

ORDINANCE NO. _____, SERIES 2017

AN ORDINANCE ESTABLISHING A DEVELOPMENT AREA PURSUANT TO PROVISIONS OF KRS 65.7041- 65.7083 TO BE KNOWN AS THE MAIN AND SHELBY DEVELOPMENT AREA, DESIGNATING THE METRO DEVELOPMENT AUTHORITY, INC. AS AN "AGENCY", ADOPTING A DEVELOPMENT PLAN, 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.

SPONSORED BY: COUNCILWOMAN SEXTON SMITH

WHEREAS, the Kentucky General Assembly enacted KRS 65.7041-65.7083 (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 Local Kentucky, LLC, a Delaware limited liability company, (the "Developer") plans to undertake a major project within the Main and Shelby Development Area (the "Development Area") to complete the Main and Shelby 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 \$56 million when fully developed;

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 purpose 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 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 AS FOLLOWS:

Section 1. The Development Plan, attached hereto as Exhibit A, is hereby adopted.

Section 2. 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 2.701 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 \$1.504 billion. The taxable real property assessment of the Development Area for calendar year 2016 is approximately \$2,455,410, and that amount combined with the previous development areas established by Louisville Metro totals \$1.507 billion, while the total taxable real property assessment for Louisville exceeds \$53 billion, 20% of which is \$10.6 billion.

E. The conditions within the Development Area meets two (2) of the seven (7) factors of blight as set forth in KRS 65.7049 and are as follows:

1. **Inadequate public improvements or substantial deterioration in public infrastructure.** In order to develop the proposed Project, a parking structure is required to support the anticipated increased demand. Additional infrastructure improvements will also be required to facilitate the Project. These infrastructure improvements cannot be reasonably funded with private investment alone.
2. **A combination of factors substantially impairs or arrests the growth and economic development of the city or county and impedes the development of commercial or industrial property due to the Development Area's**

present condition and use. Development of the Project site without assistance as provided by the Act is not feasible due to the large scale costs associated with the redevelopment of the proposed Project. Potential revenue alone cannot underwrite the costs of redevelopment of the proposed improvements. No other adequate funding mechanism supports the proposed improvements absent the incentives provided under the Act. These improvements cannot be facilitated with private investment alone. The aesthetic improvement resulting from the development of the proposed Project will have a positive effect on Louisville Metro and surrounding area, especially the impact on East Main Street.

- 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, including foundation issues, parking, and other public infrastructure expenses 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, facilitate secondary and tertiary re-development within the area, and bring additional residents, diners and other visitors to Louisville. The Development Area has a 2016 taxable assessment of approximately \$2,455,410 and annually generates \$11,744 in real estate taxes to Louisville Metro. The Project will increase capital investment by approximately \$56 million, which will provide significant new taxes to Louisville Metro and the other taxing districts. While Louisville Metro will pledge 80% of the incremental increase of the local ad valorem real property taxes from the Development Area, up to a cap of \$5,027,936 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 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. In addition to the direct tax impact of the Project, the Project will provide unique and currently unavailable residential offerings and support to the surrounding neighborhood.

- H. The area immediately surrounding the Development Area has not been subject to growth and development through investment by

private enterprise independent of public support. The proposed improvements within the Development Area, and the resulting increase in residential density, will have a positive effect on the surrounding area, which faces challenges in development without them. Additional parking and utility services will increase the feasibility of developments in the area, not only within this Development Area, but also the surrounding area. The area surrounding the Development Area is at a turning point, and there remains a distinct lack of residential units, Main Street retail, parking, and utility infrastructure to support continued development. There is potential for an attractive and desirable new multi-family housing project in the area, which will serve as a catalyst and continue to create momentum needed to transform the area.

- 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 3. 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 Main and Shelby 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 effective date hereof, provided that in no case the termination date will be more than 20 years from the activation date.

Section 4. 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.

Section 5. That the Metro Council approves and authorizes the Mayor to negotiate and enter into a Local Participation Agreement, substantially in the form attached hereto as Exhibit C, with the Authority for the release to the Authority of a portion of the new ad valorem real property taxes expected to be derived by Louisville Metro from the Project to be constructed in the Development Area (“Released Amount”).

Section 6. 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;
- D. An accounting of the Approved Project Costs and other Project Costs incurred by the Developer.

Section 7. 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 Louisville Metro Ad Valorem Real Property Tax Increment, as that term is defined in the Local Participation Agreement, subject to the following condition: in no event shall the total of the Released Amount paid to the Authority over the term of the Local Participation Agreement exceed \$5,027,936 as set forth in the Local Participation Agreement.

Section 8. 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 9. That the Mayor and other appropriate Louisville Metro officials, officers, and employees, 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, officers, and employees, 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 10. 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 11. This Ordinance shall take effect upon its passage and approval.

H. Stephen Ott
Metro Council Clerk

David Yates
President of the Council

Greg Fischer
Mayor

Approval Date

APPROVED AS TO FORM AND LEGALITY:

Michael J. O'Connell
Jefferson County Attorney

By: _____

Main and Shelby TIF Ordinance nl O-075-17 030617.docx

Exhibits

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

EXHIBIT A
DEVELOPMENT PLAN

EXHIBIT B
MAP OF DEVELOPMENT AREA

LEGAL DESCRIPTION

700 East Main Street

BEING A CONSOLIDATED TRACT OF LAND LOCATED ON THE SOUTH SIDE OF EAST MAIN STREET BETWEEN SOUTH CLAY STREET AND SOUTH SHELBY STREET, LOUISVILLE, JEFFERSON COUNTY, KENTUCKY AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT AT THE SOUTHEAST CORNER OF THE RIGHT-OF-WAY OF EAST MAIN STREET AND SOUTH CLAY STREET, SAID POINT BEING REFERENCED BY TWO FOUND NOTCH CUTS IN A THE STONE BASE OF A BUILDING CORNER, EACH NOTCH IN LINE WITH THE EASTERLY AND SOUTHERLY BOUNDARY LINES PROJECTED, SAID POINT ALSO BEING REFERENCED BY A SET MAG NAIL WITH A DISC, STAMPED "JOHN THOMAS 3259" (HEREAFTER REFERRED TO AS A "SET MAG NAIL") THAT BEARS NORTH 35°56'16" WEST (THIS AND ALL SUBSEQUENT BEARINGS REFER TO SCALED LOJIC MAPPING), 7.07 FEET; THENCE ALONG THE SOUTH RIGHT-OF-WAY LINE, OF EAST MAIN STREET, 90 FEET WIDE, OF RECORD ON THE PLAT OF PRESTON'S ENLARGEMENT, OF RECORD IN DEED BOOK EE, PAGE 464, IN THE OFFICE OF THE CLERK OF JEFFERSON COUNTY, KENTUCKY (HEREAFTER REFERRED TO AS THE CLERK'S OFFICE), SOUTH 81°00'00" EAST, 525.31 FEET TO A FOUND FAINT AND FRESHENED CROSS CUT, SAID CROSS IS ALSO REFERENCED BY A FOUND FAINT AND FRESHENED CROSS CUT THAT BEARS NORTH 54°03'37" EAST, 5.00 FEET FROM THE CORNER; THENCE ALONG THE WEST RIGHT-OF-WAY LINE OF SOUTH SHELBY STREET, 60 FEET WIDE, OF RECORD ON THE SAID PLAT OF PRESTON'S ENLARGEMENT, SOUTH 9°09'11" WEST, 204.00 FEET TO A SET MAG NAIL; THENCE ALONG THE NORTH LINE OF BILLY GOAT STRUT ALLEY, 12 FEET WIDE, OF RECORD ON THE SAID PLAT OF PRESTON'S ENLARGEMENT, NORTH 81°00'00" WEST, 525.31 FEET TO A SET MAG NAIL AND REFERENCED BY A SET MAG NAIL THAT BEARS NORTH 81°00'00" WEST, 5.00 FEET FROM THE CORNER; THENCE ALONG THE EAST RIGHT-OF-WAY LINE OF SOUTH CLAY STREET, 60 FEET WIDE, OF RECORD ON THE SAID PLAT OF PRESTON'S ENLARGEMENT, NORTH 9°07'28" EAST, 204.00 FEET TO THE POINT OF BEGINNING. SAID TRACT OF LAND CONTAINING 107,153 SQUARE FEET OR 2.460 ACRES. SAID DESCRIPTION IS BASED ON AN ALTA/NSPS LAND TITLE SURVEY, BY JOHN M. THOMAS, PLS NO. 3259, OF SABAK, WILSON & LINGO, INC., JOB NO. 2976, DATED MAY 13, 2016. BEING THE CONSOLIDATION OF TWELVE TRACTS OF LAND AND TWO 8-FOOT WIDE PRIVATE ALLEYS (SOURCE UNKNOWN) AND BEING THE SAME PROPERTY CONVEYED TO SERVICE WELDING AND MACHINE COMPANY, A KENTUCKY CORPORATION, NOW KNOWN AS SWM PROPERTIES INCORPORATED BY DEEDS DATED AND RECORDED AS FOLLOWS: DEED DATED MAY 10, 1939, OF RECORD IN DEED BOOK 1706, PAGE 235, AND DEED DATED MAY 10, 1939, OF RECORD IN DEED BOOK

1707, PAGE 234, AND DEED DATED JUNE 22, 1939, OF RECORD IN DEED BOOK 1713, PAGE 179, AND DEED DATED JULY 20, 1939, OF RECORD IN DEED BOOK 1714, PAGE 486, AND DEED DATED JULY 31, 1939, OF RECORD IN DEED BOOK 1717, PAGE 18, AND BY DEED DATED OCTOBER 17, 1944, OF RECORD IN DEED BOOK 1977, PAGE 347, AND DEED DATED JULY 26, 1956, OF RECORD IN DEED BOOK 3401, PAGE 404, AND DEED DATED NOVEMBER 4, 1965, OF RECORD IN DEED BOOK 4002, PAGE 121, AND DEED DATED NOVEMBER 4, 1965, OF RECORD IN DEED BOOK 4002, PAGE 136 AND DEED DATED NOVEMBER 4, 1965 OF RECORD IN DEED BOOK 4002, PAGE 155, AND DEED DATED NOVEMBER 23, 1965, OF RECORD IN DEED BOOK 4006, PAGE 14, AND DEED DATED NOVEMBER 23, 1965, OF RECORD IN DEED BOOK 4006, PAGE 15; ALL IN THE OFFICE OF THE CLERK OF JEFFERSON COUNTY, KENTUCKY.

121 South Clay Street

BEING A TRACT A TRACT OF LAND LOCATED AT THE SOUTHEAST CORNER OF BILLY GOAT STRUT ALLEY AND SOUTH CLAY STREET, LOUISVILLE, JEFFERSON COUNTY, KENTUCKY AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT AT THE SOUTHEAST CORNER OF THE RIGHT-OF-WAY OF BILLY GOAT STRUT ALLEY AND SOUTH CLAY STREET, SAID POINT BEING A SET MAG NAIL WITH DISC STAMPED "JOHN THOMAS 3259" (HEREAFTER REFERRED TO AS A "SET MAG NAIL"), SAID POINT BEING REFERENCED BY A SET MAG NAIL THAT BEARS NORTH 35°56'16" WEST, 7.05 FEET (THIS AND ALL BEARINGS REFER TO SCALED LOJIC MAPPING); THENCE ALONG THE NORTH RIGHT-OF-WAY LINE, OF BILLY GOAT STRUT ALLEY, 12 FEET WIDE, OF RECORD ON THE PLAT OF PRESTON'S ENLARGEMENT, OF RECORD IN DEED BOOK EE, PAGE 464, IN THE OFFICE OF THE CLERK OF JEFFERSON COUNTY, KENTUCKY (HEREAFTER REFERRED TO AS THE "CLERK'S OFFICE"), SOUTH 81°00'00" EAST, 105.00 FEET TO A POINT IN A 8-INCH STEEL BOLLARD, SAID POINT BEING REFERENCED BY A SET MAG NAIL THAT BEARS NORTH 9°07'28" EAST, 5.00 FEET; THENCE ALONG THE WEST LINE OF A TRACT OF LAND CONVEYED TO BLANK FOR NOW, LLC, OF RECORD IN DEED BOOK 7573, PAGE 580, IN THE CLERK'S OFFICE, SOUTH 9°07'28" WEST, 100.00 FEET TO A COMPUTED, UNMARKED POINT; THENCE ALONG THE NORTH LINE OF A 4-FOOT WIDE PRIVATE ALLEY, SOURCE UNKNOWN, NORTH 81°00'00" WEST, 105.00 FEET TO A SET MAG NAIL AND BEING REFERENCED BY A SET MAG NAIL THAT BEARS NORTH 81°00'00" WEST, 5.00 FEET; THENCE ALONG THE EAST RIGHT-OF-WAY LINE OF SOUTH CLAY STREET, 60 FEET WIDE, OF RECORD ON THE SAID PLAT OF PRESTON'S ENLARGEMENT, NORTH 9°07'28" EAST, 100.00 FEET TO THE POINT OF BEGINNING. SAID TRACT OF LAND CONTAINING 10,500 SQUARE FEET OR 0.241 ACRE. SAID DESCRIPTION IS BASED ON AN

ALTA/NSPS LAND TITLE SURVEY, BY JOHN M. THOMAS, PLS NO. 3259, OF SABAK, WILSON & LINGO, INC., JOB NO. 2976, DATED MAY 13, 2016.

BEING THE CONSOLIDATION OF THREE TRACTS OF LAND CONVEYED TO SERVICE WELDING AND MACHINE COMPANY, NOW KNOWN AS SWM PROPERTIES INCORPORATED AND BEING THE SAME PROPERTY CONVEYED TO SERVICE WELDING AND MACHINE COMPANY, A KENTUCKY CORPORATION, BY DEED DATED APRIL 10, 1925, OF RECORD IN DEED BOOK 1139, PAGE 335, AND DEED DATED JANUARY 31, 1928, OF RECORD IN DEED BOOK 1312, PAGE 617, AND DEED DATED JANUARY 31, 1928, OF RECORD IN DEED BOOK 1313, PAGE 584, AND APRIL 5, 1935, OF RECORD IN DEED BOOK 1570, PAGE 329, ALL IN THE OFFICE OF THE CLERK OF JEFFERSON COUNTY, KENTUCKY.

EXHIBIT C
LOCAL PARTICIPATION AGREEMENT