
Development Plan

For

Mercy

Louisville/Jefferson County Metro Government

_____, **2016**

Development Plan The Mercy Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **Mercy Development Area** (the “Development Area”) pursuant to the provisions of KRS 65.7041 to 65.7083, as the same may be amended (collectively, the “Act”), to encourage the redevelopment of a project consisting of a multifamily residential use being undertaken by Louisville Broadway Apartments, LLC, an Ohio limited liability company (the “Developer”), to be located at and adjacent to 1170-1176 East Broadway, Louisville, Kentucky. The Developer proposes to redevelop the site of a former academy that has sat vacant since 2008 into a 193± unit multifamily residential community and improve an existing parking garage (the “Project”). Louisville Metro proposes to support the Project and provide redevelopment assistance through a pledge of a portion of the incremental increase in local, Louisville Metro ad valorem real property taxes generated within the Development Area as a result of the Project.

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

1.3. The plan for the Project is to redevelop the site of a former academy which has sat vacant since 2008 into residential units. The Project will include many common-area, high-quality amenity offerings, and will be professionally managed

to provide the highest level of service for its residents. The Project will also improve an existing parking garage that is next to the former academy.

This redevelopment will transform the site, and will be a catalyst for further development of the surrounding neighborhood. In addition to contributing to and supporting Louisville Metro's explicit goal of bringing high-quality residential opportunities to the Downtown Louisville area, this proposed project will strengthen the basis for groceries and other urban services, and will drive further development on Broadway between Downtown and the Highlands.

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

"Empty nesters" and young millennials are particularly attracted to living environments that are well connected to active walkable amenities, particularly urban streets with restaurant, entertainment and shopping opportunities. Not only will the

Project provide a connection to existing shops and restaurants in the Original Highlands Neighborhood, but it will serve as the catalyst for expansion of other uses between Downtown and the Highlands.

1.4 Size and Location. The Development Area is an approximately 3.052 acre area in the Original Highlands neighborhood identified more specifically on the map attached as Exhibit “A”. This location, on the edge of the Original Highlands neighborhood, is perfectly situated for development of the Project, which will become the anchor and development catalyst for continued high quality growth and development in the surrounding areas.

2. The Development Area

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

(a) The Development Area is a contiguous area consisting of approximately 3.052 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 \$1.487 billion. The taxable real property within the Development Area for calendar year 2015 is approximately \$2,321,300, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.489 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2015 exceeds \$53 billion, 20% of which is \$10.6 billion. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Louisville Metro; and

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

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

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

(b) Forty percent (40%) or more of the households are low-

income households;

(c) More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;

(d) Substantial abandonment of residential, commercial, or industrial structures;

(e) Substantial presence of environmentally contaminated land;

(f) Inadequate public improvements or substantial deterioration in public infrastructure; or

(g) Any combination of factors that substantially impairs or arrests the growth and economic development of the city or county; impedes the provision of adequate housing; impedes the development of commercial or industrial property; or adversely affects public health, safety, or general welfare due to the development area's present condition and use.

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

1. **A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area.** The Development Area is the site of a former academy that has sat

vacant since 2008, because the academy moved to another location.

2. **More than fifty percent (50%) of the residential, commercial, or industrial structures are deteriorating or deteriorated.** More than fifty percent (50%) of the structures within the Development Area were deteriorating, because of the lack of investment provided for by the owners prior to the Developer. Those deteriorating structures have recently been demolished.
3. **A combination of factors substantially impairs or arrests the growth and economic development of the city or county and impedes the development of commercial or industrial property due to the Development Area's present condition and use.** Development of the Project site without assistance as provided by the Act is not feasible due to the large scale costs associated with the redevelopment of the proposed Project. Potential revenue alone cannot underwrite the costs of the proposed improvements. No other adequate funding mechanism affords the proposed improvements absent the incentives provided under the Act. These improvements cannot be facilitated with private investment alone. The aesthetic improvement resulting from the development of the proposed Project will have a positive effect on Louisville Metro and surrounding area, especially the impact on East Broadway.

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

2.4. Assurances the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. Louisville Metro finds that the public benefits of redeveloping the Development Area justify the public costs proposed. The investment in the Development Area will result in significant returns through increased property valuations for the surrounding area, will facilitate secondary and tertiary re-development within the area, and will bring additional residents, diners and other visitors to Louisville. The Development Area has a 2015 taxable assessed value of approximately \$2,321,300, but currently generates \$0 in ad valorem real property taxes to Louisville because its owner qualified for the property tax exemption pursuant to Section 170 of the Kentucky Constitution. The Project will increase capital investment by approximately \$26,500,000, which will provide significant new taxes to Louisville Metro and the other taxing districts. While Louisville Metro will pledge 80% of the incremental increase of the local ad valorem real property taxes from the Development Area, up to a cap of \$2,605,559, to provide redevelopment assistance to the Project, it will retain 20% of the new incremental increase in the local ad valorem real property taxes from the Development Area. The property is currently generating no revenue to Louisville Metro, and has not for several years. Therefore, even when considering the requested incentives for the Project from Louisville Metro, the Project

will be financially beneficial to Louisville Metro. Further, the Project will serve as a catalyst for additional development in the area surrounding the Development Area.

2.5. Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise or, if the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, that there are certain special circumstances within the Development Area that would prevent its development without public assistance. The majority of the property in the Development Area has sat vacant since 2008. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them. Increased residential density will increase the feasibility of developments within the area, not only within this Development Area, but also the development of the surrounding area.

The area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them.

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

2.7. Existing Uses and Conditions. The Development Area consists of approximately 3.052 acres located at 1170-1176 East Broadway in the Original Highlands neighborhood of Louisville Metro. The existing site includes a former academy that has been vacant since 2008 and was recently demolished.

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

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

3. The Development Program.

Designed to appeal to young professionals and creative types of the millennial generation, this Development will provide an attractive living environment for this group of individuals who are so highly sought after by employers and create the necessary and critical support for a vibrant urban life. Additionally, it will appeal to middle class empty nesters and others who specifically seek the lifestyle offered by a high quality urban living environment.

4. Redevelopment Assistance and Finance Plan.

Louisville Metro proposes to provide redevelopment assistance and pay for Project costs through a pledge of a portion of the incremental increases in tax

revenues from local ad valorem real property taxes from the Development Area. Louisville Metro proposes to pay annually to the Agency, as defined in the Local Participation Agreement, the Released Amount which shall be calculated as provided in the Local Participation Agreement as follows: (i) for the first ten (10) years of the term of the Local Participation Agreement, 100% of the Louisville Metro Ad Valorem Real Property Tax Increment, as that term is defined in the Local Participation Agreement, and (ii) for the next ten (10) years of the term of the Local Participation Agreement, 65% of the Louisville Metro Ad Valorem Real Property Tax Increment (which averages 80% over the term of the Local Participation Agreement), subject to the following condition: in no event shall the total of the Released Amount paid to the Agency over the term of the Local Participation Agreement exceed \$2,605,559 as set forth in the Local Participation Agreement.

Louisville Metro will establish a special fund for the deposit of pledged incremental revenues as required by KRS 65.7061. Pledged incremental revenues deposited into this special fund will be used solely to reimburse the Developer for redevelopment assistance or pay for project costs in compliance with this Development Plan, the Act, and all agreements and documents entered into in connection therewith. Louisville Metro will enact an ordinance establishing the Development Area and adopting this Development Plan. The development area ordinance will designate the Metro Development Authority, Inc. (the "Agency"), organized by Louisville Metro, as the entity in charge of overseeing, administering and implementing the terms of the development ordinance.

5. Conclusions.

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

Exhibit A

Map and Description of Development Area

Legal Description

Being a parcel of land on the south side of East Broadway in Jefferson County, Kentucky and being more particularly described as follows:

Beginning at an existing x-cut in a concrete wall in the south right-of-way (r/w) line of East Broadway at the northeast corner of a tract of land conveyed to Jefferson County School District (Jefferson) in Deed Book 7472 Page 643, of record in the Clerk's office of Jefferson County, Kentucky; thence with said r/w line and with the North line of a tract of land conveyed to Ventas Realty, LP (Ventas) in Deed Book 7858 Page 42 of record in the Clerk's office aforesaid, South 85 degrees, 35 minutes, 48 seconds East, 34.72 feet to an existing (ex) mag nail #3005; thence leaving said r/w line South 4 degrees, 24 minutes, 12 seconds West, 73.50 feet to an ex mag nail #3005; thence South 85 degrees, 35 minutes, 48 seconds East, 126.39 feet to an ex mag nail #3005; thence North 4 degrees, 24 minutes, 12 seconds East, 73.50 feet to an ex iron pin and cap #3005 (IPC) in said r/w line; thence with said r/w line and with the north lines of property conveyed to Ventas aforesaid and Louisville Broadway Apartments LLC (Louisville) in Deed Book 10564 Page 989, South 85 degrees, 35 minutes, 48 seconds East, 404.72 feet to an ex mag nail #3005 at the Northeast corner of Louisville aforesaid and the Northwest corner of a tract of land conveyed to Del Prince in Deed Book 9628 Page 966 in the Clerk's office aforesaid; thence leaving said r/w line and with Louisville and Del Prince, South 4 degrees, 24 minutes, 12 seconds West, 169.67 feet to an ex IPC #3005 in the South r/w line of an ex 10 foot Alley, thence with said Alley South 85 degrees, 35 minutes, 48 seconds East, 28.25 feet to an ex mag nail #3005 at the Northwest corner of a tract of land conveyed to Mugavin in Deed Book 9789 Page 944 of record in the Clerk's office aforesaid; thence with Mugavin and Louisville, South 4 degrees, 24 minutes, 12 seconds West, 77.83 feet to an ex mag nail #3005 in the north r/w line of Mercy Way, 15' R/W, at the Southwest corner of Mugavin and the Southeast corner of Louisville aforesaid; thence with said north r/w line and the south line of Louisville North 85 degrees, 35 minutes, 48 seconds West, 594.08 feet to an ex mag nail #3005 at the Southeast corner of Jefferson and the Southwest corner of Ventas aforesaid; thence leaving said r/w line and with Jefferson and Ventas North 4 degrees, 24 minutes, 12 seconds East, 247.50 feet to the point of beginning containing 3.052 acres more or less. Being a part of the same property conveyed to Ventas Realty, LP in Deed Book 7858 Page 42 and all of the property conveyed to Louisville Broadway Apartments, LLC, in Deed Book 10564 Page 989 of record in the Clerk's office aforesaid.