2028	42,859
2029	43,930
2030	45,028
2031	46,154
2032	47,308
2033	48,490
2034	49,703
2035	50,945
2036	52,219
2037	53,524