

ORDINANCE NO. 129, SERIES 2021

AN ORDINANCE ESTABLISHING A DEVELOPMENT AREA PURSUANT TO PROVISIONS OF KRS 65.7041- 65.7083 TO BE KNOWN AS THE LOGISTICS AIR PARK DEVELOPMENT AREA, DESIGNATING THE METRO DEVELOPMENT AUTHORITY, INC. APPROVING ENTERING INTO A LOCAL PARTICIPATION AGREEMENT, AUTHORIZING THE PAYMENT OF THE "RELEASED AMOUNT" PURSUANT TO THE TERMS AND CONDITIONS OF THE LOCAL PARTICIPATION AGREEMENT, REQUIRING THE SUBMISSION OF REGULAR REPORTS TO LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF ANY OTHER DOCUMENTS AND THE TAKING OF ANY OTHER ACTIONS NECESSARY TO ACCOMPLISH THE PURPOSES AUTHORIZED BY THIS ORDINANCE (AS AMENDED).

SPONSORED BY: COUNCIL MEMBER MARK FOX

WHEREAS, the Kentucky General Assembly enacted KRS 65.7041- 65.7083 and KRS 154.30-010-154-30.090 (the "Act") relating to tax increment financing and urban redevelopment, which Act establishes development areas to increase property values, increase employment opportunities, and increase economic activity;

WHEREAS, the Act also authorizes certain State Participation Programs to encourage private investment in the development of major projects that will have a significant impact in the Commonwealth;

WHEREAS, Nicklies & Company, a Kentucky corporation, or an affiliate of same (the "Developer") plans to undertake a major project within the Logistics Air Park Development Area (the "Development Area") to complete the Logistics Air Park Redevelopment Project (the "Project"), as more particularly described in the Development Plan attached hereto as Exhibit A;

WHEREAS, the Project, which qualifies as a development area under the Act, will involve new capital investment of approximately \$49 million when fully developed, of

which \$20 million is related to public infrastructure costs, including road improvements that would benefit the area surrounding the Project and for a pledge of state incremental revenues under one of the State Participation Programs as provide in the Act;

WHEREAS, in accordance with the provisions of the Act, a Development Plan for the Development Area has been prepared and a public hearing has been conducted to seek public comment on the Development Plan;

WHEREAS, the Legislative Council of the Louisville/Jefferson County Metro Government (the "Council") finds that the Project to be undertaken in the Development Area by the Developer will further the public purposes identified in the Act by increasing the value of property located in the Development Area, increasing employment within the Development Area, Louisville and the region and increasing the tax base of Louisville;

WHEREAS, it is therefore in the interest of Louisville/Jefferson County Metro Government ("Louisville Metro") and Metro Development Authority, Inc. (the "Authority") that there be a plan for the optimal revitalization and development of the Development Area in a most efficient manner;

WHEREAS, the redevelopment of previously developed land, within the meaning of the Act and as presented by the Developer and the Authority, enables Louisville Metro and the Commonwealth to use tax increment financing to encourage major economic development projects and is a worthy public purpose;

WHEREAS, Louisville Metro is authorized under the Act to execute a local participation agreement with an agency in acknowledgement of benefits to be derived by Louisville Metro within a development area in order to promote the public purpose of Louisville Metro;

WHEREAS, the Authority is organized and incorporated as a nonprofit, nonstock corporation pursuant to KRS Chapters 58 and 273 to act as an “Agency” under the Act; and

WHEREAS, Louisville Metro has determined that based on the benefits to be derived from the Project that it is in furtherance of its public purposes to assist Developer, through the Authority, with the costs of the Project and agrees to enter into the Local Participation Agreement in order to pay to the Authority the Released Amount (as hereinafter defined) for use solely for purposes of the Project.

NOW, THEREFORE, BE IT ORDAINED BY THE LEGISLATIVE COUNCIL OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT (“COUNCIL”) AS FOLLOWS:

SECTION I: The Development Plan, attached hereto as Exhibit A, is hereby adopted.

SECTION II: That the Council finds as follows:

A. All statements of fact set forth in the recitals to this Ordinance are found true and correct and are incorporated herein by reference.

B. The Development Area, as depicted in Exhibit B, is a contiguous parcel of property, approximately 67.5872 acres in size, and is less than three (3) square miles in area as required by the Act.

C. The Development Area constitutes previously developed land as required by KRS 65.7043(2).

D. The establishment of the Development Area shall not cause the assessed value of taxable real estate in all development areas located in Louisville Metro to exceed 20% of the assessed value of all taxable real property in Louisville. To date Louisville Metro has established several other development areas with a combined taxable real

property assessment at the time they were established of approximately \$1.539 billion. The taxable real property assessment of the Development Area for calendar year 2020 is approximately \$271,360, and that amount combined with the previous development areas established by Louisville Metro totals \$1.539 billion, while the total taxable real property assessment for Louisville exceeds \$65.6 billion, 20% of which is \$13.1 billion.

E. The conditions within the Development Area meet five (5) of the seven (7) factors of blight as set forth in KRS 65.7049 and are as follows:

1. **A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area.** Many of the buildings in the Development Area are deteriorated and abandoned for a period of time ranging from two to ten years, have fallen into disrepair, and have become havens for drug users and rodents.

2. **More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated.** All of the existing structures in the Development Area are deteriorating or deteriorated.

3. **Substantial abandonment of residential, commercial or industrial structures.** All of the existing structures in the Development Area have been abandoned.

4. **There are inadequate improvements or substantial deterioration of public infrastructure to support the proposed new development within the Development Area.** In order to develop the proposed Project, significant road improvements are required to support the increased usage. Additional power, sewer and water infrastructure is required to facilitate the Project, and these improvements will

facilitate further development within the area. These infrastructure improvements cannot reasonably be funded with private investment alone.

5. **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 dramatically rising large scale costs associated with the redevelopment of the proposed Project. Potential revenue alone cannot underwrite the costs of the proposed public infrastructure 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 improved public infrastructure and connectivity resulting from the development of the proposed Project will have a positive effect on the city and surrounding area by allowing commercial traffic, such as trucks, to utilize those improvements instead of Minor Lane, Preston Highway and the Outer Loop.

F. 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, particularly expenses related to public infrastructure, needed for the Project makes public incentives critical to the financing of the Project when compared with low potential revenue generated by these improvements.

G. 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 and facilitate secondary

and tertiary re-development within the area. The Development Area has a 2020 taxable assessment of approximately \$271,360, but currently generates \$0 in ad valorem real property taxes to Louisville Metro 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 \$49,000,000, 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 (i) local ad valorem real property taxes from the Development Area, up to a cap of \$1,234,732, and (ii) occupational withholding fees from the Development Area, up to a cap of \$6,772,948, to provide redevelopment assistance to the project, including public infrastructure improvements, it will retain 20% of the new incremental increase of the local ad valorem real property taxes and occupational withholding fees from the Development Area. Therefore, even when considering the requested incentives for the Project from Louisville Metro, the Project will be financially beneficial to Louisville Metro. The Project will also serve as a catalyst for additional development in the area surrounding the Development Area. The Developer has also committed to a community benefits agreement, which will be memorialized in a Memorandum of Understanding (“MOU”) substantially similar to the draft MOU attached as Exhibit D.

H. While the area immediately surrounding the Development Area has been subject to growth and development through private investment, there are special circumstances within the Development Area that would prevent its development without public assistance; specifically, the high cost of public infrastructure improvements needed to redevelop the Development Area, which are expected to cost approximately \$20 million

out of the total capital investment of \$49 million, and include improvements to roads, earthwork, utilities, curbs, sidewalks, and stormwater and sanitary sewers.

I. The pledge and use of a portion of Louisville Metro's incremental revenues, as defined in the Local Participation Agreement, derived from the Development Area to provide redevelopment assistance to the Project and the Development Area will increase capital investment and employment in Louisville Metro, and therefore constitutes a public purpose.

SECTION III: The Development Area as illustrated and described in Exhibit B is designated as a development area pursuant to the Act and shall be named the Logistics Air Park Development Area. The Development Area shall be established as of the effective date of this Ordinance and shall terminate on the earlier of (a) the termination of the Local Participation Agreement, attached hereto as Exhibit C, or (b) 25 years from the date hereof, provided that in no case the termination date will be more than twenty (20) years from the activation date.

SECTION IV: That the Metro Development Authority, Inc., a Kentucky nonprofit, nonstock corporation (the "Authority"), (a) is designated as the Agency, pursuant to the terms of the Act, (b) shall be the recipient of the Released Amount under the Local Participation Agreement and (c) shall be required to oversee and administer the implementation of the Project within the Development Area. No less than annually, the Authority shall (a) submit a report to the Kentucky Economic Development Finance Authority (i) certifying the use of the Released Amount of the payment of approved project costs within the Development Area, and (ii) providing an accounting of the receipt and use of the Released Amount, and (b) submit the report to the Office of Management and

Budget required pursuant to the Local Participation Agreement. All such reports shall be prepared at the sole expense of the Developer.

SECTION V: That the Mayor is authorized to negotiate and enter into a Local Participation Agreement with the Authority for the release to the Authority of a portion of the new ad valorem real property taxes and new occupational withholding license fees expected to be derived by Louisville Metro from the Project to be constructed in the Development Area ("Released Amount"), substantially in the form attached hereto as Exhibit C.

SECTION VI: That the Office of Management and Budget is designated as the department in Louisville Metro to oversee the payment of the Released Amount and to review all documentation concerning the Project, its progress, costs and development. The Office of Management and Budget shall annually submit to the Council a report concerning the Development Area ("Report"). The Developer shall provide to the Office of Management and Budget, on a timely basis, all information required by the Office of Management and Budget to prepare the Report. The Report shall include but not be limited to:

- A. An accounting of all payments made to the Authority pursuant to the Local Participation Agreement;
- B. An analysis and review of development activity within the Development Area;
- C. The progress made toward meeting the stated goals of the Development Area; and

D. An accounting of the Approved Project Costs and other Project Costs incurred by the Developer.

SECTION VII: That the Council authorizes Louisville Metro to pay annually to the Authority, the Released Amount which shall be calculated as provided in the Local Participation Agreement, not to exceed a sum equal to 80% of the Real Estate Tax Increment and 80% of the Withholding Tax Increment, as those terms are defined in the Local Participation Agreement subject to the following condition: In no event shall the total of the Released Amount paid to the Authority over the term of the Local Participation Agreement exceed (i) \$1,234,732 with respect to the Real Estate Tax Increment, and (ii) \$6,772,948 with respect to the Withholding Tax Increment as set forth in the Local Participation Agreement.


SECTION VIII: That the Authority shall establish a Special Fund pursuant to the Act for the Development Area as set forth in the Local Participation Agreement.

SECTION IX: That the Mayor and other appropriate Louisville Metro officials, and each of them, for and on behalf of Louisville Metro, are hereby authorized, empowered and directed to do and perform any and all things necessary to effect the execution of the Local Participation Agreement, the performance of all obligations of Louisville Metro under and pursuant to the Local Participation Agreement and related documents, and the performance of all other actions of whatever nature necessary to effect and carry out the authority conferred by this Ordinance and the Local Participation Agreement. The Mayor and other appropriate Louisville Metro officials, and each of them, are hereby further authorized, empowered and directed for and on behalf of Louisville Metro to execute all papers, letter, documents, undertakings, certificates, assignments, forms, instruments

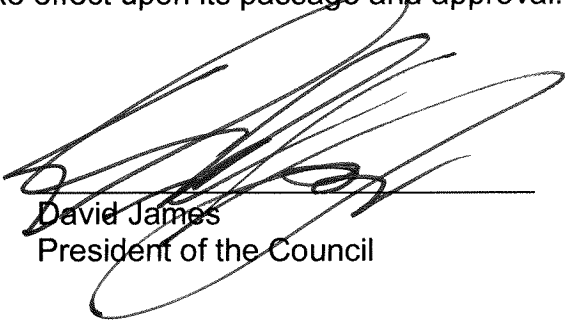
and closing papers that may be required for the carrying out and effectuation of the authority conferred by and for the purposes of this Ordinance and the Local Participation Agreement, or to evidence said authority and purposes, and to exercise and otherwise take all action necessary to the full realization of the rights and purposes of Louisville Metro under the Local Participation Agreement and related documents and to perform all of the obligations of Louisville Metro under the Local Participation Agreement and related documents.

SECTION X: The provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall for any reason be declared invalid, such declaration of invalidity shall not affect the validity of the remainder of this Ordinance.


SECTION XI: This Ordinance shall take effect upon its passage and approval.



Sonya Harward
Metro Council Clerk



David James
President of the Council



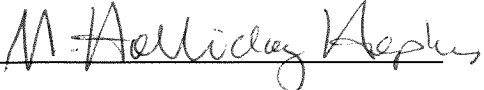
Greg Fischer
Mayor

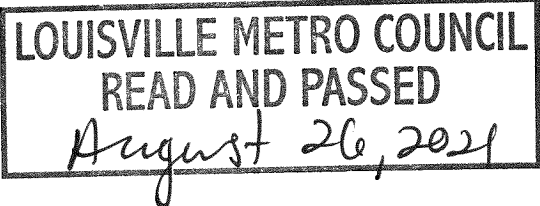
09/01/2021

Approval Date

APPROVED AS TO FORM AND LEGALITY:

Michael J. O'Connell
Jefferson County Attorney

By: 



O-407-21 Ordinance Establishing the Logistics Air Park TIF (as amended) (lf)

Exhibits

- A. Development Plan
- B. Map of Development Area
- C. Local Participation Agreement
- D. Memorandum of Understanding

EXHIBIT A
DEVELOPMENT PLAN

Development Plan
For
Logistics Air Park Development Area
Louisville/Jefferson County Metro Government
_____, 2021

Development Plan
The Logistics Air Park Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **Logistics Air Park Development Area** (the “Development Area”) pursuant to the provisions of KRS 65.7041 to 65.7083 and KRS 154.30-010-154-30.090, as the same may be amended (collectively, the “Act”), to encourage the redevelopment of a lot currently used for surface parking being undertaken by Nicklies & Company, a Kentucky corporation, or an affiliate of same (the “Developer”), to be located at and adjacent to (i) 3201 Dupin Drive, (ii) 5400 Minor Lane, and (iii) Parcel ID No. 064104420000, Louisville, Kentucky. The Developer proposes to redevelop the site into approximately 920,000 square feet of warehouse space and 30,000 square feet of office space, which will cost approximately \$49 million, of which \$20 million will be for public infrastructure improvements which will benefit both the site and the surrounding area (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 and occupational taxes generated within the Development Area as a result of the Project, and by requesting a pledge of State incremental tax revenues under the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues (the “Property Tax Program”) as provided in the Act.

1.2. The Project will provide public infrastructure improvements that will allow commercial traffic, such as trucks, to utilize those improvements instead of Minor

Lane, Preston Highway and the Outer Loop, which would benefit the surrounding area and catalyze additional development.

1.3. The redevelopment plan for the Project will redevelop a site that has sat vacant with deteriorating buildings, and more recently, has been used as a surface parking lot.

1.4 Size and Location. The Development Area is an approximate 67.5872 acre area in south Louisville identified more specifically on the map attached as Exhibit "A". This location, in south Louisville, is perfectly situated for development of the Project, which will catalyze development 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 67.5872 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 \$1.539 billion. The taxable real property within the Development Area for calendar year 2020 is approximately \$271,360, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.539 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2020 exceeds \$65.6 billion, 20% of which is \$13.1 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 five (5) 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.** Many of the buildings in the Development Area are deteriorated and abandoned a period of time ranging from two to ten years, have fallen into disrepair and have become havens for drug users and rodents.
2. **More than fifty percent (50%) of residential, commercial or industrial structures are deteriorating or deteriorated.** All of the

existing structures in the Development Area or deteriorating or deteriorated.

3. **Substantial abandonment of residential, commercial, or industrial structures are deteriorating or deteriorated.** All of the existing structures in the Development Area have been abandoned.
4. **There are inadequate improvements or substantial deterioration of public infrastructure to support the proposed new development within the Development Area.** In order to develop the proposed Project, significant road improvements are required to support the increased usage. Additional power, sewer and water infrastructure is required to facilitate the Project, and these improvements will facilitate further development within the area. These infrastructure improvements cannot reasonably be funded with private investment alone.
5. **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 dramatically rising large scale costs associated with the redevelopment of the proposed Project. Potential revenue alone cannot underwrite the costs of the proposed public infrastructure 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 improved public infrastructure and connectivity resulting from the development of the proposed Project will have a positive effect on the city and surrounding area.

6. **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, particularly public infrastructure, make public incentives critical to the financing of the Project when compared with low potential revenue generated by these improvements.

2.3. 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. The Development Area has a 2020 taxable assessment of approximately \$271,360, but currently generates \$0 in ad valorem real property taxes to Louisville Metro 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 \$49,000,000, 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 (i) local ad valorem real property taxes from the Development Area, up to a cap of \$1,234,732, and (ii) occupational withholding fees from the Development Area, up to a cap of \$6,772,948, to provide redevelopment assistance to the project, it will retain 20% of the new incremental increase of the local ad valorem real property taxes and occupational withholding fees from the Development Area. 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.

2.4. 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 that would prevent its development without public assistance; specifically, the high cost of public infrastructure improvements needed to redevelop the Development Area, which are expected to cost approximately \$20 million out of the total capital investment of \$49

million, and include improvements to roads, earthwork, utilities, curbs, sidewalks, and stormwater and sanitary sewers. The proposed improvements within the Development Area will have a positive effect on the surrounding area which faces stagnation in development without them. The additional public infrastructure will result, not only in feasible development within the Development Area, but in additional feasible development of the surrounding area. In addition, pursuant to the Logistics Air Park Development Project Economic and Fiscal Analysis prepared by Commonwealth Economics (the "Economic Impact Report"), the projected local net positive impact to Louisville Metro from the Project is \$43,081,217, and is also estimated to generate \$26,299,547 in direct state tax revenues. A copy of the Economic Impact Report is attached as Exhibit B.

2.5. 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."

2.6. Existing Uses and Conditions. The Development Area consists of approximately 67.5872 acres along Dupin Drive and Minor Lane and bounded by on the west by I-65 Street in South Louisville. The existing site has been used for surface parking since the buildings were essentially abandoned.

2.7. 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.

2.8. 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 approximately 920,000 square feet of warehouse space and 30,000 square feet of office space, as well as approximately \$20 million of public infrastructure improvements.

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 and occupational withholding 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 Real Estate Tax Increment and 80% of the Withholding Tax Increment, as those terms are defined in the Local Participation Agreement, subject to the following condition: In no event shall the total of the Released Amount paid to the Authority over the term of the Local Participation Agreement exceed (i) \$1,234,732 with respect to the Real Estate Tax Increment, and (ii) \$6,772,948 with respect to the Withholding Tax Increment as set forth in the Local Participation Agreement. An estimate of the new tax revenues and the economic benefits to both Louisville Metro and the Commonwealth is included in the Economic Impact Report. In addition, Louisville will work to obtain a pledge of state incremental revenues under the Property Tax Program to support the Project.

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 South Louisville and surrounding areas, will generate significant new tax revenues to Louisville Metro, and will facilitate an increase in connectivity and public infrastructure 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

Being Tracts 1A, 1B and 1C as shown on Minor Subdivision Plat approved by Louisville Metro Planning Commission on July 10, 2020 as Case No. 20-MPLAT-0076, which plat is of record in Plat Book 60, Page 12, in the Office of Jefferson County, Kentucky.



LOJIC

Maps Data Services News About Search

Map interface showing a search bar with the text "Search Addresses" and a magnifying glass icon. To the left of the search bar are three icons: a plus sign, a minus sign, and a house icon. Below the search bar, the text "WLT WOODS CREEK" is visible. The map shows a road network with a shield icon for "65". A scale bar at the bottom left indicates distances of 0, 500, and 1000ft.

Our Partners



Building 700 West Liberty Street Louisville, KY 40203 38.2533 N, -85.7628 W

User Portal Contact Us Privacy Statement

Exhibit B

ECONOMIC IMPACT REPORT

EXHIBIT B
MAP OF DEVELOPMENT AREA



LOJIC

Maps Data Services News About Search

Map interface showing a search bar with the text "Search Addresses" and a magnifying glass icon. To the left of the search bar are three icons: a plus sign (+), a minus sign (-), and a house icon. Below the search bar, the text "WLT WOODS CREEK" is visible. The map shows a road network with a shield icon for "65". A scale bar at the bottom left indicates distances of 0, 500, and 1000ft.

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Building 700 West Liberty Street Louisville, KY 40203 38.2533 N, -85.7628 W

User Portal Contact Us Privacy Statement

LEGAL DESCRIPTION

Being Tracts 1A, 1B and 1C as shown on Minor Subdivision Plat approved by Louisville Metro Planning Commission on July 10, 2020 as Case No. 20-MPLAT-0076, which plat is of record in Plat Book 60, Page 12, in the Office of Jefferson County, Kentucky.

EXHIBIT C
LOCAL PARTICIPATION AGREEMENT

LOCAL PARTICIPATION AGREEMENT

This **LOCAL PARTICIPATION AGREEMENT** (the "Agreement") effective as of the ____ day of _____, 2021, by and between (i) **LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT**, a Kentucky consolidated local government ("Louisville") and (ii) the **METRO DEVELOPMENT AUTHORITY, INC.**, a Kentucky non-profit, nonstock corporation ("Authority").

RECITALS:

WHEREAS, Nicklies & Company, a Kentucky corporation, or an affiliate of same ("Developer"), desires to redevelop property at (i) 3201 Dupin Drive, (ii) 5400 Minor Lane and (iii) Parcel ID No. 064104420000 into approximately 920,000 square feet of warehouse space and 30,000 square feet of office space, which will cost approximately \$49 million, of which \$20 million will be for public infrastructure improvements which will benefit both the site and the surrounding area, and known as the Logistics Air Park Redevelopment Project more specifically described in Exhibit A (the "Project");

WHEREAS, Louisville and the Authority, to induce Developer to undertake the Project, agree to provide certain tax increment financing incentives to Developer as set forth in this Agreement and the TIF Disbursement Agreement to be entered into among Developer, the Authority and Louisville ("TIF Agreement");

WHEREAS, pursuant to KRS 65.7041-65.7083 ("the Act"), the Legislative Council of Louisville/Jefferson County Metro Government ("Metro Council"), by Ordinance No _____, Series 2021 (the "Ordinance"), enacted on _____, 2021, has established the Logistics Air Park Development Area (the "Development Area"), as more specifically described in Exhibit B;

WHEREAS, the Project may qualify for a pledge of State incremental revenues under one of the State Participation Programs as provided in the Act, relating to incentives for development and redevelopment;

WHEREAS, the Project represents new economic development in Louisville;

WHEREAS, the Project, located within the Development Area, as presented to Louisville and the Authority by Developer in preliminary planning papers, will result in the increase in the value of real property located in the Development Area, increase the tax base of Louisville, and increase employment in Louisville;

WHEREAS, it is therefore in the interest of Louisville and the Authority that there be a plan for the optimal revitalization and development of the Development Area in a most efficient manner;

WHEREAS, Louisville is authorized under the Act to enter into a local participation agreement with an agency in acknowledgement of benefits to be derived by Louisville within a development area in order to promote the public purposes of Louisville;

WHEREAS, the Ordinance declares the Development Area to be a "development area" within the meaning of the Act, and the Project constitutes a "project" within the meaning of the Act; therefore, the Project is eligible to receive a portion of incremental local ad valorem real property taxes and occupational license taxes as provided in the Act;

WHEREAS, the Authority, pursuant to Chapters 58 and 273 of the Kentucky Revised Statutes, is organized and incorporated by Louisville as a not-for-profit, nonstock corporation, and pursuant to the Ordinance, the Authority has been designated as the "agency," within the meaning of the Act for the purposes of receiving and distributing incremental local tax revenues generated within the Development Area; and

WHEREAS, Louisville desires to assist the Developer, through the Authority, with the costs of the Project and agrees to enter into this Agreement in order to release to the Authority a portion of the Real Estate Tax Increment and Withholding Tax Increment (as those terms are hereinafter defined) for use solely for purposes of the Project;

NOW THEREFORE, in consideration of the premises and the additional consideration provided herein, Louisville and the Authority agree as follows:

Section 1. Definitions.

In addition to the terms defined in the above recitals, the following additional terms used in this Agreement shall have the meanings assigned in this Section 1 unless the context clearly indicates that a contrary meaning is intended.

(a) **"Activation Date"** means _____, 2023, being within two (2) years of the Commencement Date which, upon the written notice of the Authority to Metro Council, may be extended, but in no event more than four (4) years from the Commencement Date.

(b) **"Base Year"** means January 1, 2020 through December 31, 2020, the last full year prior to the Commencement Date.

(c) **"Calendar Year"** means January 1 through and including December 31.

(d) **"Commencement Date"** shall mean the effective date of this Agreement.

(e) **"Eligible Project Costs"** shall mean the Project Expenditures certified by the Office pursuant to Section 3.3 of this Agreement, and other costs as may be agreed by Louisville and the Authority.

(f) **"Existing Business"** shall mean any business operating in Louisville and located outside of the Development Area.

(g) **“New Real Estate Tax Revenue”** means the amount of Real Estate Taxes received by Louisville after the Activation Date has occurred through the term of this Agreement.

(h) **“New Withholding Tax Revenue”** means the amount of Withholding Taxes received by Louisville after the Activation Date has occurred through the term of this Agreement.

(i) **“Occupational License Fees”** means the taxes levied on employees by Louisville pursuant to Louisville Metro Codified Ordinances Chapter 110.

(j) **“Office”** means the Kentucky Economic Development Finance Authority (“KEDFA”) as provided by the Act.

(k) **“Office of Management and Budget”** means the department of Louisville with that name.

(l) **“Old Real Estate Tax Revenue”** means the amount of Real Estate Taxes assumed to have been received by Louisville in the Base Year, as calculated in Section 4.1 of this Agreement.

(m) **“Old Withholding Tax Revenue”** means the amount of Withholding Taxes received by Louisville in the Base Year, as calculated in Section 5.2 of this Agreement.

(n) **“Real Estate Tax”** means the local ad valorem real property taxes received annually by Louisville from real property located within the Development Area.

(o) **“Real Estate Tax Increment”** means the incremental amount of Real Estate Taxes collected in each Calendar Year following the Activation Date, during the term hereof, determined by subtracting the amount of Old Real Estate Tax Revenue from the amount of New Real Tax Revenue.

(p) **“Released Amount”** means the amount payable in each Calendar Year from Louisville to the Authority pursuant to Section 4.4 of this Agreement.

(q) **“Tax Incentive Agreement”** means the agreement entered into between the Commonwealth and the Authority pursuant to the terms of the Act.

(r) **“Termination Date”** means the date ending twenty (20) years from the Activation Date, unless terminated earlier pursuant to Section 3.1 of this Agreement.

(s) **“Withholding Taxes”** means the Occupational License Fees received by Louisville from or attributable to the Development Area.

(t) **“Withholding Tax Increment”** means the incremental amount of Withholding Taxes collected in each Calendar Year following the Activation Date, during the term hereof, determined by subtracting the amount of Old Withholding Tax Revenue from the amount of New Withholding Tax Revenue.

Section 2. Representations and Warranties.

2.1 Representations and Warranties of the Authority. The Authority represents and warrants to Louisville as follows:

(a) **Existence.** The Authority is a duly organized and validly existing non-profit corporation created under and in conformity with the laws of the Commonwealth of Kentucky.

(b) **Authority to Act.** The Authority has the requisite power, capacity and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to observe and to perform this Agreement, in accordance with its terms and conditions. The officers and officials executing and delivering this Agreement on behalf of the Authority have been or are otherwise duly authorized to enter into this Agreement on behalf of the Authority.

(c) **Validity of Agreement; Compliance with Law.** This Agreement is the legal, valid, and binding obligation of the Authority enforceable in accordance with its terms and conditions. The execution and delivery of this Agreement, and the performance or observance by the Authority of the terms and conditions thereof do not and will not materially violate any of the provisions of the Authority’s Articles of Incorporation or any laws applicable to the Authority.

(d) **Litigation.** No litigation or proceeding involving the Authority is pending or, to the best of the knowledge of the Authority, is threatened in any court or administrative agency which, if determined adversely to the Authority could have a materially adverse impact on the ability of the Authority to perform any of its obligations under this Agreement.

(e) **Conflicting Transactions.** The culmination of the transactions contemplated hereby and the performance of the obligations of the Authority under and by virtue of this Agreement shall not result in any material breach of, or constitute a default under, any contract, agreement, lease, indenture, bond, note, loan or credit agreement to which it is a party or by which it is bound.

2.2 Designation of Subsidiary or Related Entity. Notwithstanding the provisions of Subsection 2.1, the Authority shall have the right to designate as the "Agency" a subsidiary or related entity of the Authority provided that such subsidiary or related entity (i) qualifies as an agency pursuant to the Act, (ii) such subsidiary entity can make to Louisville the representations and warranties required pursuant to subsection 2.1, (iii) such subsidiary or related entity is reasonably acceptable to Louisville, and (iv) such subsidiary is able to perform those obligations required in the Ordinance.

2.3 Representations and Warranties of Louisville. Louisville represents and warrants to the Authority as follows:

(a) Authority to Act. Louisville has the requisite power, capacity and authority to execute and deliver this Agreement, to consummate the transactions contemplated hereby, and to observe and to perform this Agreement in accordance with its terms and conditions. Each of the officials executing and delivering this Agreement on behalf of Louisville has been and is duly authorized to enter into this Agreement on behalf of Louisville.

(b) Validity of Agreement; Compliance with Law. This Agreement is the legal, valid and binding obligation of Louisville enforceable in accordance with its terms and conditions. The execution and delivery of this Agreement, and the performance or observance by Louisville of the terms and conditions thereof, do not and will not violate any provisions of any laws applicable to Louisville.

Section 3. Released Amount.

3.1 Term. Louisville agrees to pay to the Authority, and the Authority does accept from Louisville, the Released Amount for each calendar year beginning in the year including the Activation Date, with payment to be made beginning in the year following the Activation Date, and for successive calendar years continuing automatically thereafter until the earlier of the following: (i) that date nineteen (19) years following the initial payment to the Authority; (ii) Louisville's election to terminate this Agreement pursuant to Kentucky Constitution sections 157(b), 162, and 179, and KRS Chapters 67C and 91A at the end of any current calendar year following written notice to the Authority delivered at least sixty (60) days prior to such calendar year end; or (iii) the aggregate of the total of the Released Amount paid to the Authority by Louisville equals \$1,234,732 for the Real Estate Tax Increment and \$6,772,948 for the Withholding Tax Increment.

3.2 Certification of Minimum Capital Investment. Prior to any Released Amount being paid by Louisville to the Authority for the Project, the Office shall certify to Louisville that the minimum capital investment as set forth in the Tax Incentive Agreement has been made as required by the Act. Any amount of the Released Amount received after the Activation Date but prior to certification of the minimum capital investment being made shall be held in a non-interest bearing escrow account by Louisville until the minimum capital investment is certified by the Office. All accumulated amounts of the Released Amount shall be released to the Authority upon certification. If the minimum capital investment is not certified within ten (10) years from the Activation Date, the escrow shall be forfeited to Louisville and this Agreement shall be void.

3.3 Eligible Project Costs. Louisville and the Authority shall rely on the Office to approve or verify, as applicable, each Project Expenditure identified as Approved Public Infrastructure Costs as defined in the Act. Other costs agreed to by Louisville and the Authority shall be approved and verified by the Office of Management and Budget.

3.4 The Authority Reporting. The Developer has agreed in the TIF Agreement, at its sole expense, to submit a report to the Authority and the Office of Management and Budget on or before July 1 of each year during the term of this Agreement including but not limited to:

(a) A notarized certification by the Developer accounting for the use and expenditure of the Released Amount by the Developer in the preceding Calendar Year, including any Released Amount carried forward from earlier Calendar Years;

(b) An analysis and review of all development activities within the Development Area during the prior Calendar Year;

(c) A progress report on the current status of achieving the stated goals of the Project and the Development Area;

(d) A proposed spending plan for the Released Amount for the current Calendar Year; and

(e) The Authority shall submit the Request for the Released Amount each year following Activation for the term of this Agreement to the Office of Management and Budget on or after July 1, but no later than December 31 following the calendar year for which the Released Amount is requested. No more than one request shall be submitted in any calendar year.

3.5 Louisville Monitoring, Tracking and Reporting. The Office of Management and Budget shall oversee the payment of the Released Amount to the Authority. The Office of Management and Budget shall review all reports received from the Authority pursuant to Section 3.4 or otherwise and shall annually submit to the Metro Council a report concerning the Project and the Development Area including but not limited to:

(a) An accounting of all payments made to the Authority pursuant to this Agreement in the prior fiscal year;

(b) An analysis and review of development activity within the Development Area as reported to Louisville by the Authority;

(c) The progress made by the Authority toward the stated goals of the Development Area as reported to Louisville by the Authority; and

(d) An accounting of the amount of Eligible Project Costs incurred by the Authority to date as reported to Louisville by the Office.

The Developer has agreed to submit to the Authority and Louisville all information required to make the report.

3.6 Time of Payment. By no sooner than (i) December 31st of each Calendar Year beginning in the year after the year of the Activation Date or (ii) thirty (30)

days after the submission by the Authority of a request for the Released Amount under this Agreement, Louisville agrees to pay to the Authority the Released Amount. In no event shall Louisville agree to pay to the Authority the Released Amount if a submitted request is not received by December 31 of the calendar year after the applicable tax year, unless mutually agreed to by both Louisville and the Authority. No more than one request shall be submitted in any one calendar year

3.7 Use of Released Amount. Consistent with the Act, the Authority covenants and agrees that the Released Amount will be deposited in a special fund and it will use the Released Amount solely for the benefit of the Project, pursuant to the requirements of the Act and this Agreement.

Section 4. Withholding Taxes.

4.1 Account Numbers. The Developer shall have the sole responsibility to identify all businesses located within the Local Development Area and to provide adequate information concerning those businesses to the Authority so that Louisville can assign separate Withholding Tax numbers (the "Account Numbers") for each business situs and each employer in the Local Development Area. The Account Numbers shall be used exclusively to report Withholding Taxes within or attributable to the Development Area. Louisville agrees to cooperate with and assist the Authority to obtain Account Numbers.

Section 5. Determination of Released Amount.

5.1 Calculation of Old Real Estate Tax Revenue. The taxable value of all real property within the Development Area in the Base Year is **TWO HUNDRED SEVENTY-ONE THOUSAND THREE HUNDRED SIXTY AND NO/100 DOLLARS (\$271,360.00)**. The previous owner, as a qualifying organization, was granted exemption from property taxes pursuant to Section 170 of the Kentucky Constitution. Therefore, the real property in the Development Area in the Base Year generated no revenue. As such, the Old Real Estate Tax Revenue is stipulated as \$0.

5.2 Calculation of Old Withholding Tax Revenue. The Authority shall calculate with reasonable accuracy the amount of Old Withholding Tax Revenue and in doing so, the Authority may make such assumptions as may reasonably be required. The Developer, at its sole expense, shall provide to the Authority all information required for the calculation on a timely basis. Louisville, through the Office of Management and Budget, agrees to provide the Authority with such assistance and documentation as may reasonably be required to calculate the amounts of the Old Withholding Tax Revenue. The Authority shall submit its calculations of the Old Withholding Tax Revenue to the Office of Management and Budget for review and approval. Upon the determination of the Old Withholding Tax Revenue, Louisville and the Authority shall stipulate the amount of Old Withholding Tax Revenue by written addendum to this Agreement. The amount of Old Withholding Tax Revenue so stipulated shall be binding upon the parties for the term of this Agreement. An estimate of the Old Withholding Tax Revenue is \$0. The Old Withholding Tax Revenue shall be adjusted each calendar year after the Base Year by

adding the Old Withholding Tax Revenue calculated for the previous calendar year, multiplied by two percent (2.0%), to the amount of Old Withholding Tax Revenue for the previous calendar year. This adjusted amount is the Old Withholding Tax Revenue for the current calendar year. In addition, if an Existing Business relocates to the Development Area, the Old Withholding Tax Revenue shall be increased to the extent of the Withholding Taxes from that Existing Business for the preceding calendar year prior to the date of operation within the Development Area.

5.3 New Real Estate Tax Revenue. The Office of Management and Budget shall calculate the amount of New Real Estate Tax Revenue each year after the Activation Date, prior to the Time of Payment pursuant to Section 3.6 of this Agreement. The Office of Management and Budget shall calculate the New Real Estate Tax Revenue by aggregating the Real Estate Taxes received from within the Development Area. An estimate of the New Real Estate Tax Revenue is included in the report prepared by Commonwealth Economics, a copy of which is attached to this agreement (the "Economic Impact Report") as Exhibit C.

5.4 New Withholding Tax Revenue. The Office of Management and Budget shall calculate the amount of New Withholding Tax Revenue each year after the Activation Date, prior to the Time of Payment pursuant to Section 3.6 of this Agreement. The Office of Management and Budget shall calculate the New Withholding Tax Revenue by aggregating the Withholding Taxes reported by businesses within the Development Area which have obtained Account Numbers for each business situs and each employer in the Development Area. An estimate of the New Withholding Tax Revenue is included in the Economic Impact Report

5.5 Calculation of the Real Estate Tax Increment. The Office of Management and Budget in each year following the Activation Date, prior to the Time of Payment pursuant to Section 3.6 of this Agreement, shall calculate the Real Estate Tax Increment, which shall be an amount equal to the New Real Estate Tax Revenue calculated pursuant to Section 5.3 of this Agreement minus the Old Real Estate Tax Revenue calculated pursuant to Section 5.1 of this Agreement.

5.6 Calculation of the Withholding Tax Increment. The Office of Management and Budget in each year following the Activation Date, prior to the Time of Payment pursuant to Section 3.6 of this Agreement, shall calculate the Withholding Tax Increment, which shall be a sum equal to the New Withholding Tax Revenue calculated pursuant to Section 5.4 of this Agreement, minus the Old Withholding Tax Revenue calculated pursuant to Section 5.2 of this Agreement

5.7 Calculation of Released Amount. The Office of Management and Budget in each year following the Activation Date, prior to the Time of Payment pursuant to Section 3.6 of this Agreement, shall calculate the Released Amount, which shall be a sum equal to eighty percent (80%) of the Real Estate Tax Increment and eighty percent (80%) of the Withholding Tax Increment.

Section 6. Pledge of Incremental Revenues Superior to Ordinances and Statutes.

As provided in the Act, any pledge of the Released Amount in this Agreement shall be superior to any other pledge of revenues for any other purpose and shall, from the Activation Date to the Termination Date, supersede any statute or ordinance regarding the application or use of incremental revenues.

Section 7. Miscellaneous.

7.1 Notices. All notices or other communications hereunder from any party shall be sufficiently given, and shall be deemed given, when delivered or mailed by first class mail or overnight delivery to the other parties at their respective addresses as follows:

If to Louisville: Louisville/Jefferson County Metro Government
 c/o Louisville Forward
 444 S. 5th St., Ste. 600
 Louisville, Kentucky 40202
 Attn: Rebecca Fleischaker

If to the Authority: Metro Development Authority, Inc.
 444 S. 5th St., Ste. 600
 Louisville, Kentucky 40202

Section 8. Default.

8.1 Default by the Authority. If the Authority materially breaches or defaults on its obligations under this Agreement or any of the documents incorporated herein or in the reasonable judgment of Louisville there has been a substantial decrease in the Authority's capacity to undertake the obligations required by this Agreement, Louisville may give written notice (with a copy of said notice being given to the Office) that remedial action must be taken within thirty (30) calendar days. The Authority shall correct such breach or default within thirty (30) days after receipt of such notice. However, if the default is not reasonably curable within thirty (30) days, then the Authority may continue to cure the default or breach so long as Louisville is reasonably satisfied that sufficient progress is being made toward a cure. If such corrective action is not taken, Louisville may terminate the Agreement by giving written notice to the Authority at least ten (10) days prior to the effective date of termination and shall and be entitled to any remedy and damages available to it at law or in equity, including specific performance.

8.2 Default by Louisville. If Louisville materially breaches or defaults on its obligations under this Agreement or any of the documents incorporated herein, the Authority may give written notice to Louisville that remedial action must be taken within thirty (30) days after Louisville's receipt of such written notice. However, if the default is not reasonably curable within thirty (30) days, Louisville may continue to cure the default

or breach so long as the Authority is satisfied that sufficient progress is being made toward a cure. If such action is not taken, the Authority shall be entitled to enforce the provisions of this Agreement.

Section 9. Miscellaneous Provisions.

9.1 Binding Effect. This Agreement shall be binding upon the parties hereto and upon their respective successors and assigns.

9.2 Severability. If any clause, provision, or section of this Agreement be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision, or section shall not affect any of the remaining clauses, provisions or sections hereof.

9.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky and enforceable in courts of competent jurisdiction.

9.4 Entire Agreement; Modifications. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter of this Agreement. This Agreement shall not be modified, amended, cancelled or terminated except by an agreement in writing signed by the parties hereto.

9.5 Counterparts. This Agreement may be executed in any number of counterparts by some or all of the parties hereto, each of which shall be an original and all of which shall together constitute one and the same instrument.

9.6 Relationship of the Parties. Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association among any of the Parties of this Agreement.

9.7 Further Assurances. Each of the parties hereto shall use reasonable efforts and cooperate fully with each other in order to promptly and fully carry out the terms and provisions of this Agreement. Each party hereto shall from time to time execute and deliver such other agreements, documents or instruments and take such other actions as may be reasonably necessary or desirable to effectuate the terms of this Agreement.

9.8 Mutual Termination. In addition to any other provisions relating to termination of this Agreement contained herein, this Agreement shall terminate upon the written agreement of all the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their officers and officials thereunto duly authorized as of the date first written above.

**LOUISVILLE/JEFFERSON COUNTY
METRO GOVERNMENT**

By: _____
Greg Fischer, Mayor

Approved as to Form and Legality:

Michael J. O'Connell
Jefferson County Attorney

By: _____

**METRO DEVELOPMENT AUTHORITY,
INC.**

By: _____
Rebecca Fleischaker, President

EXHIBIT A

PROJECT DESCRIPTION

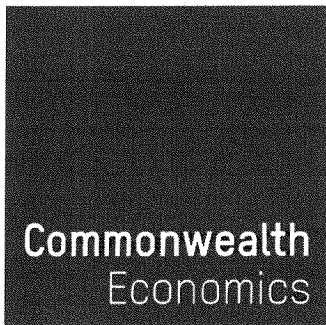
The project will involve new capital investment of approximately \$49 million and will construct approximately 920,000 square feet of warehouse space and 30,000 square feet of office space. In addition, \$20 million of the capital investment will be for public infrastructure improvements which will benefit both the site and the surrounding area

EXHIBIT B

DESCRIPTION OF DEVELOPMENT AREA

Being Tracts 1A, 1B and 1C as shown on Minor Subdivision Plat approved by Louisville Metro Planning Commission on July 10, 2020 as Case No. 20-MPLAT-0076, which plat is of record in Plat Book 60, Page 12, in the Office of Jefferson County, Kentucky.

EXHIBIT C
ECONOMIC IMPACT REPORT



**Logistics Air Park Development Project
Economic and Fiscal Impact Analysis**

Submitted To:
Louisville Metro

Submitted By:
Commonwealth Economics

August 2021

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APPENDIX: TIF INCREMENTAL REVENUE ESTIMATES

I. EXECUTIVE SUMMARY

Commonwealth Economics (“CE”) was retained by Louisville Metro to conduct an incentive review and impact analysis of the proposed Logistics Air Park Development Project (“Project”) to be located across two contiguous sites, hereinafter referred to as LAP 2 and LAP 3, on the northeast corner of I-65 and KY Route 1065 (Outer Loop Rd.) in Louisville, Kentucky.¹ The purpose of this report is to estimate the potential impact of the Project, including the related state and local tax revenues.

The Project is anticipated to include close to 1.8 million square feet of industrial warehouse space and complimentary office space, resulting in a total capital investment of \$97.8 million. The Project will also require significant expenditures on public infrastructure elements, including: roadwork, earthwork, utilities, curbs, sidewalks, promenades, stormwater, sanitary sewer, landscaping, and erosion control. These infrastructure improvements account for over \$43.1 million of the total development costs. Of this amount, approximately \$17.7 million is for roadwork that is critical to the development of the Project.

Highlights

- **Tax Increment Financing (20 Years)** - The Project would likely meet the requirements for utilizing Tax Increment Financing (“TIF”), which could generate an estimated \$16.2 million in TIF-eligible local (property and occupational) and state (property) incremental tax revenues that could support the Project. Of this amount, LAP 2 accounts for \$9.2 million and LAP 3 accounts for \$7.0 million (Figure ES-1).
- **State Income Taxes (10 Years)** - The Project’s industrial businesses may be able to recover a portion of their state income taxes through the Kentucky Business Investment (“KBI”) program, which may require the State to consider a portion of the local occupational taxes being participated in the TIF to be utilized as matching funds for the KBI program reimbursement. Utilizing the KBI program

¹ **DISCLAIMER:** The results presented herein are fair and reasonable. Commonwealth Economics utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results. Furthermore, assumptions and methodologies utilized herein may differ from those that may be used by other industry experts as opinions may differ. And because events, circumstances, and opinions often vary, those differences may be material. Additionally, this analysis uses data and assumptions based on economic activity prior to COVID-19 shifts in economic behavior and, accordingly, assumes that economic activity and behavior will return to normal by the time this Project is completed and open. Should pandemic factors continue to affect economic industries, including distribution, travel, retail, dining, etc., the differences in realized Project impacts could be significant.

could be useful in attracting new companies to the Commonwealth while also utilizing state income tax withholding revenues to further support the Project.

- **Initial injection into the economy**
 - **LAP 2** - Estimated to generate one-time impacts, directly supporting 374 construction jobs, \$22.5 million in direct construction wages, and \$4.0 million in state and local taxes (local: \$495,488).
 - **LAP 3** - Estimated to generate one-time impacts, directly supporting 375 construction jobs, \$22.6 million in direct construction wages, and \$4.0 million in state and local taxes (local: \$496,459).

- **Ongoing impact to the economy**
 - **LAP 2** - Over the 20-year period following completion, LAP 2 is estimated to directly support 597 jobs and \$541.8 million in direct wages. This activity would also be projected to indirectly support another 360 jobs throughout the area earning \$458.4 million over the same 20-year period.
 - **LAP 3** - Over the 20-year period following completion, LAP 3 is estimated to directly support 507 jobs and \$460.8 million in direct wages. This activity would also be projected to indirectly support another 306 jobs throughout the area earning \$390.4 million.

- **Project could generate substantial tax revenue** – Over a 20-year period, an estimated \$89.6 million in state and local tax revenues would be directly generated by the Project (Figure ES-2).
 - State tax revenue ~ \$48.8 million (LAP 2: \$26.3 million; LAP 3: \$22.5 million)
 - Local tax revenue ~ \$40.8 million (LAP 2: \$21.3 million; LAP 3: \$19.5 million)

- **Local Net New Fiscal Impact** - Additionally, when considering the potential direct, as well as the indirect and induced impacts, **an estimated \$81.2 million in local net new tax revenues** are expected to result from this Project’s successful development over a 20-year period.

Figure ES-1

Logistics Air Park Development Project Estimated TIF-Eligible Incremental Tax Revenues				
	Tax Rate	20-Year Total		
		LAP 2	LAP 3	Total
Estimated TIF-Eligible Incremental Tax Revenues				
State Incremental Tax Revenues				
Property Tax	0.1220%	\$1,158,749	\$0	\$1,158,749
Local Incremental Tax Revenues				
General Fiscal Court Property Tax	0.1300%	\$1,234,732	\$1,237,151	\$2,471,883
Louisville Metro Occupational Tax	1.25%	\$6,772,948	\$5,760,449	\$12,533,397
Total Local Incremental Tax Revenues		\$8,007,680	\$6,997,600	\$15,005,280
TIF-Eligible Incremental Tax Revenues*				
State Incremental Tax Revenues		\$1,158,749	\$0	\$1,158,749
Local Incremental Tax Revenues		\$8,007,680	\$6,997,600	\$15,005,280
Total		\$9,166,429	\$6,997,600	\$16,164,029
State Participation Estimate	90%	\$1,042,874	\$0	\$1,042,874
Local Participation Estimate	80%	\$6,406,144	\$5,598,080	\$12,004,224
Total Estimated Participation over 20 Years		\$7,449,018	\$5,598,080	\$13,047,098

*Subject to review by the Cabinet for Economic Development and Louisville Metro

Figure ES-2

Logistics Air Park Development Project Estimated Direct Tax Revenues				
	Tax Rate	20-Year Total		
		LAP 2	LAP 3	Total
Estimated Direct Tax Revenues from Project				
State Tax Revenues				
Property Tax	0.1220%	\$1,158,749	\$1,161,019	\$2,319,767
Individual Income Tax	Blended	\$25,140,798	\$21,384,923	\$46,525,721
Total State Tax Revenues		\$26,299,547	\$22,545,942	\$48,845,489
Local Tax Revenues				
General Fiscal Court Property Tax	0.1300%	\$1,234,732	\$1,237,151	\$2,471,883
Jefferson County School Property Tax	0.7550%	\$7,170,944	\$7,184,993	\$14,355,937
Okolona Fire District Property Tax	0.1000%	\$949,794	\$951,655	\$1,901,449
Louisville Metro Occupational Tax	1.25%	\$6,772,948	\$5,760,449	\$12,533,397
Louisville Transit Occupational Tax	0.20%	\$1,083,672	\$921,672	\$2,005,344
Louisville School Board Occupational Tax	0.75%	\$4,063,769	\$3,456,270	\$7,520,038
Total Local Tax Revenues		\$21,275,858	\$19,512,190	\$40,788,048
Direct Tax Revenues Generated from Project		\$47,575,405	\$42,058,132	\$89,633,537
State Tax Revenues		\$26,299,547	\$22,545,942	\$48,845,489
Local Tax Revenues		\$21,275,858	\$19,512,190	\$40,788,048

II. PROJECT DESCRIPTION & ASSUMPTIONS

Logistics Air Park, LLC (“Developer”) is planning to develop a mix of industrial and commercial buildings across two contiguous sites, hereinafter referred to as LAP 2 and LAP 3, that are located on the northeast corner of I-65 and KY Route 1065 (Outer Loop Rd.) in Louisville, Kentucky (“Project”). The Project will require various public infrastructure improvements, including significant roadwork that would run through and adjacent to the Project site and connect Industrial Blvd. to Route 1065. The development of this Project is likely cost-prohibitive without some form of a partnership between the Developer and state and local governing bodies to support the infrastructure improvements necessary to make development of this property feasible.

This report quantifies the Project’s economic and fiscal impacts to both Louisville and the Commonwealth of Kentucky. Planning is currently underway for the proposed Project, which is anticipated to include the following components (subject to change):

Project Description

Total Cost ~ \$97.8 million

- Public infrastructure – \$43.1 million
 - Roadwork ~ \$17.7 million
 - Earthwork ~ \$7.5 million
 - Utilities ~ \$5.8 million
 - Curbs, sidewalks, & promenades ~ \$5.3 million
 - Stormwater & sanitary sewer ~ \$4.3 million
 - Landscaping ~ \$2.0 million
 - Erosion control ~ \$0.5 million
- Warehouse space ~ \$52.9 million (1.7 million sq ft)
- Office space (attached to warehouse space) ~ \$1.8 million (60,000 sq ft)

Based on construction, site work, and miscellaneous costs, the total construction cost, public and private, is estimated to be approximately \$97.8 million. Of this amount, public infrastructure expenditures are estimated at \$43.1 million. Approximately \$17.7 million of the public infrastructure expenditures is for roadwork that is critical to the development of the Project.

The proposed Project components are estimated to be completed by early 2024. However, Project phasing could change depending on demand, financing, construction timing/ability, etc. Below is a summary of the Project’s components and costs upon completion of each site.

Figure 1

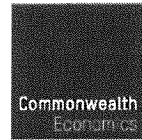
Logistics Air Park Development Project			
Estimated Phased Operations and Costs by Site Completion			
	LAP 2	LAP 3	Total
	(Early 2024)	(Early 2024)	
(sq ft) Warehouse space	920,000	770,000	1,690,000
(sq ft) Office space	30,000	30,000	60,000
Total Investment (\$ millions)	\$48.9	\$49.0	\$97.8
Public Infrastructure (\$ millions)	\$20.1	\$23.0	\$43.1
Roadwork	\$8.6	\$9.1	\$17.7
Earthwork	\$3.3	\$4.2	\$7.5
Utilities	\$2.4	\$3.4	\$5.8
Curbs, sidewalks, & promenades	\$2.3	\$3.0	\$5.3
Stormwater & sanitary sewer	\$1.9	\$2.4	\$4.3
Landscaping	\$1.5	\$0.5	\$2.0
Erosion control	\$0.2	\$0.3	\$0.5

Tax Rate Assumptions

For the purpose of estimating the fiscal impact of the Project, it is necessary to calculate the expected future tax revenues generated by the new development within the footprint.

The following list contains a breakdown of the taxes used to determine the fiscal impacts of the Project.

- **State taxes:**
 - Property \$0.1220 per \$100 of assessed value
 - Sales Tax 6.0 percent of sales
 - Individual Income Tax (average effective rate)..... 4.7 percent of income



▪ **Local taxes:**

General Fiscal Court Property.....	\$0.1300 per \$100 of assessed value
Jefferson County School Property Tax.....	\$0.7550 per \$100 of assessed value
Okolona Fire District Property.....	\$0.1000 per \$100 of assessed value
Louisville Metro Occupational Tax	1.25 percent of salaries
Transit Authority Occupational Tax	0.20 percent of salaries
School Board Occupational Tax	0.75 percent of salaries

Project Assumptions

Estimated future tax revenues throughout the analysis were generated using the following input assumptions, based on industry averages, discussions with the Developer, and direct impact multipliers generated by the IMPLAN modeling software for Jefferson-Louisville Metropolitan Area, Kentucky.

- LAP 2 Warehouse space ~ 920,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 552
 - Average salary ~ \$37,041
- LAP 2 Office space (attached to warehouse space) ~ 30,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 45
 - Average salary ~ \$41,190
- LAP 3 Warehouse space ~ 770,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 462
 - Average salary ~ \$37,041
- LAP 3 Office space (attached to warehouse space) ~ 30,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 45
 - Average salary ~ \$41,190

III. ECONOMIC & FISCAL IMPACTS

The following subsections describe the initial construction impacts and the annual economic and fiscal impacts for each of the Project components.

Initial Construction Impact

The construction of the Project will create a one-time influx of spending, which will ripple throughout the economy and generate indirect output, induced output, wages, employment, and tax revenues.

There are two key impacts from construction to Louisville Metro and the Commonwealth of Kentucky. First, the construction itself directly creates construction jobs, which are subject to state individual income and local occupational taxes. Second, construction spending will ripple out and generate indirect output due to spending on materials, induced output, increased earnings, and employment throughout the economy, as well as state sales tax revenues associated with spending on materials and the induced impacts.

Figure 2 conceptually illustrates the flow of construction impacts, as well as the assumptions and tax rates utilized for the impact calculation.

Figure 2

Logistics Air Park Development Project		
Conceptual Diagram of One-Time Economic and Fiscal Impact from Construction		
Sources of Impact	Economic and Fiscal Impact	Rate
Total Construction Costs		
» Employment and Income Impacts		
	» State Individual Income Tax on Total Wages*	4.8%
	» Louisville Occupational Tax on Direct Wages	2.20%
» Materials and Induced Output		
	Taxable Material Spending Estimate**	40%
	Taxable Induced Spending Estimate	50%
	» Sales & Use Tax on Materials and Induced Spending	6.0%

*Estimated rate based on estimated direct construction wages & Kentucky's Tax Code

**Estimated percentage of total project costs spent on taxable materials

Figure 3, on the next page, shows the taxes derived from IMPLAN-calculated impacts generated using the estimated construction costs of the Project.

Figure 3

Logistics Air Park Development Project			
Estimates of One-Time Economic and Fiscal Impacts of Construction			
	LAP 2	LAP 3	Total
Economic Impact			
Direct	\$48,862,998	\$48,958,732	\$97,821,730
Indirect	\$14,473,571	\$14,501,928	\$28,975,500
Induced	\$22,094,402	\$22,137,690	\$44,232,092
Total Output	\$85,430,971	\$85,598,350	\$171,029,322
Construction Materials	\$19,545,199	\$19,583,493	\$39,128,692
Total Employment	597	598	1,195
Direct Employment	374	375	750
Total Wages	\$34,735,834	\$34,803,889	\$69,539,723
Direct Wages	\$22,522,174	\$22,566,301	\$45,088,475
Fiscal Impact (Tax Revenues)			
State Tax Revenues			
State Sales and Use Tax			
On Material Spending	\$1,172,712	\$1,175,010	\$2,347,722
On Induced Spending	\$662,832	\$664,131	\$1,326,963
State Individual Income Tax			
On Total Wages	\$1,658,774	\$1,662,024	\$3,320,797
Total State Tax Revenues	\$3,494,318	\$3,501,164	\$6,995,482
Local Tax Revenues			
Occupational Taxes			
On Direct Wages	\$495,488	\$496,459	\$991,946
Total Local Tax Revenues	\$495,488	\$496,459	\$991,946
Total Tax Revenues	\$3,989,806	\$3,997,622	\$7,987,428

The \$48.9 million investment in LAP 2 is estimated to generate 597 jobs (374 direct construction jobs and 223 indirect and induced jobs). These jobs are estimated to generate approximately \$34.7 million of total wages (\$22.5 million of direct wages and \$12.2 million of indirect and induced wages). The state and local fiscal impact generated from this construction activity is estimated at \$4.0 million.

The \$49.0 million investment in LAP 3 is estimated to generate 598 jobs (375 direct construction jobs and 223 indirect and induced jobs). These jobs are estimated to generate approximately \$34.8 million of total wages (\$22.6 million of direct wages and \$12.2 million of indirect and induced wages). The state and local fiscal impact generated from this construction activity is estimated at \$4.0 million.

In total, LAP 2 and LAP 3 are estimated to generate 1,195 jobs (750 direct construction jobs and 445 indirect and induced jobs), \$69.5 million in total wages (\$45.1 million of direct wages and \$24.4 million of indirect and induced wages), and \$8.0 million in state and local taxes from construction activity.

Annual Impact from Operations

When construction of the proposed Project is complete, the warehouse space and office space and various activities and transactions occurring within the improved site will generate ongoing, annual economic and fiscal impacts to the state and local economies. Initial transactions occurring at each component will ripple out into the state and local economies and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues. These impact estimates assist in quantifying the Project's overall economic role within the Commonwealth.

Conceptually, annual economic impact would include the "ripple effects" generated from direct spending made by industrial businesses. This direct spending would then result in indirect spending, induced spending, increased earnings, and employment.

Impact Definitions

Economic impact reflects the "ripple effect" or "multiplying effect" from initial transaction, or "direct spending," that occurs as a direct result of a project being developed. As relates to the Project, examples of initial transactions are business expenditures during their time at the Project's warehouse space and office space. The "ripples" from these initial transactions include the following:

- **Indirect Spending** – consists of re-spending of the initial or direct expenditures. For example, a business consumers direct expenditure on products at the warehouse causes the warehouse business to purchase goods and other items from suppliers. The portion of these purchases that are within the state and local economies are counted as an indirect economic impact.

- **Induced Spending** – represents changes to in-state consumption due to the personal spending by employees whose incomes are affected by the Project. For example, a warehouse worker may spend more because they earn more. The amount of increased income the warehouse worker spends in the state and local economies is considered an induced impact.
- **Increased Earnings** – measures the change in total personal income, area-wide, that results from the initial spending activities occurring as a result of the Project.
- **Increased Employment** – measures the change in number of jobs, area-wide, that result from the initial spending activities that occur as a result of the Project.

Indirect spending, induced spending, increased earnings, and employment impact are estimated using multiplier factors. The multipliers utilized were derived from an IMPLAN input-output model. IMPLAN is a nationally recognized model commonly used to estimate economic impact. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy.

Impact of LAP 2

Spending by businesses will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 4 shows the estimated economic impacts of the LAP 2 warehouse/ office facility.

Figure 4

Logistics Air Park Development Project						
Summary of Impacts - LAP 2						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Output (Direct)	\$53,326,685	\$54,393,219	\$55,481,083	\$56,590,705	\$57,722,519	\$1,295,698,187
Indirect Impact	\$33,252,332	\$33,917,379	\$34,595,726	\$35,287,641	\$35,993,394	\$807,944,208
Induced Impact	\$26,253,456	\$26,778,525	\$27,314,096	\$27,860,378	\$28,417,585	\$637,889,934
Total Economic Impact	\$112,832,473	\$115,089,123	\$117,390,905	\$119,738,723	\$122,133,498	\$2,741,532,329
Total Employment						
Total Employment	957	957	957	957	957	
Direct Employment	597	597	597	597	597	
Total Wages						
Total Wages	\$41,166,571	\$41,989,902	\$42,829,700	\$43,686,294	\$44,560,020	\$1,000,239,388
Direct Wages	\$22,300,185	\$22,746,189	\$23,201,112	\$23,665,135	\$24,138,437	\$541,835,842
Total Local Fiscal Impact	\$1,773,081	\$1,808,543	\$1,844,714	\$1,881,608	\$1,919,240	\$43,081,217

Impact of LAP 3

Spending by businesses will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 5 shows the estimated economic impacts of the LAP 3 warehouse/office facility.

Figure 5

Logistics Air Park Development Project Summary of Impacts - LAP 3						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Output (Direct)	\$45,715,503	\$46,629,813	\$47,562,410	\$48,513,658	\$49,483,931	\$1,110,766,486
Indirect Impact	\$28,254,412	\$28,819,501	\$29,395,891	\$29,983,809	\$30,583,485	\$686,507,908
Induced Impact	\$22,346,190	\$22,793,113	\$23,248,976	\$23,713,955	\$24,188,234	\$542,953,631
Total Economic Impact	\$96,316,105	\$98,242,427	\$100,207,276	\$102,211,421	\$104,255,650	\$2,340,228,025
Total Employment						
Total Employment	813	813	813	813	813	
Direct Employment	507	507	507	507	507	
Total Wages						
Total Wages	\$35,033,910	\$35,734,588	\$36,449,280	\$37,178,266	\$37,921,831	\$851,231,870
Direct Wages	\$18,966,495	\$19,345,825	\$19,732,741	\$20,127,396	\$20,529,944	\$460,835,943
Total Local Fiscal Impact	\$1,567,018	\$1,598,358	\$1,630,325	\$1,662,932	\$1,696,190	\$38,074,409

Summary Impacts of Project

The combined estimated economic impacts of LAP 2 and LAP 3 over 20 years are shown in Figure 6.

Figure 6

Logistics Air Park Development Project Summary of Impacts - Total						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Output (Direct)	\$99,042,188	\$101,023,032	\$103,043,493	\$105,104,362	\$107,206,450	\$2,406,464,673
Indirect Impact	\$61,506,744	\$62,736,879	\$63,991,617	\$65,271,449	\$66,576,878	\$1,494,452,116
Induced Impact	\$48,599,646	\$49,571,639	\$50,563,071	\$51,574,333	\$52,605,820	\$1,180,843,565
Total Economic Impact	\$209,148,578	\$213,331,550	\$217,598,181	\$221,950,145	\$226,389,148	\$5,081,760,354
Total Employment						
Total Employment	1,770	1,770	1,770	1,770	1,770	
Direct Employment	1,104	1,104	1,104	1,104	1,104	
Total Wages						
Total Wages	\$76,200,481	\$77,724,490	\$79,278,980	\$80,864,560	\$82,481,851	\$1,851,471,258
Direct Wages	\$41,266,680	\$42,092,014	\$42,933,854	\$43,792,531	\$44,668,382	\$1,002,671,784
Total Local Fiscal Impact	\$3,340,099	\$3,406,901	\$3,475,039	\$3,544,540	\$3,615,431	\$81,155,625

As shown, the combined operational economic impacts over 20 years are estimated to include approximately \$2.4 billion in direct impact and \$5.1 billion in total economic impact throughout the area. Ongoing employment is expected to support an additional 1,770 jobs (1,104 direct jobs) and a total of \$1.9 billion in wages (\$1.0 billion direct wages) over the 20 years. Throughout the 20 years, it is estimated that the Project could generate approximately \$130.0 million in total tax revenue (direct, indirect, & induced).

Summary of Direct Fiscal Impact from Project Operations

Figures 7, 8, and 9, on the following pages, summarize the direct fiscal impacts of LAP 2 and LAP 3, and the combined impact of both over 20 years of operations, once all of the anticipated Project elements have come online. State and local tax revenues for the proposed Project site are estimated based on the previously discussed scope of the Project components.²

Throughout the 20 years, it is estimated that LAP 2 could generate approximately \$26.3 million in state tax revenues and \$21.3 million in local tax revenues. LAP 3 is estimated to generate approximately \$22.5 million in state tax revenues and \$19.5 million in local tax revenues. In total, the Project could generate approximately \$48.8 million in state tax revenues and \$40.8 million in local tax revenues.

² It is expressly acknowledged that Commonwealth Economics cannot guarantee and shall face no liability regarding the success of any proposed project, bond issue, loan, grant, the ability to obtain funding from any source or the accuracy of any estimated revenue stream. Commonwealth Economics utilized second and third-party sources, deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this report are based on trends and assumptions (outlined in detail within this document), which usually result in differences between the projected results and actual results. And because events and circumstances frequently do not occur as expected, those differences may be material.

Figure 7

Logistics Air Park Development Project									
Estimated Direct Tax Revenue									
LAP 2									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Future Tax Revenues from Project									
State Tax Revenues									
Property Tax	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Individual Income Tax	\$25,140,798	\$1,034,713	\$1,055,407	\$1,076,515	\$1,098,045	\$1,120,006	\$1,236,578	\$1,507,381	\$25,140,798
Total State Tax Revenues	\$26,299,547	\$1,082,403	\$1,104,051	\$1,126,132	\$1,148,655	\$1,171,628	\$1,293,572	\$1,576,857	\$26,299,547
Local Tax Revenues									
General Fiscal Court Property Tax	\$1,234,732	\$50,818	\$51,834	\$52,871	\$53,928	\$55,007	\$60,732	\$74,032	\$1,234,732
Jefferson County School Property Tax	\$7,170,944	\$295,133	\$301,035	\$307,056	\$313,197	\$319,461	\$352,711	\$429,952	\$7,170,944
Okolona Fire District Property Tax	\$949,794	\$39,090	\$39,872	\$40,670	\$41,483	\$42,313	\$46,717	\$56,947	\$949,794
Louisville Metro Occupational Tax	\$6,772,948	\$278,752	\$284,327	\$290,014	\$295,814	\$301,730	\$333,135	\$406,089	\$6,772,948
Louisville Transit Occupational Tax	\$1,083,672	\$44,600	\$45,492	\$46,402	\$47,330	\$48,277	\$53,302	\$64,974	\$1,083,672
Louisville School Board Occupational Tax	\$4,063,769	\$167,251	\$170,596	\$174,008	\$177,489	\$181,038	\$199,881	\$243,654	\$4,063,769
Total Local Tax Revenues	\$21,275,858	\$875,644	\$893,157	\$911,021	\$929,241	\$947,826	\$1,046,476	\$1,275,649	\$21,275,858
Direct Tax Revenues Generated from Project	\$47,575,405	\$1,958,048	\$1,997,208	\$2,037,153	\$2,077,896	\$2,119,454	\$2,340,048	\$2,852,506	\$47,575,405
State Tax Revenue	\$26,299,547	\$1,082,403	\$1,104,051	\$1,126,132	\$1,148,655	\$1,171,628	\$1,293,572	\$1,576,857	\$26,299,547
Local Tax Revenue	\$21,275,858	\$875,644	\$893,157	\$911,021	\$929,241	\$947,826	\$1,046,476	\$1,275,649	\$21,275,858



Figure 8

Logistics Air Park Development Project Estimated Direct Tax Revenue LAP 3									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Future Tax Revenues from Project									
State Tax Revenues									
Property Tax	\$1,161,019	\$47,784	\$48,739	\$49,714	\$50,708	\$51,723	\$57,106	\$69,612	\$1,161,019
Individual Income Tax	\$21,384,923	\$880,133	\$897,736	\$915,691	\$934,004	\$952,685	\$1,051,841	\$1,282,188	\$21,384,923
Total State Tax Revenues	\$22,545,942	\$927,917	\$946,475	\$965,405	\$984,713	\$1,004,407	\$1,108,947	\$1,351,800	\$22,545,942
Local Tax Revenues									
General Fiscal Court Property Tax	\$1,237,151	\$50,917	\$51,935	\$52,974	\$54,034	\$55,114	\$60,851	\$74,177	\$1,237,151
Jefferson County School Property Tax	\$7,184,993	\$295,711	\$301,625	\$307,657	\$313,811	\$320,087	\$353,402	\$430,795	\$7,184,993
Okolona Fire District Property Tax	\$951,655	\$39,167	\$39,950	\$40,749	\$41,564	\$42,396	\$46,808	\$57,059	\$951,655
Louisville Metro Occupational Tax	\$5,760,449	\$237,081	\$241,823	\$246,659	\$251,592	\$256,624	\$283,334	\$345,383	\$5,760,449
Louisville Transit Occupational Tax	\$921,672	\$37,933	\$38,692	\$39,465	\$40,255	\$41,060	\$45,333	\$55,261	\$921,672
Louisville School Board Occupational Tax	\$3,456,270	\$142,249	\$145,094	\$147,996	\$150,955	\$153,975	\$170,000	\$207,230	\$3,456,270
Total Local Tax Revenues	\$19,512,190	\$803,058	\$819,119	\$835,501	\$852,211	\$869,255	\$959,728	\$1,169,903	\$19,512,190
Direct Tax Revenues Generated from Project	\$42,058,132	\$1,730,975	\$1,765,594	\$1,800,906	\$1,836,924	\$1,873,663	\$2,068,675	\$2,521,703	\$42,058,132
State Tax Revenue	\$22,545,942	\$927,917	\$946,475	\$965,405	\$984,713	\$1,004,407	\$1,108,947	\$1,351,800	\$22,545,942
Local Tax Revenue	\$19,512,190	\$803,058	\$819,119	\$835,501	\$852,211	\$869,255	\$959,728	\$1,169,903	\$19,512,190

Figure 9

Logistics Air Park Development Project									
Estimated Direct Tax Revenue									
LAP 2 & LAP 3									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Future Tax Revenues from Project									
State Tax Revenues									
Property Tax	\$2,319,767	\$95,474	\$97,383	\$99,331	\$101,318	\$103,344	\$114,100	\$139,088	\$2,319,767
Individual Income Tax	\$46,525,721	\$1,914,846	\$1,953,143	\$1,992,206	\$2,032,050	\$2,072,691	\$2,288,418	\$2,789,569	\$46,525,721
Total State Tax Revenues	\$48,845,489	\$2,010,320	\$2,050,526	\$2,091,537	\$2,133,368	\$2,176,035	\$2,402,519	\$2,928,657	\$48,845,489
Local Tax Revenues									
General Fiscal Court Property Tax	\$2,471,883	\$101,735	\$103,769	\$105,845	\$107,962	\$110,121	\$121,582	\$148,208	\$2,471,883
Jefferson County School Property Tax	\$14,355,937	\$590,843	\$602,660	\$614,713	\$627,008	\$639,548	\$706,112	\$860,747	\$14,355,937
Okolona Fire District Property Tax	\$1,901,449	\$78,257	\$79,823	\$81,419	\$83,047	\$84,708	\$93,525	\$114,006	\$1,901,449
Louisville Metro Occupational Tax	\$12,533,397	\$515,834	\$526,150	\$536,673	\$547,407	\$558,355	\$616,469	\$751,472	\$12,533,397
Louisville Transit Occupational Tax	\$2,005,344	\$82,533	\$84,184	\$85,868	\$87,585	\$89,337	\$98,635	\$120,236	\$2,005,344
Louisville School Board Occupational Tax	\$7,520,038	\$309,500	\$315,690	\$322,004	\$328,444	\$335,013	\$369,881	\$450,883	\$7,520,038
Total Local Tax Revenues	\$40,788,048	\$1,678,702	\$1,712,276	\$1,746,522	\$1,781,452	\$1,817,081	\$2,006,205	\$2,445,552	\$40,788,048
Direct Tax Revenues Generated from Project									
State Tax Revenue	\$89,633,537	\$3,689,022	\$3,762,803	\$3,838,059	\$3,914,820	\$3,993,116	\$4,408,723	\$5,374,209	\$89,633,537
Local Tax Revenue	\$48,845,489	\$2,010,320	\$2,050,526	\$2,091,537	\$2,133,368	\$2,176,035	\$2,402,519	\$2,928,657	\$48,845,489
Total Tax Revenue	\$138,479,026	\$5,699,342	\$5,813,329	\$5,929,596	\$6,048,188	\$6,169,151	\$6,811,242	\$8,302,866	\$138,479,026

IV. LOCAL “NET NEW” IMPACT ANALYSIS

Effective July 1, 2021, Kentucky Revised Statutes (“KRS”) 65.7047(2)(a) now requires that an independent outside consultant be hired to analyze the “net positive” or “net new” fiscal impact of a local Tax Increment Financing (“TIF”) development area project to be located on previously undeveloped land. As a result, this chapter considers the extent to which incremental tax revenues generated by the Logistics Air Park Development Project (“Project”) are “net new” to Louisville-Jefferson County, Kentucky (“Louisville Metro”).

The Project’s location directly on the northeast corner of I-65 and KY Route 1065 (Outer Loop Rd.), within a 5-minute drive to the Louisville Airport and UPS Worldport, allows it to generate “net new” impacts that no other location within Louisville Metro is in a similar position to achieve. Transforming one of Louisville Metro’s underachieving properties into a hub of economic activity that will bring “net new” tax revenues to Louisville Metro in a variety of ways.

Net New Definition

“Net new” impacts to Louisville Metro are made up of four key components:

- 1) The construction spending in Louisville Metro that would not have otherwise occurred but for the Project.
- 2) The attraction of residents, jobs, and businesses from other cities and counties that would not otherwise have come to Louisville Metro but for the Project.
- 3) The spending by businesses and/or employees from other cities and counties that would not have otherwise been spent but for the Project.
- 4) The retention of tax dollars in the local economy resulting from these activities that would have otherwise occurred in other cities and counties.

This Project creates a one-of-a-kind option on the south side of Louisville Metro that will attract new logistics businesses to the area and retain existing business spending and employment, generating unique impacts within the local economy that would not have occurred anywhere else within Louisville Metro but for the draw created by this Project.

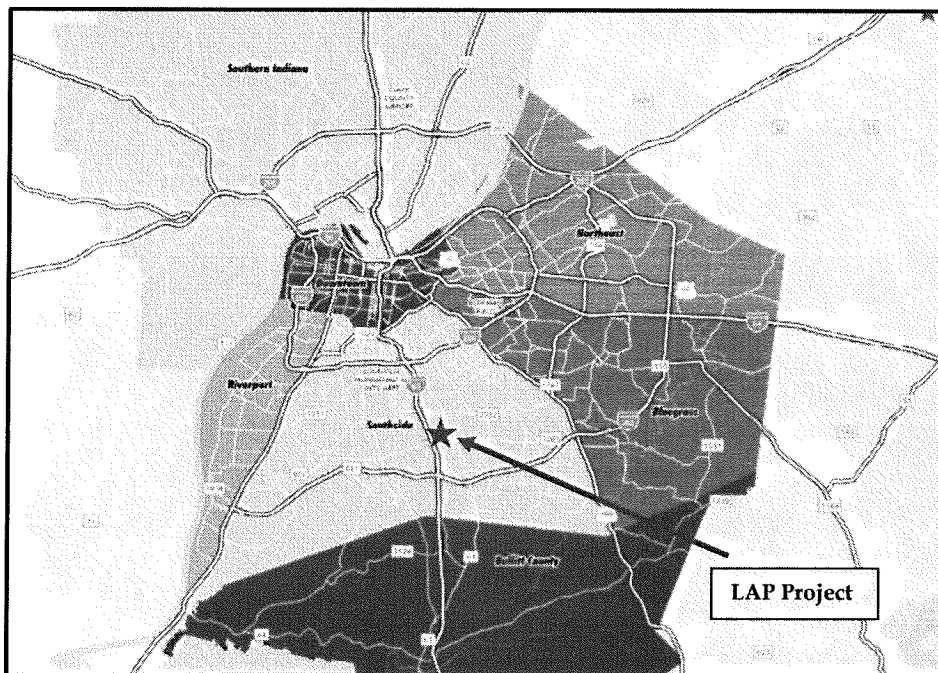
Net New Incremental Louisville Metro Property Taxes

Total construction costs are estimated at \$97.8 million, with \$43.1 million being spent on public infrastructure. The development of the property will provide a unique asset at a location within Louisville Metro that cannot be replicated anywhere else within Louisville Metro. Because the Project is uniquely located and will increase supply across the logistics market sector that will generate new demand, the construction spending and the property tax impacts associated with its development should all be considered “net new” fiscal impacts to Louisville Metro. **This will result in the remittance of new incremental property taxes over the 20-year period following construction, all of which will be “net new” impacts to Louisville Metro.**

Net New Incremental Louisville Metro Occupational Taxes

The Louisville Area Industrial Market is made up of the following submarkets: the bluegrass region, Bullitt County, downtown Louisville, northeast Louisville, the Louisville riverport area, the Southside/ Airport region, and Southern Indiana. The proposed location for the Project is within the Southside/ Airport submarket, which frequently competes with Bullitt County. Figure 10, below, provides an aerial view of these submarkets with a red star in place of the Project’s proposed location.

Figure 10



During the second quarter (“Q2”) of 2021, the Louisville Area Industrial Market recorded positive net absorption³ of 2.0 million square feet. This was the 25th consecutive quarter of positive net absorption recorded in the market, putting the market on track to make 2021 the second highest year of positive net absorption in its history. As a result, the average market vacancy rate dropped 90 basis points (“bps”) to 3.4% in Q2 2021. The Southside/ Airport submarket posted a vacancy rate of 0.4%, its lowest rate ever recorded. Figure 11, below, provides market data recorded by CBRE for Q2 2021.⁴

Figure 11

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Avail. Rate (%)	Net Absorption (SF)	Under Construction (SF)	Construction Completions (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Bluegrass	7,509,458	2.6	2.6	122,831	117,120	0	4.50
Bullitt County	18,014,831	9.0	12.9	264,100	2,484,754	264,100	4.32
Downtown	13,650,190	6.8	1.6	(52,821)	0	0	2.65
Northeast	10,684,988	0.8	0.8	8,700	98,800	0	5.58
Riverport	18,042,445	2.8	3.1	99,558	0	0	4.11
Southern Indiana	27,924,332	5.5	9.3	1,028,974	618,635	259,800	4.58
Southside/Airport	55,893,648	0.4	1.0	554,410	1,541,490	152,250	4.08
Totals	151,719,892	3.4	4.9	2,025,752	4,860,799	676,150	4.23

As shown in Figure 11, the Southside/ Airport region, Bullitt County, and Southern Indiana accounted for approximately 91% of positive net absorption in Q2 2021 (Southside/ Airport = 27%). This indicates a strong preference by logistics businesses to locate outside of downtown Louisville and nearby to the UPS Worldport. As a result, the Southside/ Airport submarket is quickly running out of space with only 1.0% of rentable square feet available as of Q2 2021.

³ **Net absorption Definition:** a metric used to show the demand for space, and is defined as a measure of square footage that is occupied at the end of a period minus the amount that was occupied at the beginning of the period, taking into account space vacated.

⁴ **CBRE Q2 2021 Louisville Area Industrial Market Report:** <https://www.cbre.us/research-and-reports/Louisville-Industrial-MarketView-Q2-2021>

Without the addition of new warehousing space, the Southside/Airport submarket will risk losing businesses to Bullitt County and Southern Indiana which account for 64% of planned construction in Q2 2021. Figure 12, below, provides a list of the largest projects planned for the market.

Figure 12

Size (Sq. Ft.)	Project	Submarket
1,042,534	Bourbon Logistics Center 3	Bullitt County
671,678 *	Prologis Cedar Grove 6	Bullitt County
476,780	Louisville Industrial Center Building G	Southside/Airport
468,635 *	US Capital Development River Ridge	Southern Indiana
443,822 *	US Capital Development Bullitt County	Bullitt County
326,720	Bullitt 1 Logistics Center	Bullitt County
<i>Under Construction</i>	<i>Build to Suit</i>	

When considering the above information, we anticipate that 100% of the Project’s activities and employment will be “net new” to Louisville Metro. Therefore, we estimate that 0% of the incremental occupational tax revenues generated by the Project would be the result of transfer activity within Louisville Metro.

V. CONCLUSION

The Logistics Air Park Development Project is positioned to provide industrial warehouse space and complimentary office space, spread across two different contiguous sites, and totaling over 1.8 million square feet of space. The Project's total capital investment is estimated at approximately \$97.8 million.

This analysis estimates that the Project could generate approximately \$5.1 billion of total economic output, sustain 1,770 jobs annually, and support approximately \$1.9 billion in wages throughout Louisville and the state over the 20 years following construction. This activity is projected to generate a 20-year direct fiscal impact of about \$89.6 million in state and local tax revenues, approximately \$40.8 million of which would be local. Construction impacts are estimated to add another \$8.0 million in tax revenues, approximately \$1.0 million of which would be local.

Additionally, when considering the potential direct, as well as the indirect and induced impacts, **an estimated \$81.2 million in local net new tax revenues** are expected to result from this Project's successful development over a 20-year period.

However, the Project will require significant expenditures on public infrastructure elements, which are likely cost prohibitive without public assistance either directly or using incentives. Site preparation includes: significant roadwork, earthwork, utilities, curbs, sidewalks, promenades, stormwater, sanitary sewer, landscaping, and erosion control. Louisville Metro and the Commonwealth of Kentucky have access to several incentive programs that could be utilized to support the Project.

APPENDIX: TIF INCREMENTAL REVENUE ESTIMATES

Logistics Air Park Development Project										
Estimated TIF-Eligible Incremental Tax Revenues										
LAP 2 & LAP 3										
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total	
Estimated TIF-Eligible Incremental Tax Revenues										
State Tax Revenues										
Ad Valorem Real Property Tax Revenues	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749	
Local Tax Revenues										
General Fiscal Court Property Tax	\$2,471,883	\$101,735	\$103,769	\$105,845	\$107,962	\$110,121	\$121,582	\$148,208	\$2,471,883	
Louisville Metro Occupational Tax	\$12,533,397	\$515,834	\$526,150	\$536,673	\$547,407	\$558,355	\$616,469	\$751,472	\$12,533,397	
Total Local Incremental Tax Revenues	\$15,005,280	\$617,568	\$629,919	\$642,518	\$655,368	\$668,476	\$738,051	\$899,680	\$15,005,280	
TIF-Eligible Incremental Tax Revenues										
at 100%	\$16,164,029	\$665,258	\$678,564	\$692,135	\$705,978	\$720,097	\$795,045	\$969,156	\$16,164,029	
State Tax Revenues										
at 100%	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749	
Local Tax Revenues										
at 100%	\$15,005,280	\$617,568	\$629,919	\$642,518	\$655,368	\$668,476	\$738,051	\$899,680	\$15,005,280	



Logistics Air Park Development Project
Estimated TIF-Eligible Incremental Tax Revenues
Only LAP 2

	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated TIF-Eligible Incremental Tax Revenues									
State Tax Revenues									
Ad Valorem Real Property Tax Revenues	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Local Tax Revenues									
General Fiscal Court Property Tax	\$1,234,732	\$50,818	\$51,834	\$52,871	\$53,928	\$55,007	\$60,732	\$74,032	\$1,234,732
Louisville Metro Occupational Tax	\$6,772,948	\$278,752	\$284,327	\$290,014	\$295,814	\$301,730	\$333,135	\$406,089	\$6,772,948
Total Local Incremental Tax Revenues	\$8,007,680	\$329,570	\$336,161	\$342,884	\$349,742	\$356,737	\$393,866	\$480,121	\$8,007,680
TIF-Eligible Incremental Tax Revenues	\$9,166,429	\$377,260	\$384,805	\$392,501	\$400,351	\$408,358	\$450,861	\$549,597	\$9,166,429
State Tax Revenues	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Local Tax Revenues	\$8,007,680	\$329,570	\$336,161	\$342,884	\$349,742	\$356,737	\$393,866	\$480,121	\$8,007,680



<p style="text-align: center;">Logistics Air Park Development Project Estimated TIF-Eligible Incremental Tax Revenues Only LAP 3</p>										
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total	
Estimated TIF-Eligible Incremental Tax Revenues										
State Tax Revenues										
Ad Valorem Real Property Tax Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Local Tax Revenues										
General Fiscal Court Property Tax	\$1,237,151	\$50,917	\$51,935	\$52,974	\$54,034	\$55,114	\$60,851	\$74,177	\$1,237,151	
Louisville Metro Occupational Tax	\$5,760,449	\$237,081	\$241,823	\$246,659	\$251,592	\$256,624	\$283,334	\$345,383	\$5,760,449	
Total Local Incremental Tax Revenues	\$6,997,600	\$287,998	\$293,758	\$299,633	\$305,626	\$311,739	\$344,185	\$419,559	\$6,997,600	
TIF-Eligible Incremental Tax Revenues										
State Tax Revenues at 100%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Local Tax Revenues at 100%	\$6,997,600	\$287,998	\$293,758	\$299,633	\$305,626	\$311,739	\$344,185	\$419,559	\$6,997,600	

EXHIBIT D

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU"), entered into this _____ day of _____, 2021 by and between **STORM WATER BANK, LLC**, a Kentucky Limited Liability Company, its successors and/or assigns, **NICKLIES & COMPANY, INC.**, a Kentucky Corporation, its successors and/or assigns, (collectively, the "Donor") or an affiliate of same **AND LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT**.

RECITALS:

WHEREAS, the Donor desires to provide certain community benefits in response to community needs.

NOW THEREFORE, for good and valuable consideration, the parties agree as follows:

Section 1. OBLIGATIONS OF DONOR.

Storm Water Bank, LLC agrees as follows:

- A. Storm Water Bank, LLC will donate to Louisville-Jefferson County Metro Government a certain 27.796 Acre Tract, as further described on the attached Exhibit "A" Legal Description (the "Property").

Nicklies & Company, Inc. agrees as follows:

- B. Nicklies & Company, Inc. will contribute Five Thousand Dollars and 00/100 (\$5,000.00) to the Preston Area Business Association to be used for area identification and beautification.
- C. With the transfer of title to the Property, Nicklies & Company, Inc. shall pay Fifteen Thousand Dollars and 00/100 (\$15,000.00) to the entity designated by Louisville-Jefferson County Metro Government to be used for design and engineering.

Section 2. OBLIGATIONS OF LOUISVILLE-JEFFERSON COUNTY METRO GOVERNMENT.

Louisville-Jefferson County Metro Government agrees as follows:

- A. In good faith, the Louisville-Jefferson County Metro Government will work with the Donor to:

Section 3. EXPIRATION. If Louisville-Jefferson County Metro Government does not accept the title to the Property within one (1) year from the date first written above, the Donor's obligations will expire.

Section 4. APPLICABLE LAW. This MOU shall be interpreted under the laws of the Commonwealth of Kentucky.

Section 5. ENTIRE AGREEMENT. This MOU, together with any exhibits hereto, which are deemed to be incorporated by reference as if set forth at length herein, shall constitute the entire written understanding of the parties with respect to the subject matter hereof and shall supersede all oral and written understandings of the parties, all of which are deemed to be merged herein. This MOU may not be modified or amended except in writing, signed by each of the parties hereto, their successors or assigns.

IN WITNESS WHEREOF the authorized representatives of parties hereto have caused this Agreement to be duly executed as of the date first above written.

Storm Water Bank, LLC

“Donor”

By: _____

Title: _____

Nicklies & Company, Inc.

“Donor”

By: _____

Title: _____

**Louisville-Jefferson County Metro
Government**

By: _____

Title: _____

EXHIBIT "A"
LEGAL DESCRIPTION – THE PROPERTY

27.796_ACRE TRACT

Beginning at an iron pin with identifier #2747 at the intersection of the West line of the tract conveyed to Joseph and Mary Ulrich by deed of record in Deed Book 3588, Page 454, in the Office of the Clerk of Jefferson County, Kentucky with the North line of Laclede Lane, a public roadway dedicated by plat of record in Plat Book 21, Page 90 in the Office aforesaid; thence with said North line South 57 degrees 51 minutes 47 seconds West 57.44 feet to an iron pin with identifier #2747 and South 58 degrees 05 minutes 47 seconds West 134.44 feet to an iron pin and identifier #2747 at its intersection with the West line of the tract conveyed to Commonwealth Endowment Properties, Mark 1, Inc., by deed of record in Deed Book 6458, Page 313 in the office aforesaid, thence with said West line South 23 degrees 11 minutes 33 seconds East 370.59 feet to an iron pin and identifier #2747 and South 02 degrees 00 minutes 00 seconds West 724.00 feet to an iron pin and identifier #2747 at its intersection with the North line of the tract conveyed to Paul F. Ulrich and Charles Ulrich by deed of record in Deed Book 1112, Page 433, in the office aforesaid, said point also being the most Southwesterly corner of the plat attached to Deed Book 4963, Page 281, in the office aforesaid; thence with said North line North 88 degrees 20 minutes 17 seconds West 1831.51 feet to an iron pin with identifier #2747 and North 88 degrees 30 minutes 17 seconds West 13.25 feet to an iron pin and Identifier #2747 at its intersection with the East line of Preston Park, Section 4, a plat of record in Plat Book 28, Page 70 in the office aforesaid, thence with said East line North 04 degrees 32 minutes 43 seconds East 55.95 feet to an iron pin and identifier #2747 at its intersection with the North line of the tract conveyed to Right Reverend John A. Floersh, Roman Catholic Bishop of Louisville by deed of record in Deed Book 3138, Page 568, in the office aforesaid; thence with said North line North 49 degrees 43 minutes 43 seconds East 109.63 feet to an iron pin and identifier #2747, and North 57 degrees 47 minutes 39 seconds East 1873.10 feet to an iron pin and identifier #2747 at its intersection with the West line of the tract conveyed to said Roman Catholic Bishop of Louisville by deed of record in Deed Book 3426, Page 428 in the office aforesaid; thence with lines common to same South 38 degrees 13 minutes 00 seconds East 80.54 feet and North 58 degrees 03 minutes 00 seconds East 393.96 feet to its intersection with the West line of the Ulrich tract aforesaid; thence with said West line South 02 degrees 00 minutes 00 seconds West 51.03 feet to the point of beginning, containing 27.796 acres.

The above description encompasses and describes the same property as referred to in Stewart Title Guaranty Company Commitment #98-1242, dated September 24, 1998.

Subject to Declaration Of Restrictive Covenants For Conservation Of Property For Mitigation For Impacts To Wetlands Identified In Department Of The Army Permit Number LRL-2018-691, dated July 19, 2019, of record in Deed Book 11458, Page 469, in the Office of the Clerk of Jefferson County, Kentucky.

Being the same property conveyed to Storm Water Bank, LLC, a Kentucky limited liability company, by Deed dated November 12, 1998, of record in Deed Book 7137, Page 202, in the Office of the Clerk of Jefferson County, Kentucky.