ORDINANCE NO. 132, SERIES 2014

AN ORDINANCE ESTABLISHING A DEVELOPMENT AREA PURSUANT TO PROVISIONS OF KRS 65.7041- 65.7083 TO BE KNOWN AS THE HOTEL NULU 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 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: Councilman Tandy

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 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; and

WHEREAS, 725 Partnership, LLC, a Kentucky limited liability company, (the "Developer") plans to undertake a major project within the Hotel NULU Development Area (the "Development Area") to complete the Hotel NULU Project, along with the related public infrastructure and public amenities, (the "Project"), as more particularly described in the Development Plan attached hereto as Exhibit A; and

WHEREAS, the Project when fully developed will involve new capital investment of in excess of $34 million, and the Project meets the definition of a mixed-use project under the Act, and qualifies as a development area, and for a pledge of state incremental revenues under one of the State Participation Programs as provided in the Act; and

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; and

WHEREAS, the Council finds that the Project to be undertaken in the Development Area by the Developer will result in the increase in the value of property located in the Development Area, will result in increased employment within the Development Area, Louisville and the region and increase the tax base of Louisville; and

WHEREAS, it is therefore in the interest of Louisville 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; and

WHEREAS, the development of a "Mixed-Use Project", within the meaning of Act and as presented by the Developer and the Authority, to enable Louisville and the Commonwealth to use tax increment financing to encourage major economic development projects, is a worthy public purpose; and

WHEREAS, Louisville is authorized under the Act to execute 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 purpose of Louisville; and

WHEREAS, the Authority is organized and incorporated by Louisville as a non-profit corporation to act as an "Agency" under the Act;

WHEREAS, Louisville has determined that because of 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.

BE IT ORDAINED BY THE LEGISLATIVE COUNCIL OF THE LOUISVILLE/ JEFFERSON COUNTY METRO GOVERNMENT (THE COUNCIL) AS FOLLOWS:

Section 1. 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 establishment of the Development Area shall not cause the assessed value of taxable real estate in all development areas located in Louisville to exceed 20% of the assessed value of all taxable real property in Louisville. To date Louisville has established several other development areas with a combined taxable real property assessment at the time they were established of approximately $1.47 billion. The taxable real property assessment of the Development Area for calendar year 2013 is approximately $2,324,070, and that amount combined with the previous development areas established by Louisville totals $1.472

billion, while the total taxable real property assessment for Louisville exceeds $51 billion, 20% of which is $12 billion.

C. That the Development Area is a contiguous parcel of property, approximately 1.4 acres in size, and is less than three (3) square miles in area as required by the Act.

D. That the conditions within the Development Area meet at least four (4) of the seven (7) factors of blight as set forth in KRS 65.7049 as follows:

1. **A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area.** The Development Area includes the abandoned site of a former industrial service yard for a storage tank manufacturer. As conditions on this site evolved, the industrial activity diminished and the service yard was abandoned. Prior to becoming the service yard for the tank manufacturer, the site was a series of abandoned and deteriorating commercial and residential structures that were demolished by the tank manufacturer. These trends have continued within this census tract for a generation.

2. **More than fifty percent (50%) of the residential, commercial, or industrial structures are deteriorating or deteriorated.** The census data for the site including and surrounding this Development Area demonstrate a trend of deteriorating and abandoned properties, diminishing home ownership and a reduction in commercial development over the last several decades. Within the Development Area the former structures were demolished as a result of deteriorating conditions. The remaining two structures, constituting more than 50% of the structures within the Development Area, have deteriorated and will require substantial rehabilitation.

3. **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, a parking structure is required to support the anticipated increased demand. Additional power, sewer and water infrastructure is required to facilitate the Project, and these improvements will facilitate further development within this area. These infrastructure improvements cannot be reasonably funded with private investment alone.

4. **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 extreme cost of providing adequate parking and related utility infrastructure to facilitate the proposed development. Potential revenue alone cannot underwrite the costs of the proposed infrastructure improvements. Without additional parking the continued development of NULU will become impeded; the Hotel/Conference Center is not feasible, nor is the balance of proposed retail and commercial space provided by this project and anticipated future growth of NULU. There is no adequate funding mechanism to afford the utility infrastructure improvements absent the incentives provided under the Act. These improvements cannot be facilitated with private investment alone. Development of the abandoned lot into the proposed Hotel, Conference Center and Parking Structure will have a secondary positive effect on the city and surrounding context.

E. That the Development Area will not reasonably be developed without public assistance, including incentives as provided by the Act. The high cost of public infrastructure and site development expenses, estimated to be $10,920,000 or 32% of the total Project's cost, needed for the Project, when compared with low potential revenue generated by these improvements make public incentives critical to the financing of the Project.

F. 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 context, facilitating secondary and tertiary re-development within the context by the enhancements to parking and utilities, and bringing additional visitors/tourism economic benefits to Louisville. The Development Area has a current taxable assessment of $2,324,070 and generates $11,436.75 in real estate taxes and $6,565 in employee withholding taxes to Louisville. The Project will increase capital investment by approximately $34 million, which will provide significant new taxes to Louisville and the other taxing districts. Based on a financial report dated March 30, 2014 prepared by Meench & Shanker, LLC, attached hereto as Exhibit "B" to the Development Plan, the direct impact of the Project will increase employment within the Development Area by 211 new jobs, and generate new Louisville and State taxes over the twenty (20) year life of the Development Area, by $11,977, 516. When considering direct and indirect impacts of the Project, the total financial impact of the Project to Louisville and the State is estimated to be $38,542,400. Therefore, even when considering the requested incentives for the Project from Louisville and the State, the Project will be very positive to Louisville and the State financially. The Project will also be 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 unavailable attractions and support to the east Downtown Neighborhood more commonly known as NULU. The Hotel will support the burgeoning "Urban Bourbon" Trail rapidly becoming established in the east downtown area of Louisville, and which is an economic development priority for Louisville. It will be the hospitality destination of choice for the out-of-state tourism focused on the Bourbon centered experience. It will stimulate the development of other distillery and culinary related tourism to this area. This Hotel will create a center to the NULU Neighborhood and anchor the Traditional Marketplace Corridor of NULU.

G. 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. Additional parking and utility services will result, not only in the feasible development within the Development Area, but in additional feasible development of the surrounding area. The area surrounding the Development Area is at a turning point. For the first time in a generation, there is the introduction of neighborhood businesses, however there remains a distinct lack of parking and utility infrastructure to support continued development. In the surrounding area, antiquated manufacturing facilities, circa 1940's, are being abandoned and they now offer potential for re-development. The vast public housing development, formerly known as Clarksdale, has been replaced with less dense and scattered site contextually responsive housing. There is the potential for new single family owner occupied housing within the surrounding area for the first time in a generation. The surrounding area was once densely populated with non-profit homeless shelters, however in recent years, many have been re-located to other areas of the downtown thereby diminishing the presence of panhandling, petty crime and other problems. This Project, at this time, is a catalyst project that can create the momentum needed to completely transform this area over the coming years, however it cannot happen without the proposed public infrastructure improvements.

H. That the pledge and use of a portion of Louisville's incremental revenues derived from the Development Area to provide redevelopment assistance to the Project and the Development Area will increase capital investment and employment in Louisville, and therefore constitutes a public purpose.

Section 2. That 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 Hotel NULU Development Area and 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.

Section 3. That the Metro Development Authority, Inc., a Kentucky non-profit 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 Finance Authority (i) certifying the use of the Released Amount for 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 4. 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 occupational withholding license fees and new real estate taxes expected to be derived by Louisville from the Project to be constructed in the Development Area ("Released Amount"), substantially in the form attached hereto as Exhibit C.

Section 5. That the Office of Management and Budget is designated as the department in Louisville 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 Public Infrastructure Costs, Approved Project Costs, other Project Costs incurred by the Developer.

Section 6. That the Council authorizes Louisville 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 the Withholding Tax Increment subject to the following conditions:

A. Louisville shall have no obligation to pay the Released Amount to the Authority until the Commonwealth and the Authority have entered into a Tax Incentive Agreement pursuant to the Act;

B. In no event shall the total of the Released Amount paid to the Authority over the term of the Local Participation Agreement exceed the Eligible Project Costs as defined in the Local Participation Agreement.

Section 7. 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 8. That the Mayor and other appropriate Louisville officials, and each of them, for and on behalf of Louisville, 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 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 officials, and each of them, is hereby further authorized, empowered and directed for and on behalf of Louisville 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 under the Local Participation Agreement and related documents and to perform all of the obligations of Louisville under the Local Participation Agreement and related documents.

Section 9. 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 10. This Ordinance shall take effect upon its passage and approval .

H. Stephen Ott
Metro Council Clerk

Jim King
President of the Council

Greg Fischer
Mayor

9/4/14
Approval Date

APPROVED AS TO FORM AND LEGALITY:

Michael J. O'Connnell
Jefferson County Attorney

By: ______________________

LOUISVILLE METRO COUNCIL
READ AND PASSED
August 28, 2014

Exhibits

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

Exhibit "___"

Legal Description of Hotel NULU Development Area

BEGINNING at a set iron pin with cap stamped "JBAILEY 3678", along the north right-of-way line of E. Market Street at its intersection with the west right-of-way line of S. Shelby Street; thence leaving said west right-of-way line with said north right-of-way line **N81°11'37"W, 315.00'** to an existing iron pin with cap #2747, said point being a common corner with the southeast corner of the tract conveyed to Lester M. Levin by deed of record in Deed Book 5827, Page 66 in the office of the Clerk of Jefferson County, Kentucky; thence leaving said north right-of-way line **N08°51'08"E,** passing an existing iron pin with cap #791 at 202.88' a total of **204.00'** to a point along the south line of Billy Goat Strut Alley, said point being a common corner with the northeast corner of said Levin tract; thence with said south side **S81°11'37"E, 315.00'** to an existing iron pin with cap #2747 along the aforesaid west right-of-way line of S. Shelby Street; thence leaving said south line with said west right-of-way line **S08°51'08"W, 204.00'** to the point of **BEGINNING,** containing 1.48 acres.

The Development Area also includes the public rights-of-way adjacent to the above described property on E. Market Street, S. Shelby Street and Billy Goat Strut Alley, as needed to construct the Project

Development Plan

For The

HOTEL NULU PROJECT

Louisville/Jefferson County Metro Government

April 2014

Development Plan
Hotel NULU Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government ("Louisville") intends to establish the **Hotel NULU Development Area** (the "Development Area") pursuant to the provisions of KRS 65.7041 to 65.7083, and KRS 154.30-010 to 154.30-090, as the same may be amended (collectively, the "Act"), to encourage the development of a new mixed-use project consisting of hospitality, retail, restaurant and office uses, being undertaken by 725 Partnership, LLC, a Kentucky limited liability company (the "Developer"), to be located at and adjacent to 725 E. Market Street, Louisville, Kentucky. The Developer proposes to construct a new 150± room Hotel with 10,000 SF of Retail Tenant Space and a Conference Center, a new 250± space Parking Structure along with the Rehabilitation of two contributing historic structures to provide approximately 10,000 SF of additional retail tenant space on the property located at 725 E. Market Street (the "Project). Louisville proposes to support the Project and provide redevelopment assistance through a pledge of a portion of the incremental increase in occupational and real property 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 Mixed-Use Redevelopment in Blighted Urban Areas (the "Mixed-Use Program"), as provided in the Act.

This Project will provide unique and unavailable attractions and support to the east Downtown Neighborhood more commonly known as NULU. The new Boutique

Hotel (the "Hotel") planned as part of the Project will be one of the first in the United States under the new "AC Hotels by Marriott" Brand roll-out from Marriott International. It will bring a new, professional, educated and inquisitive young traveler to Louisville, in search of the quintessential Louisville experience. This Hotel will support the burgeoning "Urban Bourbon" Trail rapidly becoming established in the east downtown area of Louisville, and which is an economic development priority for Louisville and the State. It will be the hospitality destination of choice for the out-of-state tourism focused on the Bourbon centered experience. This Development will stimulate the development of other distillery and culinary related tourism to this vital east downtown area. This Hotel will create a "center of gravity" for the NULU Neighborhood and anchor the Traditional Marketplace Corridor of NULU.

This Hotel will form partnerships with local post-secondary educational institutions in the community to provide internships for Culinary, Hospitality and Business Management students in those schools. It will provide professional training and job experience for students from a broad range of backgrounds to strengthen their educational experience and showcase this hotel, and this community, as a regional destination with a national or even international staff. The goal is to create an environment that is more than a hotel, but is a travel experience that puts the traveler in touch with the cultural identity of Louisville in every way.

The Hotel will include a new state-of-the-art Rooftop Conference Center Venue that will provide facilities for professionals, businesses and universities, as well as the nearby Medical Center, for conferencing and the exchange of ideas and publications on important subjects. This facility will stimulate out-of-state tourism focused on professional development, local cultural resources and provide opportunities to the medical, educational and business communities for exchange with the public, their staff and employees from out-of-state locations.

1.2 Size and Location. The Development Area is an approximate 1.4 acre area in Louisville's downtown identified more specifically on the map attached as Exhibit "A". This location, unlike any other in the district, is perfectly situated to create this NULU Center and become the anchor and development catalyst for continued growth and development in NULU.

2. The Development Area

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

(a) The Development Area is a contiguous area consisting of approximately 1.4 acres, which is less than three square miles in area;

(b) The establishment of the Development Area will not cause the assessed taxable value of real property within the Development Area and within all "development areas" and "local development areas" established by Louisville (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Louisville. To date Louisville has established several other development areas with a combined taxable real property assessment of $1.47 billion. The taxable real property within the Development Area for calendar year 2013 is $2,324,070, and that combined with the other development areas that have been established by Louisville totals approximately $1.472 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville for the calendar year 2013 exceeds $51 billion, 20% of which is $12 billion. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Louisville; and

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

2.2. 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 and to qualify for a pledge of State incremental revenues pursuant to KRS 154-30.010 to 154.30-090 (three factors for projects under the Mixed-Use Program.

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

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

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

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

(e) Substantial presence of environmentally contaminated land;

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

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

Louisville has reviewed and analyzed the conditions within the Development Area and finds that the Development Area exhibits at least four of the qualifying characteristics as follows:

(1) A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area: The Development Area includes the abandoned site of a former industrial service yard for a storage tank manufacturer. As conditions on this site evolved, the industrial activity diminished and the service yard was abandoned. Prior to becoming the service yard for the tank manufacturer, the site was a series of abandoned and deteriorating commercial and residential structures that were demolished by the tank manufacturer. These trends have continued within this census tract for a generation.

(2) **More than fifty percent (50%) of the residential, commercial, or industrial structures are deteriorating or deteriorated.** The census data for the site including and surrounding this Development Area demonstrate a trend of deteriorating and abandoned properties, diminishing home ownership and a reduction in commercial development over the last several decades. Within this Development Area the former structures were demolished as a result of deteriorating conditions. The remaining two structures, constituting more than 50% of the structures within the Development Area, have deteriorated and will require substantial rehabilitation. The buildings were sold when business faltered and many structures are deteriorating.

(3) **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, a parking structure is required to support the anticipated increased demand. Additional power, sewer and water infrastructure is required to facilitate the Project, and these improvements will facilitate further development within this area. These infrastructure improvements cannot be reasonably funded with private investment alone.

(4) **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 extreme cost of providing adequate parking and related utility infrastructure to facilitate the proposed development. Potential revenue alone cannot underwrite the costs of the proposed infrastructure improvements. Without additional parking the continued development of NULU will become impeded; the Hotel/Conference Center is not feasible, nor is the balance of proposed retail and commercial space provided by this project and anticipated future growth of NULU. There is no adequate funding mechanism to afford the utility infrastructure improvements absent the incentives provided under the Act. These improvements cannot be facilitated with private investment alone. Development of the abandoned lot into the proposed Hotel, Conference Center and Parking Structure will have a secondary positive effect on the city and surrounding context.

2.3. Assurances the Development Area Is Not Reasonably Expected to Develop Without Public Assistance. Louisville finds that the Development Area is not reasonably expected to develop without public assistance including, but not limited to, assistance available under the Act. The high cost of public infrastructure and site development expenses, estimated to be $10,920,000 or 32% of the total Project's cost, needed for the Project, when compared with low potential revenue generated by these improvements make public incentives critical to the financing of the Project.

2.4. Assurances the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. Louisville finds that the public benefits of redeveloping the Development Area justify the public costs involved. The investment in the Development Area will result in significant returns through increased property valuations for the surrounding context, facilitating secondary and tertiary re-development within the context by the enhancements to parking and utilities, and bringing additional visitors/tourism economic benefits to Louisville. The Development Area has a current taxable assessment of $2,324,070 and generates $11,436.75 in real estate taxes and $6,565 in employee withholding taxes to Louisville. The Project will increase capital investment by approximately $34 million, which will provide significant new taxes to Louisville and the other taxing districts. Based on a financial report dated March 20, 2014 prepared by Meench & Shanker, LLC, attached hereto as Exhibit "B", the direct impact of the Project will increase employment within the Development Area by 211 new jobs, and generate new Louisville and State taxes over the twenty (20) year life of the Development Area, by $11,977, 516. When considering direct and indirect impacts of the Project, the total financial impact of the Project to Louisville and the State is estimated to be $38,542,400. Therefore, even when considering the requested incentives for the Project from Louisville and the State, the Project will be very positive to Louisville and the State financially. The Project will also be a catalyst for additional development in the area surrounding the Development Area.

In addition to the direct tax impact of the Project, and as was noted above, the Project will provide unique and unavailable attractions and support to the east Downtown Neighborhood more commonly known as NULU. The Hotel will support the burgeoning "Urban Bourbon" Trail rapidly becoming established in the east downtown area of Louisville, and which is an economic development priority for Louisville. It will be the hospitality destination of choice for the out-of-state tourism focused on the Bourbon centered experience. It will stimulate the development of other distillery and culinary related tourism to this area. This Hotel will create a center to the NULU Neighborhood and anchor the Traditional Marketplace Corridor of NULU.

2.5. Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise or, if the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, that there are certain special circumstances within the Development Area that would prevent its development without public assistance. These special circumstances include the restricted economic feasibility for development of structured parking and utility infrastructure within the Development Area. The proposed improvements within the Development Area will have a positive effect on the surrounding area which faces stagnation in development without them. Additional parking and utility services will result, not only in the feasible development within the Development Area, but in additional feasible development of the surrounding area.

The area surrounding the Development Area is at a turning point. For the first time in a generation, there is the introduction of neighborhood businesses, however there remains a distinct lack of parking and utility infrastructure to support continued development. In the surrounding area, antiquated manufacturing facilities, circa 1940's, are being abandoned and they now offer potential for re-development. The vast public housing development, formerly known as Clarksdale, has been replaced with less dense and scattered site contextually responsive housing. There is the potential for new single family owner occupied housing within the surrounding area for the first time in a generation. The surrounding area was once densely populated with non-profit homeless shelters, however in recent years, many have been re-located to other areas of the downtown thereby diminishing the presence of panhandling, petty crime and other problems. This Project, at this time, is a *catalyst project* that can create the momentum needed to completely transform this area over the coming years, however it cannot happen without the proposed public infrastructure improvements.

The context within which this Development Area lies constitutes a portion of the Phoenix Hill National Historic District. The District was created in the 1980's in an effort to underwrite and further multi-family housing through the use of Low Income Housing Tax Credits combined with Historic Tax Credits. The Historic District designation has encouraged the adaptive re-use of many contributing historic structures, and is important to the sustainable rehabilitation of the two contributing historic structures within this Development Area.

NULU as a neighborhood resource has developed somewhat spontaneously, as an outflow from public investments within the east downtown context; and is a significant part of the Phoenix Hill National Historic District. Only within the past few years has NULU begun to have the kind of critical mass that can sustain further development. It is a result of combined investment first by the public and then the private sectors. NULU, considered as "New Louisville", blends the old and the new into a harmonious, eclectic blend of neighborhood resources for east downtown

Louisville. Without the significant investment by many public institutions, it would not have been possible.

Jefferson County Public Schools ("JCPS") has made significant investment into Lincoln Elementary School, to become a magnate school for performing arts in the JCPS System. This move insured that the neighborhood school would adapt and grow with the changes otherwise taking place within the neighborhood, which sees a shifting demographic. For the first time in a generation, new young families are considering this area as a potential valuable resource for those that seek an urban living experience in Louisville.

The Housing Authority of Louisville ("HAL") is perhaps the singular most significant positive influence for the development of NULU. HAL has invested well in excess of $80M to totally re-development of the former Clarksdale Housing Project. Since the 1960's Clarksdale was a military barracks style public housing complex that placed an extremely high concentration of indigent residents directly in the center of the National Historic District. HAL, through the HOPE 6 program, has completely decentralized their approach, and completely redeveloped Clarksdale into the New Liberty Green Neighborhood of today. It provides for a mixed use, mixed income neighborhood with context sensitive design parameters and a wide variety of housing types, and opportunities for neighborhood businesses. This positive development cannot be sustained and furthered without the proposed infrastructure improvements proposed through this Development Area.

Funded by the Bridges Project, Metro Louisville is undertaking a considerable investment of $14M in new public streetscape improvements through the center of NULU. These improvements will enhance the pedestrian experience within the immediate surrounding area, but stop short of the utility infrastructure and parking improvements proposed by this Project. The Development Area proposed in this Plan will dovetail into those public improvements and further coordinate the development of the District.

Growth and expansion of the University of Louisville Medical Center, immediately to the south of NULU, as well as the University of Louisville Nucleus Center to the west, can directly benefit from the investments in public infrastructure and structured parking provided under this project.

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

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

2.7. Existing Uses and Conditions. The Development Area consists of approximately 1.4 acres on the corner of Shelby Street and Market Street in the east downtown area of Metro Louisville. The existing site includes a vacant and abandoned lot, formerly used for industrial storage areas, and two contributing historic structures. A former funeral home and related carriage house/garage on site were out of business and sold to the current owners. These two buildings are considered contributing elements to the Phoenix Hill National Historic District. The site includes several lots that have been consolidated into a single tract.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. There has not been significant private investment in the area surrounding the Development Area. In addition, the site is currently being down-zoned from Manufacturing (M2) to Commercial (C2). The down-zoning process is underway and enjoys support from the neighborhood, the business association and Metro Council Officials.

2.9. Certification of Compliance with the Comprehensive Land-Use Plan. Down-zoning of the parcel will bring the tract into compliance with Louisville's Comprehensive Land-Use Plan, so the Project complies with the Comprehensive Land-Use Plan for Louisville.

3. The Development Program.

This Development will be one of the first new Hotel Brand roll outs in North America for Marriott International. The *AC Hotels by Marriott* is a new brand that is already well established in Europe, and is coming to the US. It is defined by a sophisticated, urban vibe that centers the traveler on cultural experience and local flavor. It is well suited to the NULU site and coordinates perfectly with the other elements of the Development Program discussed.

The Project Program includes the following constituent components for development:

- ✓ 85,000± SF (150± room) Boutique Hotel with an international brand.
- ✓ 8,000± SF Rooftop Conference Center with Catering Kitchen and Lounge, as part of Hotel.
- ✓ 10,000± SF Ground Level Class "A" Retail Shell Space, as Part of Hotel
- ✓ 250± Space Parking Structure.
- ✓ 6,000± SF Tenant Space in Historic Funeral Home.
- ✓ 4,000± SF Tenant Space in Historic Carriage House.
- ✓ Various Site and Utility Infrastructure Improvements.

The Proposed Project Construction Costs breakdown as follows, with those to be supported by Incremental Revenues as noted:

Boutique Hotel:	$19,920,000±-*PRIVATE FUNDING*
Tenant/Retail Space:	$3,180,000±-*PRIVATE FUNDING*
Parking Structure:	$7,700,000±–*TO BE SUPPORTED BY INCREMENTAL FINANCING*
Site Infrastructure:	$3,200,000±-*TO BE SUPPORTED BY INCREMENTAL FINANCING*

These costs reflect a pledge to construct the project utilizing Prevailing Wage Rates for construction on site. Compliance with Metro Louisville ordinances and regulations, with particular attention to living wages, is a fundamental commitment for this Development.

4. Redevelopment Assistance and Finance Plan.

Louisville proposes to provide redevelopment assistance and pay for Project costs through a pledge of a portion of the incremental increases in tax revenues from real property taxes and occupational withholding taxes from the Development Area. Louisville proposes to pledge eighty percent (80 %) of its incremental tax revenues from real property taxes and occupational withholding taxes from the Project for a 20 year period. In addition, Louisville will work to obtain a pledge of state incremental revenues under the Mixed-Use Program to support the Project.

Louisville will establish a special fund for the deposit of pledged incremental revenues. 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, to oversee, administer and implement the development ordinance.

5. Conclusions.

In conclusion, the Project is an important catalyst to the development of the NULU area, will generated significant new tax revenues to Metro Louisville and will encourage out of state tourism to the area that otherwise would be lost to competing communities. The incentives proposed to be provided under the Act are reasonable and critical to the overall financing for the Project.

List of Exhibits

Exhibit A - Map and Description of Development Area
Exhibit B – Financial Report from Meench & Shanker, LLC

Hotel NuLU Development Project

Economic and Fiscal Impact Report

725 Partnership, LLC

PREPARED BY

Meench & Shanker, LLC

March 30, 2014

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I. Executive Summary

The Louisville/Jefferson County Metro Government intends to establish the Hotel NuLu Development Area pursuant to Kentucky statutes, to develop a boutique hotel and associated amenities within the Development Area. This Project will provide unique and heretofore unavailable attractions and support to the east downtown neighborhood more commonly known as NuLu. The hotel will include a new state-of-the-art rooftop conference center venue that will provide facilities for professionals, businesses and universities, as well as the nearby medical center, for conferencing and the exchange of ideas and publications on important subjects.

The total construction costs associated with this project amounts to $34 million. Construction will take place over a sixteen-month period stretching from September 2014 to December 2015. Following the construction, the businesses occupying the properties should realize gross sales of nearly $13.7 million annually in current dollars, divided among the hotel, restaurants, catering, and retail establishments (Table 3).

Economic activity generated directly by the entities occupying the NuLu Project will, in addition to the direct impacts, also affect the local and state economies due to the spending generated by other entities (and workers) who are providing goods and services to the Project. It is possible to estimate this "multiplier" effect (or "ripple effect) using the Regional Input-Output Modeling System (RIMS II) developed by the US Bureau of Economic Analysis. This model may be tailored to fit the economic region of interest down to areas as small as an individual county. For this analysis, we relied on models for Jefferson County and the statewide model for Kentucky.

Total direct and indirect employment associated with the Project will level off at an expected 290 workers in year 3 (2016), with 253 of these workers located in Jefferson County. At that point earnings associated with these workers will total $5.8 million annually, with increases thereafter limited to normal rises in wages and salaries of existing workers (Table 5).

Taxes paid directly by the establishments located within the Project area should total nearly $29.5 million over the 20-year period, with much of that ($18.7 million) coming from the state sales and use tax. About $1.5 million should come from local occupational license taxes, and $4.1 million from local property taxes. Among other state taxes, the individual income tax should reach $4.1 million, with the state property tax just above $1.0 million (Table 6).

Total state and local gross revenues over the lifetime of the estimates, including both direct and indirect, should equal just under $36.2 million. Occupational license tax revenues generated from the employees in the Project and the jobs created indirectly as a result of the Project are estimated to be $1.8 million. Except for relatively minor impacts from earnings generated during the construction phase, most payroll taxes begin accruing after 2016. Gross state revenues consisting of individual income tax (withholding), sales and use tax, and state property tax, over the 20-year period are estimated to total $30.2 million. Individual income taxes should yield $5.6 million and sales and use taxes account for $23.6 million. State property taxes are expected to total $1.0 million in this period. Although it should be expected that successful businesses occupying the facilities in the Project area should add to state corporation income tax and limited-liability entity (LLE) tax, estimating total amounts for these is not feasible at this point (Table 8 and Appendix B).

Due to some expected redirection of spending away from pre-existing establishments to the businesses located within the Project area, net new state and local revenues over the lifetime of the estimates are expected to be significantly lower than the gross revenues. After discounting, total state and local revenue should equal about $21.6 million. Occupational license tax revenues generated from the employees in the Project and the jobs created indirectly as a result of the Project are estimated to be $1.2 million. State revenues consisting of individual income tax (withholding), sales and use tax, and state property tax, over the 20-year period are estimated to total $16.3 million. Individual income taxes should yield $3.3 million and sales and use taxes account for $12.0 million. State property taxes are expected to total $1.0 million in this period. (Table 10 and Appendix C).

II. Description of Project

The Louisville/Jefferson County Metro Government intends to establish the Hotel NuLu Development Area, a new mixed-use project consisting of hospitality, retail, restaurant and office uses, being undertaken by 725 Partnership, LLC, located at 725 E. Market Street, Louisville, Kentucky. The Developer proposes to construct a new 150 room hotel with 10,000 square feet of retail tenant space and a conference center, a new 250 space parking structure along with the rehabilitation of two contributing historic structures to provide approximately 10,000 square of additional retail tenant space on the property located at 725 East Market Street (the "Project").

This Project will provide unique and unavailable attractions and support to the east downtown neighborhood more commonly known as NuLu. The new boutique hotel planned as part of the Project will be one of the first in the United States under the new "AC Hotels by Marriott" Brand roll-out from Marriott International. It will bring a new, professional, educated and inquisitive young traveler to Louisville in search of the quintessential Louisville experience. This hotel will support the burgeoning "Urban Bourbon" Trail rapidly becoming established in the east downtown area of Louisville, which is an economic development priority for Louisville and the State. It will be the hospitality destination of choice for out-of-state tourism focused on the Bourbon-centered experience. This development will stimulate other distillery and culinary related tourism in this vital east downtown area. This hotel will create a "center of gravity" for the NuLu neighborhood and anchor the traditional marketplace corridor of NuLu.

The hotel will include a new state-of-the-art rooftop conference center venue that will provide facilities for professionals, businesses and universities, as well as the nearby medical center, for conferencing and the exchange of ideas and publications on important subjects. Below is a description of all facilities planned for the development area.

Facilities Included in NuLu Project

- 85,000 ft^2 (150 room) boutique hotel with an international brand
- 8,000 ft^2 rooftop conference center with catering kitchen and lounge, as part of hotel
- 10,000 ft^2 ground level class "A" retail shell space, as part of hotel
- 250 space parking structure
- 6,000 ft^2 tenant space in historic funeral home, operated as a restaurant and retail space
- 4,000 ft^2 tenant space in historic carriage house, operated as a restaurant and retail space

III. Economic Impacts

The development of the NuLu Hotel Project will stimulate the local economy of Jefferson County and the Kentucky economy in two ways: through the initial construction activity, and following that, through operations of the establishments in the facilities created. The economic analysis covers a 20-year time period that is equal to the term of the bonds issued to finance the Project. Analysis of the fiscal impact to local government is dependent on the estimation of economic impacts arising from the Project.

The economic impacts identified and estimated in this report include the "multiplier" or "ripple" effect from initial transaction or direct spending that occurs from the activity created by the Project. For example, initial transactions are payments to suppliers, contractors and subcontractors, and construction workers. The payees will in turn spend part of their money in the Jefferson County region and outward in Kentucky, and the process repeats itself a number of times. The ripples from these initial transactions include indirect spending consisting of re-spending of the initial or direct expenditures. For example, a shopper's direct expenditure on a retail purchase causes a store to purchase goods and other items from suppliers. The portion of these store purchases that are within the local, regional, or state economies is counted as an indirect economic impact.

Economic impacts are also created by the induced spending, which are changes in local consumption due to the personal spending by employees whose incomes are affected by the project. For example, a waiter at a restaurant may spend more because he/she earns more. The amount of the increased income the waiter spends in the local economy is considered an induced impact.

To estimate indirect economic impacts, this analysis relies on economic multipliers for Jefferson County and the state of Kentucky developed by the U.S. Bureau of Economic Analysis under the Regional Input-Output Modeling System (known as RIMS II). These multipliers are based on 2010 economic data for the U.S., Kentucky, and Jefferson County. (In the RIMS II Input-Output model used for this study the indirect and induced spending effects are combined in a single impact factor.) More detail regarding the application of RIMS II may be found in Appendix E.

a. Construction Impacts

For construction impacts, this analysis relies on estimates of construction costs and the relevant periods of construction provided by the hotel developers. Table 1 below details the distribution of costs across various facilities. Construction is scheduled to begin by September 2014 and will conclude by December 2015.

Table 1

Facilities Included in NuLu Project

Facility	Construction Costs
Boutique Hotel	$19,920,000
Tenant/Retail Space	3,180,000
Parking Structure	7,700,000
Site Infrastructure	3,200,000
TOTAL	**$34,000,000**

The construction at the NuLu Hotel Project will create a one-time influx of spending that will result in indirect and induced spending, leading to increased earnings and employment as well as related tax revenues. There are two key sources of construction impacts. First, the construction itself creates jobs, the income from which is subject to state individual income tax and local occupational license tax. In addition, construction workers will spend money onsite and in the immediate surrounding areas, which will ripple throughout the economy and generate additional earnings and tax revenue. Second, direct construction spending on the Project within Louisville will ripple out and generate indirect spending, induced spending, increased earnings, and employment throughout the economy, as well as state sales and use tax, state corporate income tax, and local occupational license tax revenues.

To calculate fiscal impacts arising from construction, it is first necessary to estimate the total employment and earnings impact within Jefferson County and the entire Commonwealth of Kentucky using the cost figures provided by the developers and RIMS II final demand earnings and employment multipliers. The earnings multiplier is an estimate of the increase in earnings, both direct and indirect, arising from spending associated with a particular economic activity. In this case, the activity identified is the construction or renovation of the facilities included in the project. The earnings multiplier measures the total change in household earnings per dollar of final-demand change (i.e., the total construction spending). Earnings consist of wages and salaries, fringe benefits, and proprietors' income, which is the net earnings of sole proprietors and partnerships. Similarly, employment multipliers provide an estimate of total change in direct and indirect employment within the region arising from spending on the project.

The RIMS II final demand Type II earnings multiplier estimated for Jefferson County in the construction industry is 0.4687. That is, every dollar spent in construction results in an increase in personal earnings by about 47 cents. For the state that same measure is estimated to be 0.6649. Based on this, the earnings impacts of construction are shown in Table 2. The total earnings generated both directly and indirectly from construction is estimated to be $15.9 million within Jefferson County and $22.6 million in Kentucky over an eighteen-month period.

The RIMS II final demand Type II employment multiplier estimated for Jefferson County in the construction industry is 13.2567. That is, every one-million dollars of construction spending, it is expected that about 13 jobs are created. For the entire state of Kentucky that same measure is estimated to be 18.4821. (Jefferson County impacts are included impacts for the state as a whole.) Based on this, the employment impacts of construction are shown in Table 2. (Employment numbers presented in Table 2 represent the maximum employment in the relevant period during construction. They should not be considered to represent the maximum employment over any single time period since timing of construction varies across facilities.) The total maximum employment generated both directly and indirectly from construction is estimated to be 300 jobs in Jefferson County in 2015, and 419 jobs in Kentucky statewide.

Table 2

NuLu Construction Employment and Earnings Impacts

	FY 2015	FY 2016	Project Grand Total
Total Direct and Indirect Earnings			
Local	10,623,867	5,311,933	15,935,800
State	15,071,067	7,535,533	22,606,600
Total Direct and Indirect Employment			
Local	300	150	na
State	419	209	na

NOTE: Employment impacts NOT cumulative across time periods

b. Permanent Impacts from Operations

Following construction of the NuLu Hotel Project, ongoing activities by entities occupying those facilities will create both direct and indirect economic impacts in a similar manner as construction. First, establishments housed within the hotel and associated structures will spend money in the local area, and second, employees of those establishments will spend their paychecks locally, further generating indirect impacts.

The developers have offered the following estimates of gross revenues accruing from the Project as shown in Table 3. (For purposes of analysis, gross revenue serves as a substitute for final demand.) Revenues earned from room tariffs are expected to be $5.3 million, based on 150 rooms with an average daily room charge of $139, and expected occupancy of 70 percent. Additional hotel revenue should be realized through charges for events held in the rooftop venue, and from charges at the hotel lounge. The developers have projected that the restaurants planned for the Project could yield a total of $3.6 million in annual sales, based on an industry average of $400 sales per square foot of restaurant space. For retail, this analysis is based on the development of 10,000 square feet of retail space within the hotel facility. To derive revenue figures, an annual average retail sales value of $381 per square foot is used as a starting point in 2016. (Actual figures for Kentucky from the US Census Bureau for 2005 were $279/square foot. These have been adjusted upward to 2016 using projections for retail sales. Beyond 2016, forecasted rises in the US Consumer Price Index are used.)

Table 3
Gross Revenue of NuLu Project Operations

Hotel Room tariff revenue	$5,327,175
Rooftop events	$250,000
Hotel Lounge	$300,000
Restaurants	$3,600,000
Retail	$3,806,076
TOTAL REVENUE FROM OPS	**$13,683,251**

c. Outlook for the Hotel Market

The key to examining a twenty-year time horizon is to focus on long-term factors that will impact the general economy as well as the performance of the hotel market. The economy strengthened substantially in the second half of 2013 and is poised for a strong recovery. In February 2014 the Congressional Budget Office (CBO) released its ten-year forecast for the national economy.[1] Its forecast says "economic growth is projected to be solid in the near term, but weakness in the labor market will persist." The weakness alludes to the changing demographics from the retirement of baby boomers. For the hospitality industry the increase in retirees and leisure time translates into a stronger growth for hotels.

CBO goes on to say, "Between 2018 and 2024, GDP will expand at the same rate as potential output—by an average of 2.2 percent a year... Thus, CBO anticipates that over the 2014–2024 period as a whole, real GDP will increase at an average annual pace of 2.5 percent."

Hotels are expected to report significant RevPar (revenue per available room) growth powered by a more robust outlook for the economy. In examining hotel trends, analysts from NASDAQ concluded, "Owing to gradual economic recovery, the hotel industry continues to witness an upside. With lower supply in the U.S., RevPAR is improving on strong demand and continued higher pricing. System-wide occupancies in North America appear steady and above the prior peak level in 2006.[2]"

Part of the reason for the expected increased demand is the newly implemented *National Travel and Tourism Strategy* of the U.S. government[3]. The U.S. State Department is making a

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[1] U.S. Congressional Budget Office, February 4 2014, *The Budget and Economic Outlook: 2014 to 2024*, Washington, D.C., 2014. Access on-line at: http://www.cbo.gov/publication/45010

[2] Zacks.com, April 9, 2013, "Hotel & Lodging Stock Outlook – April 2013 – Industry Outlook. Accessed on-line at http://www.nasdaq.com/article/hotels-lodging-stock-outlook-april-2013-industry-outlook-cm235228#ixzz2vaB14OmN

[3] U.S. Task Force on Travel and Competitiveness, *National Travel & Tourism Strategy*, 2012, Washington, D.C. Accessed at:
http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&pageid=295021

concerted effort to introduce a "friendly" tourist visa policy. The ease in tourist visa restrictions is expected to increase tourism not only in traditional tourist centers, but also in cities like Louisville.

PricewaterhouseCooper (PWC) prepared a Hospitality and Leisure outlook for the U.S. market in November 2013.[4] The details of this outlook are presented below in Table 4. PWC anticipates a RevPAR gain of 6.1% in 2014 as the economy strengthens. The 6.1% growth is 4.5 percentage points greater than the estimated inflation of 1.6% for 2014. This signals a return to the pre-recession normal.

Table 4

Upper Upscale Hotel History and Outlook

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Occupancy	68.9%	70.7%	70.7%	70.6%	68.1%	63.2%	67.4%	69.3%	70.9%	71.8%	72.4%
% change from prior year	4.1%	2.6%	-0.1%	-0.1%	-3.5%	-7.2%	6.6%	2.8%	2.3%	1.2%	0.9%
Average daily rate	$131.26	$140.43	$150.60	$159.49	$161.86	$143.55	$142.75	$148.01	$154.36	$161.41	$169.72
% change from prior year	3.8%	7.0%	7.2%	5.9%	1.5%	-11.3%	-0.6%	3.7%	4.3%	4.6%	5.1%
Nominal RevPAR	$90.49	$99.32	$106.44	$112.58	$110.28	$90.76	$96.24	$102.59	$109.41	$115.83	$122.86
% change from prior year	8.1%	9.8%	7.2%	5.8%	-2.0%	-17.7%	6.0%	6.6%	6.6%	5.9%	6.1%
Inflation adjusted RevPar	$111.65	$118.55	$123.08	$126.55	$119.41	$98.58	$102.85	$106.30	$111.06	$115.83	$121.03
% change from prior year	5.3%	6.2%	3.8%	2.8%	-5.6%	-17.4%	4.3%	3.4%	4.5%	4.3%	4.5%
Demand ('000)	345.3	355.8	352.6	354.6	353.0	338.1	366.2	383.2	391.8	399.1	406.7
% change from prior year	5.8%	3.0%	-0.9%	0.6%	-0.5%	-4.2%	8.3%	4.6%	2.2%	1.9%	1.9%
Average room supply ('000)	500.8	503.0	498.9	502.3	518.1	534.8	543.2	552.8	552.7	556.1	561.9
% change from prior year	1.6%	0.4%	-0.8%	0.7%	3.1%	3.2%	1.6%	1.8%	0.0%	0.6%	1.0%

Source: Smith Travel Research; PwC

The Louisville economy has seen a strong uptick in the macroeconomic environment, and is outperforming the state and national economies. Demand for hotel rooms in Louisville is driven not just by the strength of the national economy, but also by the swelling demand of the local economy. At an operational level for NuLu, the alliance with an international brand like Marriott, with its strong guest loyalty, will attract business travelers as well as tourists to Louisville.

In a static economy the presence of a new hotel would just alter the market share without creating new demand for hotel rooms. But the robust performance of the Louisville economy coupled with the expansion of the U.S. economy have resulted in an increased demand for hotel

[4] PWC, November 2013, *Hospitality Directions US: Hospitality and Leisure*, accessed at : http://www.pwc.com/en_US/us/asset-management/hospitality-leisure/publications/assets/pwc-hospitality-directions-q3-2013.pdf

rooms. The addition of NuLu to the Louisville hotel market will not decrease the market share of the current hotels, but will answer consumer demand for additional hotel rooms.

The Project developers also expect that demand for local hotels will be spurred from the development and expanding popularity of the Kentucky Distillers' Association's Kentucky Bourbon Trail®. In a 2009 study, economists Paul Coomes and Barry Kornstein reviewed the potential tourism impact of the Kentucky Bourbon Trail®, one of the state's most famous tourism attractions. "We are only beginning to see the economic and tourism impact of the Kentucky Bourbon Trail," they said.[5] Distilleries have seen more than 1.5 million visits in the last five years alone, according to Eric Gregory, president of the Kentucky Distillers' Association that owns, manages and operates the Kentucky Bourbon Trail. More than 3,000 people completed the KDA's Kentucky Bourbon Trail in 2009 – a 400 percent increase over 2008.[6] This results in a significant increase in revenue to nearby communities and local hospitality groups that will benefit from the tourists. "Over time, regular interstate travelers may choose to stay overnight in Kentucky rather than Tennessee, Ohio or Indiana because of the Kentucky Bourbon Trail," Coomes and Kornstein reported.

More recently, *Condé Nast Traveler* (2012) and the well-regarded international travel guide *Lonely Planet* have considered Louisville to be one of the top 10 U.S. travel destinations for 2013. In writing specifically about NuLu, *Lonely Planet* says, "Louisville has asserted itself as a lively, offbeat cultural mecca on the Ohio River. New Louisville, also known as the East Market District or NuLu, features converted warehouses used as local breweries, antique shops and the city's coolest restaurants. On Bardstown Rd in the Highlands you'll find a hipster strip of shops and bars, not to mention many 'Keep Louisville Weird' stickers. Bourbon reigns in Louisville. This is the traditional jump-off for the Bourbon Trail; with bourbon's current wave of popularity, new upstart microdistilleries, including some in and around Louisville like the small-batch Angel's Envy, are giving the old names in bourbon a run for their money. Try for the first Saturday in May to witness the 'greatest two minutes in sports,' the Kentucky Derby."[7]

d. Multiplier Effects

Permanent Employment and Payroll Impacts

Following the construction period, economic and fiscal impacts will continue to be realized through ongoing operations of the hotel and associated businesses. Total economic impacts in Jefferson County and Kentucky may be estimated using this data with RIMS II multipliers. Based on the description of the activities intended for the facilities, RIMS II provides industry-

[5] Paul Coomes and Barry Kornstein, *The Economic and Fiscal Impacts of the Distilling Industry in Kentucky*, December, 2009. Louisville, KY, Kentucky Distillers Association.

[6] Tom Fischer, "What is Bourbon Worth to Kentucky & The World? First-Ever Economic Impact Study of Bourbon Industry", January 20, 2010, accessed on-line at: : http://www.bourbonblog.com/blog/2010/01/20/first-ever-economic-impact-study-bourbon-industry-kentucky-distillers-association/#sthash.sbMridQr.dpuf

[7] Lonely Planet, "Top 10 US Travel Destinations for 2013." http://www.lonelyplanet.com/american-samoa/travel-tips-and-articles/77583

specific multipliers that are applied to the establishments for the following categories. These can be found in Appendix E.

Table 5 details employment and earnings impacts including direct and indirect impacts for the facilities in the Project. For these purposes, only activities expected to yield net new revenue to the economies of Jefferson County and Kentucky are included. Thus, omitted from impacts are the parking activities associated with NuLu.

Table 5
Total Direct and Indirect Earnings and Employment Impacts from NuLu

	Total Employment Impact Per facility (jobs)		**Total Earnings Impact by Facility ($ in 2016)**	
	Jefferson County	Kentucky	Jefferson County	Kentucky
Hotel	85	93	2,304,003	2,576,222
Rooftop	6	6	113,625	136,100
Lounge	7	8	136,350	163,320
Retail	67	79	598,276	723,669
Restaurants	90	104	1,818,000	2,177,600
TOTAL	253	290	4,970,254	5,776,911

Once the facilities envisioned in the NuLu Development Project are fully operational, employment, both direct and indirect full- and part-time, should total 290 jobs in Kentucky. Of these, 253 are expected to be in Jefferson County. Earnings impacts should equal almost $5.8 million statewide, with almost $5.0 million occurring in Jefferson County. Earnings are projected to grow over the 20-year period by the factors presented in Appendix D.

IV. Fiscal Impacts

This report identifies three types of estimated state and local fiscal impacts over 20 years arising from the development of the NuLu Hotel Project:

- Tax revenues directly paid by establishments within the Project.
- Gross tax revenues both direct and indirect arising as a consequence of the project.
- Net tax revenues, i.e., those revenues from the project after accounting for the substitution or displacement of local spending.

Each of these is discussed in detail below.

The fiscal impacts identified in this analysis are based on several assumptions:

- This report assumes that absent the Project development, the area identified would otherwise remain undeveloped, and consequently, economic and fiscal impacts would not be realized.

- No other incentives are offered to create employment for the facilities identified herein within the Project. Furthermore, this assumes that no additional incentives involving local government revenues are made available to induce the establishment or expansion of the enterprises in the TIF area.

- Jobs directly created by the Project are basically export-oriented. "Exports" as identified for this analysis refer to products or services that are delivered primarily to persons or entities located outside Jefferson County and/or Kentucky. Otherwise, it could be argued that these operations replace goods or services produced elsewhere locally to serve local residents, resulting in no net economic gain.

a. Taxes paid by establishments within the Project.

Each of the establishments created within the Project will contribute tax revenues to both state and local governments. The estimates presented here are based on the gross revenues presented above in Table 3. Three types of tax revenues are discussed: property (both local and state), sales and use taxes, and income or occupational taxes.

Table 6 provides summary revenue impacts of the establishments within the Project. Detailed estimates for each year are provided in Appendix A. A total of $29.4 million in tax revenues should be generated over the 20-year time frame of this analysis. Most of this ($18.7 million) comes in the form of sales and use taxes. Another $4.1 million is contributed by state withholding (i.e., individual income) tax, with occupational license taxes adding $1.5 million to local coffers. Property taxes add $1.0 million to state revenues over the 20-year period, and $4.1 million to local government.

Table 6
20-Year Gross State and Local Tax Revenue Generated by Operations Within NuLu Project
(million $)

Tax Type	State	Local	Total
Ind. Income/Occ. License	4.1	1.5	5.6
Sales & Use	18.7	0.0	18.7
Property	1.0	4.1	5.1
Total Tax Revenue	23.8	5.6	29.4

Individual Income and Occupational License Taxes

Individual income tax and occupational license tax revenue estimates flow from the Project total gross revenues shown in Table 3. The Project developers have provided initial estimates of compensation paid to Hotel employees. The Hotel is expected to be fully operational and staffing levels at their permanent level as soon as construction is finished. The wages, salaries, commission, and gratuities paid to hotel employees are projected to total $1,234,100 in 2016. Occupational license tax rate is 1.25 percent of earned income and is assumed to remain at that rate over the 20-year term of analysis. Effective income tax rate on earnings is assumed to be 3.2 percent, based on historical relationships between the two variables. Wages and salaries of those workers are projected to grow at the rate identified in Appendix D.

From the gross receipts of the remaining establishments listed, it is possible to obtain an estimate of the compensation paid to employees of those establishments. The US Bureau of Economic Analysis, the same agency that produces the RIMS II input-output model, also maintains the national input-output tables upon which RIMS II is based. As a part of the national input-output model, BEA provides a table identifying the first round of intermediate inputs required to produce another dollar of output. Within this table, payments to households are listed as a percentage of each dollar of output (gross revenues). In other words, the table identifies the portion of each unit of output that is paid to employees in the form of compensation.

Table 7 below details the calculation of local occupational license and state income tax revenues for a single year (2016). Except for the hotel, for which the developers have offered a payroll estimate, gross revenues of each facility are used as the basis for converting to gross earnings based on the estimated percentage of output dedicated to worker compensation.

Table 7

Total State and Local Income and Occupational License Tax Revenues Paid by Businesses Operating Within NuLu Development Area

(Year 2016, Excludes Construction-related Revenues)

	Gross revenues	Percent compensation from Direct Requirements Table	Caculated Gross Earnings (Payroll)	Local Occupational Revenues	State Income Taxes
Hotel	5,327,175	na	1,234,100	15,426	39,491
Rooftop Conference Center	250,000	34.6%	86,500	1,081	2,768
Lounge	300,000	34.6%	103,800	1,298	3,322
Retail Space	3,806,076	36.5%	1,389,218	17,365	44,455
Restaurants	4,000,000	34.6%	1,384,000	17,300	44,288
TOTAL	**13,683,251**		**4,197,618**	**52,470**	**134,324**

Sales and Use Taxes

Compared to income taxes, state sales taxes are relatively straightforward to estimate. Impacts from sales and use taxes accruing from the project apply only at the state level. Gross receipts of the establishments are presumed to be virtually all within the state sales and use tax base. Consisting of temporary lodging, food and beverages consumed on premises, and catering charges, the receipts of the hotel, conference center, lounge and restaurants will be subject to the 6.0% sales tax. The retail space is assumed to be devoted to items also in Kentucky's sales tax base, i.e., few tax-exempt items are sold and few sales are made to tax-exempt entities.

In 2016, the first year of operations, sales taxes should reach $820,995 based on sales of nearly $13.7 million for all facilities. Over 20 years, if sales grow at the expected growth rate of the U.S. Consumer Price Index, sales tax receipts should yield nearly $18.7 million.

Property Taxes

Property taxes are calculated using construction costs as a starting point for property valuation. Over a 20-year period property tax revenue is expected to increase due not only to inflation, but also the assumption that property taxes would increase to the full extent of 4 percent allowed by state law. The effective local rate of property tax used in this analysis is $0.4921 per $100 of valuation. The equivalent state rate used is $0.122 per $100 of valuation. (School and fire department property taxes are not included in available revenues to finance the bonds.) A two-year lag is assumed between completion of construction and the first collection of property taxes on a facility, to account for timing of assessments and collections. Based on this, total local property tax collections over the 20-year time period should rise from about $111,543 in year 3 (first year of collection) to about $313,376 in year 20. State collections over the same time period grow from about $27,653 to $77,691.

b. Gross State and Local Tax Revenue from Direct and Indirect Impacts

Gross state and local revenues will accrue from the increased earnings within Jefferson County and Kentucky accruing from the NuLu Project. Direct and indirect tax revenues are derived from the estimates of earnings discussed in Section III earlier. Using these as a base, the effective rate of occupational license taxes is 1.25% on income, the income tax effective rate is 3.2% (accounting for exemptions, deductions, and tax-deferred income), and the sales tax rate is 2.8% (considering that much income is spent on items not subject to Kentucky's sales and use tax). Table 8 provides a summary of total expected revenues from development of the Project. Appendix B provides detailed annual revenues from the project.

Table 8
20-Year Gross State and Local Tax Revenue by Tax Type
(million $)

Tax Type	State	Local	Total
Ind. Income/Occ. License	5.6	1.8	7.5
Sales & Use	23.6	-	23.6
Property	1.0	4.1	5.1
Total Tax Revenue	30.2	5.9	36.2

For Jefferson County, expected tax receipts from occupational license taxes and property taxes should reach $5.9 million over the 20-year period. Roughly $1.8 million of this is from occupational license tax revenue, and the remainder from an increase in local property taxes. Following construction (year 3), expected occupational license tax revenues will rise from $64,339 in initial stages to $120,924 in year 20.

Meanwhile, Kentucky state government should experience a rise in revenues totaling $30.2 million over the same time period. The largest impacts will be felt in as well as sales and use tax revenues, and to a lesser extent individual income tax receipts. Relatively minor impacts will be realized in property taxes. State income tax receipts are projected to grow from $191,423 in year 3 following construction to reach $359,268 annually by year 20. Sales taxes are projected to rise from just above $1.0 million in year three to about $1.5 million in year 20. Estimation of corporation income taxes and limited-liability entity taxes accruing from this project are not calculated due to significant uncertainties regarding the impacts on the bases of these taxes, although one should ordinarily expect a positive impact.

c. Net State and Local Tax Revenue from Direct and Indirect Impacts

In this analysis, the addition of a hotel in the Louisville market is expected to serve an expanded tourism market, and thus is not expected to replace a demand already being served by existing facilities in the Louisville area. However, it is realized that some of the demand will come from within the market area, so an adjustment of impacts is offered to account for expected redirection of purchases from pre-existing establishments to those within the Project.

Table 9 below details the percentage of each facility/operation that counts as net "new" spending in Louisville and Kentucky. According to Coomes and Kornstein, 82 percent of the visitors who completed the Kentucky Bourbon Trail in 2008 were out-of-state residents. Since the NuLu project is expected to serve this expanded tourist market, it is presumed here that the same percentage applies to guests at the Project hotel. As a result, the revenue estimates resulting from the application of effective tax rates to the estimated earnings impacts are discounted to this percentage at the state and local level. For the rooftop facility, the assumption is that half of the events would have taken place at another facility in Kentucky (including the Louisville area), and 40 percent would have occurred outside of the Louisville area. (By inference, this means that 10 percent of the events would have occurred otherwise in Kentucky but outside of Jefferson County.) For the Lounge, it is assumed that all business will come from hotel guests, so net new spending is set equal to that of hotel rooms.

For the eating establishments the process is more detailed. The developers of the Project believe that based on an annual revenue rate of $400 per square foot in an eating establishment, the total gross revenues of the restaurants is $3.6 million. Our estimate of the share of this originating from out-of-state hotel guests is just over $958,508, or 24 percent. This was determined by calculating the number of room/nights sold each year as the product of number of rooms, percent occupancy, and rooms available per year. (150 * 70% * 365). This yields 38,325 room/nights sold. Of this amount, 82 percent originates from out of state. Statistics on average daily restaurant spending by hotel guests is not available, but using the 2014 federal government per-diem meal allowance for Louisville of $61 per each room-night as a proxy, total spending at restaurants by out-of-state hotel guests is $1.9 million. It is further assumed that only 50 percent of average daily restaurant spending will occur in the Project restaurants, leading to total net new spending of 24 percent.

The effect of redirected spending for the retail establishments is assumed to be the same as for area restaurants. Shoppers at the facilities should be divided similarly by residence as for the eating establishments.

Table 9
Substitution Rate (% indicates amount NOT replacing other activity)

	State	Local
Hotel rooms	82%	82%
Rooftop events	50%	60%
Lounge	82%	82%
Retail	24%	24%
Restaurants	24%	24%

Net state and local revenues will accrue from the increased earnings within Jefferson County and Kentucky accruing from the NuLu Project. Table 10 provides a summary of total net new expected revenues from development of the Project. The estimates for net new tax revenues is based on the same methodology used to determine gross impacts, with the adjustments discussed above for substitution/redirection of existing spending.

Table 10
20-Year Net New State and Local Tax Revenue by Tax Type
(million $)

Tax Type	State	Local	Total
Ind. Income/Occ. License	3.3	1.2	4.5
Sales & Use	12.0	-	12.0
Property	1.0	4.1	5.1
Total Tax Revenue	16.3	5.2	21.6

Following construction, expected occupational license tax revenues will rise from $34,286 in initial stages to $65,660 in year 20.

For Jefferson County, expected tax receipts from occupational license taxes and property taxes should reach $5.2 million over the 20-year period. Roughly $1.1 million of this is from occupational license tax revenue, and the remainder from an increase in local property taxes.

Meanwhile, Kentucky state government should experience a rise in revenues totaling $16.3 million over the same time period. By far, the largest impacts will be felt in as sales and use tax revenues, due not only to taxes collecting by Project establishments, but those generated by subsequent rounds of spending in Kentucky. Sales taxes should grow from $495,443 in year 3 to total $737,389 in year 20. State income tax receipts are projected to grow from $99,745 in year 3 following construction to reach $190,832 annually by year 20. Relatively minor impacts will come from property taxes, just totaling over $1.0 million in the 20-year period. Estimation of corporation income taxes and limited-liability entity taxes accruing from this project are not calculated due to significant uncertainties regarding the impacts on the bases of these taxes, although one should ordinarily expect a positive impact. Detailed estimates of net new state and local revenues are provided in Appendix C.

Property Tax Impacts

Impacts from property taxes are identical in this section as the gross revenues described in the previous section. No substitution or displaced spending applies to property tax revenues.

Individual Income and Occupational License Tax Impacts

Individual income tax and occupational license tax revenue estimates flow from the total earnings impacts as shown above in Table 5. Occupational license tax rate is 1.25 percent of earned income and is assumed to remain at that rate over the 20-year term of analysis. Effective income tax rate on earnings is assumed to be 3.2 percent, based on historical relationships between the two variables. Following construction, expected occupational license tax revenues will rise from $34,286 in initial stages to $65,660 in year 20. State income tax receipts are projected to grow from $99,745 in year 3 following construction to reach $190,832 annually by year 20.

Sales and Use Tax Impacts

Impacts from sales and use taxes accruing from the project apply only at the state level. The effective rate of sales taxes, using earnings as a base, is 2.8 percent based on historical ratios. Sales tax increases associated with the increase in personal earnings will rise from $495,443 in year 3 to about $737,389 in year 20.

Appendix A
Detail of State and Local Tax Revenues Directly Paid by Establishments Within the Project

This appendix contains detailed state and local tax revenue estimates paid directly by establishments created by/located within the NuLu Project. This table provides the timing of the state and local government revenue stream annually by tax type.

Estimated Gross State and Local Tax Revenue Generated Within NuLu TIF District

	Local Taxes			State Taxes				Total All Taxes
Year	Occupational License Tax	Local Property Tax	Total Local Taxes	State Income Tax	State Sales Tax	State Property Tax	Total State Taxes	
2015	102,000	-	102,000	261,120		-	261,120	363,120
2016	103,470	-	103,470	264,884	820,995	-	1,085,879	1,189,349
2017	54,517	111,543	166,059	139,428	835,773	27,653	1,002,854	1,168,914
2018	56,588	167,314	223,902	144,726	850,817	41,480	1,037,023	1,260,925
2019	58,739	174,007	232,745	150,515	867,833	43,139	1,061,488	1,294,233
2020	61,088	180,967	242,055	156,536	885,190	44,865	1,086,591	1,328,646
2021	63,532	188,205	251,737	162,797	902,894	46,659	1,112,350	1,364,088
2022	66,073	195,734	261,807	169,309	920,952	48,526	1,138,787	1,400,593
2023	68,716	203,563	272,279	176,082	939,371	50,467	1,165,919	1,438,198
2024	71,464	211,706	283,170	183,125	958,158	52,485	1,193,768	1,476,938
2025	74,323	220,174	294,497	190,450	977,321	54,585	1,222,356	1,516,853
2026	77,296	228,981	306,277	198,068	996,868	56,768	1,251,704	1,557,980
2027	80,388	238,140	318,528	205,991	1,016,805	59,039	1,281,835	1,600,362
2028	83,603	247,666	331,269	214,230	1,037,141	61,401	1,312,772	1,644,041
2029	86,947	257,572	344,520	222,800	1,057,884	63,857	1,344,540	1,689,060
2030	90,425	267,875	358,300	231,712	1,079,042	66,411	1,377,164	1,735,464
2031	94,042	278,590	372,632	240,980	1,100,622	69,067	1,410,670	1,783,302
2032	97,804	289,734	387,538	250,619	1,122,635	71,830	1,445,084	1,832,622
2033	101,716	301,323	403,039	260,644	1,145,087	74,703	1,480,435	1,883,474
2034	105,785	313,376	419,161	271,070	1,167,989	77,691	1,516,750	1,935,911
Grand Tota	1,496,516	4,076,468	5,674,984	4,095,086	18,683,375	1,010,626	23,789,087	29,464,072

Appendix B
Detail of Gross State and Local Tax revenues Both Direct and Indirect as a Consequence of the Project

This appendix contains detailed state and local tax revenue estimates both direct and indirect that should accrue from the NuLu Project. The estimates on this page have not been adjusted for any anticipated redirection of spending away from existing establishments. This table provides the timing of the state and local government revenue stream annually by tax type.

Detailed 20-Year Revenue Estimates from NULU Operations

Year	Occupational License Tax	Local Property Tax	State Income Tax	State Sales Tax	State Property Tax	Total All Taxes
2015	132,798	-	482,274	421,990	-	1,037,062
2016	101,202	-	345,146	1,122,998	-	1,569,347
2017	64,339	111,543	191,423	1,003,268	27,653	1,398,226
2018	66,632	167,314	198,225	1,024,264	41,480	1,497,915
2019	69,142	174,007	205,674	1,047,798	43,139	1,539,761
2020	71,750	180,967	213,412	1,071,925	44,865	1,582,918
2021	74,459	188,205	221,449	1,096,661	46,659	1,627,434
2022	77,273	195,734	229,797	1,122,024	48,526	1,673,354
2023	80,196	203,563	238,470	1,148,032	50,467	1,720,727
2024	83,232	211,706	247,479	1,174,702	52,485	1,769,604
2025	86,387	220,174	256,837	1,202,054	54,585	1,820,037
2026	89,665	228,981	266,559	1,230,107	56,768	1,872,080
2027	93,070	238,140	276,659	1,258,882	59,039	1,925,790
2028	96,607	247,666	287,152	1,288,399	61,401	1,981,225
2029	100,282	257,572	298,053	1,318,680	63,857	2,038,445
2030	104,101	267,875	309,379	1,349,748	66,411	2,097,513
2031	108,068	278,590	321,145	1,381,624	69,067	2,158,495
2032	112,191	289,734	333,370	1,414,333	71,830	2,221,458
2033	106,043	301,323	346,071	1,447,900	74,703	2,276,041
2034	120,924	313,376	359,268	1,482,349	77,691	2,353,609
Grand Total	**1,838,362**	**4,076,468**	**5,627,844**	**23,607,739**	**1,010,626**	**36,161,040**

Appendix C

Detail of Net tax revenues after accounting for the substitution or displacement of local spending

This appendix contains detailed state and local tax revenue estimates both direct and indirect that should accrue from the NuLu Project. The estimates on this page have been adjusted for anticipated redirection of spending away from existing establishments. This table provides the timing of the state and local government revenue stream annually by tax type.

Detailed 20-Year Revenue Estimates from NULU Operations

Year	Occupational License Tax	Local Property Tax	State Income Tax	State Sales Tax	State Property Tax	Total All Taxes
2015	132,798	-	482,274	421,990	-	1,037,062
2016	150,227	-	292,012	656,460	-	1,098,699
2017	34,286	111,543	99,745	495,443	27,653	768,671
2018	35,552	167,314	103,423	506,008	41,480	853,777
2019	36,937	174,007	107,445	517,837	43,139	879,365
2020	38,377	180,967	111,625	529,972	44,865	905,805
2021	39,873	188,205	115,970	542,420	46,659	933,128
2022	41,429	195,734	120,487	555,191	48,526	961,366
2023	43,046	203,563	125,182	568,294	50,467	990,552
2024	44,727	211,706	130,062	581,740	52,485	1,020,720
2025	46,474	220,174	135,135	595,537	54,585	1,051,905
2026	48,290	228,981	140,409	609,697	56,768	1,084,145
2027	50,178	238,140	145,890	624,351	59,039	1,117,598
2028	52,141	247,666	151,588	639,148	61,401	1,151,944
2029	54,181	257,572	157,512	654,461	63,857	1,187,583
2030	56,302	267,875	163,669	670,182	66,411	1,224,439
2031	58,507	278,590	170,070	686,322	69,067	1,262,557
2032	60,799	289,734	176,724	702,894	71,830	1,301,982
2033	63,182	301,323	183,641	719,912	74,703	1,342,762
2034	65,660	313,376	190,832	737,389	77,691	1,384,948
Grand Total	**1,152,967**	**4,076,468**	**3,303,698**	**12,015,249**	**1,010,626**	**21,559,009**

Appendix D
Earnings Growth Rates Used in Analysis

Employment is projected to remain stable for the period of estimation, although the following wage growth rates were applied to the payrolls to account for ordinary expected increases in hiring costs.

Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 onward**
Wage Growth Rate (%)	3.4	3.6	3.7	3.9	3.8	3.8	4.0

These growth rates were estimated by the Kentucky Office of State Budget Director in their publically released five-year planning forecast dated August 15, 2013.

Appendix E
Multiplier Concept and RIMS II

Effective planning for public- and private-sector projects and programs at the State and local level requires a systematic analysis of the economic impacts of projects and programs on the affected regions. In turn, systematic analysis of economic impacts must take into account inter-industry relationships within regions because these relationships largely determine how regional economies are likely to respond to project and program changes. Thus, regional input-output (I-O) multipliers which account for inter-industry relationships within regions are useful tools for regional economic impact analysis.

In the mid-1970s, the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) developed a method for estimating regional I-O multipliers known as RIMS (Regional Industrial Multiplier System). In the mid-1980s, BEA completed an enhancement of RIMS, known as RIMS II (Regional Input-Output Modeling System II) and published a handbook for RIMS II users.

RIMS II is based on an economic accounting framework. For each industry, an I-O table shows the distribution of inputs purchased and outputs sold. A typical I-O table in RIMS II is derived from BEA's national I-O table and BEA's regional economic accounts, which are used to adjust the national I-O table to show a particular region's industrial structure and trading patterns. RIMS II has several advantages for use in impact analysis. RIMS II multipliers can be estimated for any region composed of one or more counties and for any of the 473 industries or 60 industry aggregates in the national I-O table. The accessibility of the main data sources for RIMS II keeps the cost of estimating regional multipliers relatively low. Empirical tests show that the estimates based on the RIMS II modeling system and estimates based on relatively expensive surveys are similar in magnitude.

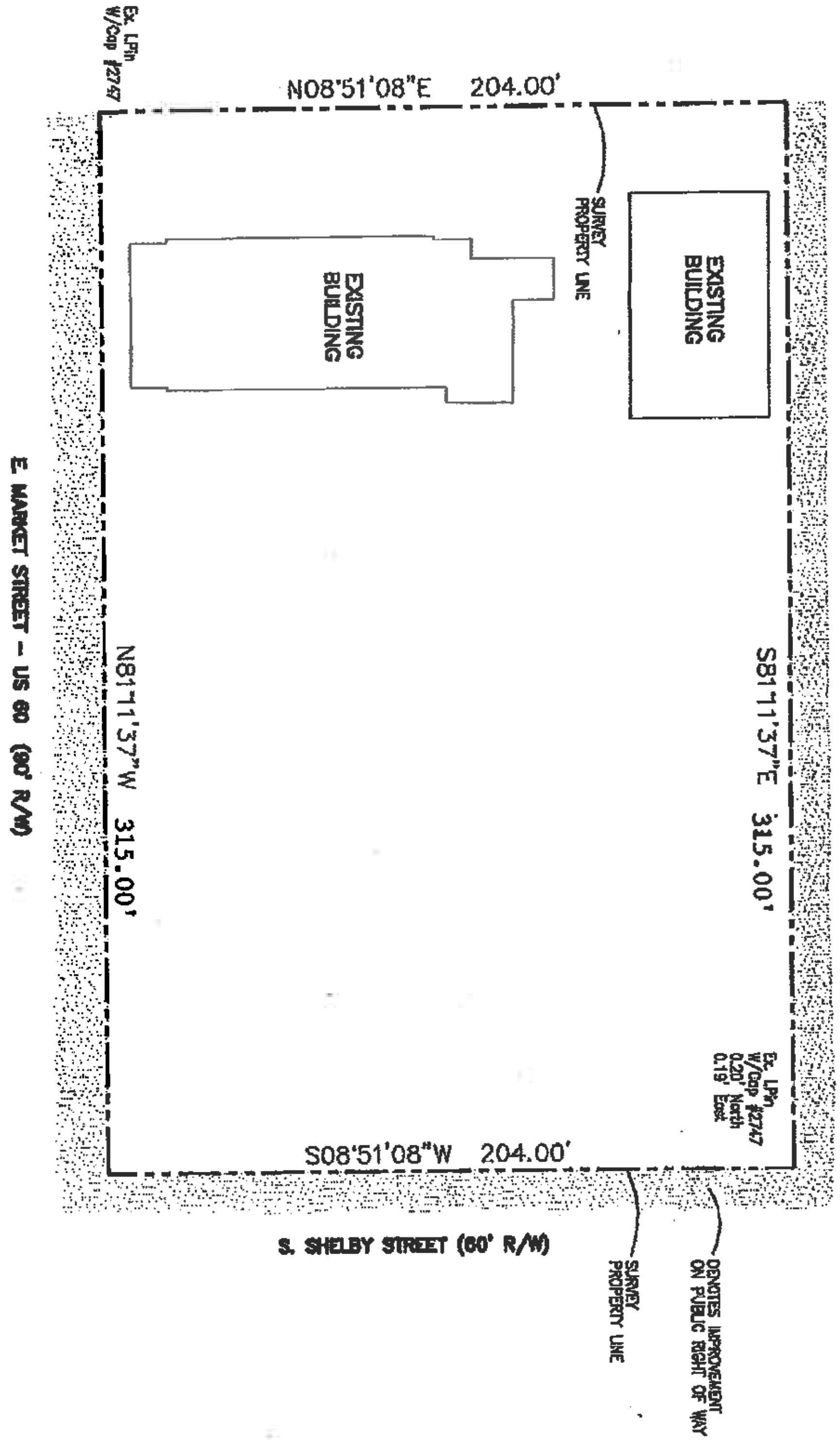
All multipliers used in this report were constructed using the 2010 US Annual Input-Output Tables, adjusted for the relevant geographic region with 2010 employment earnings estimates as provided by BEA. These multipliers are available for 62 aggregated economic sectors. Type II multipliers were used based on the assumption that most earnings generated within the region would remain in the region, i.e., the recipients are residents of Jefferson County and/or Kentucky. Relevant industries and multipliers are detailed below.

RIMS II Multipliers Used In Analysis

Industry Classification	Source and Notes (i.e., type, region and year)	Earnings Multiplier	Employment Multiplier (Jobs)
Construction	RIMS II Jeff Co, 2010/2010 Type II	0.4687	13.2567
Construction	RIMS II KY, 2010/2010 Type II	0.6649	18.4821
Accommodations	RIMS II Jeff Co, 2010/2010 Type II	0.4325	15.8629
Food Services and drinking places	RIMS II Jeff Co, 2010/2010 Type II	0.4545	22.4825
Accommodations	RIMS II KY, 2010/2010 Type II	0.4836	17.4877
Food Services and drinking places	RIMS II KY, 2010/2010 Type II	0.5444	25.8787

Effective use of the multipliers for impact analysis requires that users provide geographically and industrially detailed information on the initial changes in output, earnings, or employment which are associated with the project or program under study. The multipliers can then be used to estimate the total impact of the project or program on regional output, earnings, and employment.

For more information please refer to U.S. Bureau of Economic Analysis, *RIMS II: An Essential Tool for Regional Developers and Planners*, available on-line at: http://www.bea.gov/regional/rims/



725 EAST MARKET

LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT

LOCAL PARTICIPATION AGREEMENT

FOR THE

HOTEL NULU PROJECT

WITHIN THE

HOTEL NULU DEVELOPMENT AREA

LOCAL PARTICIPATION AGREEMENT

This **LOCAL PARTICIPATION AGREEMENT** (the "Agreement") effective as of the 1st day of _______, 2014, 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 corporation **("Authority")**.

RECITALS:

WHEREAS, 725 Partnership, LLC, a Kentucky limited liability company, ("Developer"), desires to develop in downtown Louisville a mixed-use project, consisting of a boutique hotel and related retail, restaurant, conference, and office space, along with related parking and infrastructure improvements, known as the Hotel NULU Project more specifically described in Exhibit A (the "Project); and

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

WHEREAS, pursuant to KRS 65.7041-65.7083 and KRS 154-30.010 -154-30.090 ("the Act"), the Metro Council of Louisville pursuant to the provisions of the Act, by Ordinance No______ Series 2014 (the "Ordinance"), has established the Hotel NULU Development Area (the "Development Area"); and

WHEREAS, the Project represents new economic development in Louisville; and

WHEREAS, the Project when fully developed will be a mixed-use project as defined by the Act, with capital construction in excess of $34 million, 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 property located in the Development Area, result in increased employment within the Development Area and increase the tax base of Louisville; and

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; and

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; and

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

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 be financed through the use of tax increment "local participation agreements," "incentive agreements" and "contracts of release" within the meaning of the Act;

WHEREAS, the Authority is organized and incorporated by Louisville as a not-for-profit corporation, and pursuant to the Ordinance, the Authority has been designated as the "agency," within the meaning of the Act for the purposes of identifying, developing, acquiring, financing and accomplishing the Project and entering into one or more grant agreements with the Commonwealth; and

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

NOW THEREFORE, Louisville and the Authority agree that in consideration of the premises and the additional consideration provided herein, the parties 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) **"Account Numbers"** shall mean the separate Withholding Tax Numbers for businesses located in the Development Area as determined pursuant to Section 3.1 of this Agreement.

(b) **"Activation Date"** means January 1, 2016, being within two (2) years of the Commencement Date which, upon the written request of the Authority to the Commonwealth and Louisville, may be extended, but in no event more than four (4) years from the Commencement Date.

(c) **"Base Year"** means January 1, 2013 through December 31, 2013, the last full year prior to the Commencement Date, or the Base Year as defined by the Tax Incentive Agreement if agreed to by Louisville and the Authority.

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

(e) **"Commencement Date"** shall mean the later of (i) the effective date hereof or (ii) the effective date of the Local Participation Agreement.

(f) **"Eligible Project Costs"** shall mean the Project Expenditures certified by the Office pursuant to Section 4.3 of this Agreement, and other costs as may be agreed by Louisville and the Authority.

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

(h) **"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.

(i) **"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.

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

(k) **"Office"** means the Kentucky Economic Development Finance Authority ("KEDFA"), as provided by the Act.

(l) **"Office of Management and Budget"** means the department of Louisville with that name.

(m) **"Old Real Estate Tax Revenue"** means the amount of Real Estate Taxes received by Louisville in the Base Year, which shall be increased each year by the same percentage applicable to "old state revenues" as provided in the Tax Incentive Agreement.

(n) **"Old Withholding Tax Revenue"** means the amount of Withholding Taxes received by Louisville in the Base Year, which shall be increased each year by the same percentage applicable to "old state revenues" as provided in the Tax Incentive Agreement, and provided that, if an Existing Business relocates within 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.

(o) **"Real Estate Tax"** means the real estate taxes levied annually by Louisville applicable to real property within the Development Area.

(p) **"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 Estate Tax Revenue.

(q) **"Released Amount"** means the amount payable in each Calendar Year from Louisville to the Authority pursuant to Section 5.6 of this Agreement.

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

(s) **"Termination Date"** means the date ending twenty (20) years from the Activation Date, unless terminated earlier pursuant to Section 4.1 of this Agreement.

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

(u) **"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 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.

(f) **Tax Incentive Agreement.** That following the execution of this Agreement, the Authority shall file an application with the Office seeking designation of the Project as an eligible project under one of the State Participation Programs under the Act, and requesting that the Office approve a Tax Incentive Agreement with the Authority providing State incremental revenues to pay for Eligible Project Costs. The application shall be prepared at the sole expense of the Developer

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, and (iii) such subsidiary or related entity is reasonably acceptable to Louisville.

2.3 **Representations and Warranties of the 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.

2.4 **Bond Financing.** If requested by the Authority, Louisville agrees to request the Metro Council to authorize the issuance of Industrial Revenue bonds for the Project, or a portion of the Project, provided that **any bonds issued by Louisville pursuant to this agreement and secured solely by incremental revenues shall not constitute a debt of Louisville or the state nor shall the bonds be a charge against the general credit or taxing powers of Louisville or the state. Louisville and the state shall have no obligation toward the payment of such bonds beyond the pledge of incremental revenue as provided in this Agreement.**

Section 3. <u>Withholding Taxes</u>.

3.1 **Account Numbers.** The Developer shall have the sole responsibility to identify all businesses located in the 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 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 4. **Released Amount.**

4.1 Term. Provided that the provisions of Section 4.2 are met, 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 twenty (20) years following the initial payment to the Authority; (ii) Louisville's election to terminate this Agreement 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 and the aggregate Released Amount paid to the Authority by the Commonwealth on a cumulative basis during the term of the Agreement equals the Eligible Project Costs as verified by the Office, and other costs as may be agreed and approved by Louisville and the Authority.

4.2 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.

4.3 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, and Financing 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.

4.4 The Authority Reporting. The Developer, at its sole expense, shall 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 certification prepared by an independent certified public accounting firm of 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.

4.5 Louisville Monitoring, Tracking and Reporting. The Office of Management and Budget shall oversee the payment of the Released Amount to the Authority and shall review all reports received from the Commonwealth pursuant to Section 4.3 or otherwise concerning the Project, its progress, and Eligible Project Costs. The Office of Management and Budget shall review all reports received from the Authority pursuant to Section 4.4 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 shall provide to the Authority and Louisville all information required to make the report.

4.6 Time of Payment. By no sooner than (i) ______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

4.7 Use of Released Amount. Consistent with the Act, the Authority covenants and agrees that it will use the Released Amount solely for Eligible Project Costs included within the Project, and pursuant to the requirements of the Act and the TIF Agreement.

Section 5. Determination of Released Amount.

5.1 Old Withholding Tax Revenue and Old Real Estate Tax Revenue. The Authority shall calculate with reasonable accuracy the amounts of Old Withholding Tax Revenue and Old Real Estate 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 and Old Real Estate Tax Revenue. The Authority shall submit its calculations of the Old Withholding Tax Revenue and Old Real Estate Tax Revenue to the Office of Management and Budget for review and approval. Upon the determination of Old Withholding Tax Revenue and Old Real Estate Tax Revenue, Louisville and the Authority shall stipulate the amount of Old Withholding Tax Revenue and Old Real Estate Tax Revenue by written addendum to this Agreement. The amount of Old Withholding Tax Revenue and Old Real Estate 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 $6,565 and Old Real Estate Tax Revenue is $11,436.75.

5.2 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 4.6 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. Any Withholding Taxes that, by virtue of the participation by a business in a project with the Kentucky Economic Development Finance Authority ("KEDFA"), the payment of which will be taken as a credit against the Withholding Tax liability of the business shall not be taken into account when calculating the New Withholding Tax Revenue. An estimate of the New Withholding Tax Revenue is included in the Financial Report prepared by Meench & Shanker, LLC, which is attached as an Exhibit B to the Development Plan, which is attached to the Ordinance.

5.3 New Real Estate Tax Revenue. The Office of Management and Budget shall calculate the amount of New Real Estate Revenue each year after the Activation Date, prior to the Time of Payment pursuant to Section 4.6 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 Footprint. An estimate of the New Real Estate Tax Revenue is included in the Financial Report prepared by Meench & Shanker, LLC, which is attached as an Exhibit B to the Development Plan, which is attached to the Ordinance.

5.4 Calculation of 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 4.6 of this Agreement, shall calculate the Preliminary Withholding Tax Increment, which shall be a sum equal to the New Withholding Tax Revenue calculated pursuant to Section 5.2 of this Agreement minus the Old Withholding Tax Revenue calculated pursuant to Section 5.1 of this Agreement. If the Office, in the Tax Incentive Agreement, reduces the maximum amount of incremental state revenues to be released because of the calculation of net positive economic impact to the Commonwealth pursuant to KRS 154.30-.060(4)(g), then the Preliminary Withholding Tax increment calculated pursuant to this Section shall be reduced each year by an amount proportionate to the Office's reduction of the maximum amount of incremental state revenues to be released ("Positive Impact Percentage"). The Withholding Tax Increment shall be an amount equal to the Preliminary Withholding Tax Increment multiplied by the Positive Impact Percentage. Provided, however, during construction of the Project, the Withholding Tax Increment shall not be reduced by the Positive Impact Percentage (assuming Activation occurs during construction of the Project.

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 4.6 of this Agreement, shall calculate the Real Estate Tax Increment, which shall be a sum 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 Released Amount. The Office of Management and Budget in each year following the Activation Date, prior to the Time of Payment pursuant to Section 4.6 of this Agreement, shall calculate the Released Amount, which shall be a sum equal to eighty percent (80%) of the Withholding Tax Increment and the Real Estate 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
Department of Economic Growth and Innovation
444 S. 5th St., Ste. 600
Louisville, Kentucky 40202
Attn: ____________________

With a copy to:

____
____
____
Attn: ____________________

If to the Authority:

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

With a copy to:

____
____
____
Attn: ____________________

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.

8.3 Exception. In the event of any default or termination by either party, the non-defaulting party shall be relieved of any executory obligations hereunder. Provided however, that in the event the Authority has issued bonds for the benefit of the Project (including to pay for Eligible Project Costs) which are secured by a pledge of the Released Amount, Louisville shall not terminate the payment of the Released Amount for the period said bonds remain outstanding and the Authority shall continue to comply with all applicable provisions of this Agreement necessary to make the bond payments with all applicable Released Amounts. Neither the Authority nor Louisville will terminate or otherwise negatively impact any such pledge, and both parties shall fully cooperate to use the Released Amount to service such bonds.

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, except as otherwise provided in Section 8.3 of this Agreement.

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.

[Remainder of Page Intentionally Left Blank]

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:______________________________
Ted Smith, President

Approved as to Form and Legality:

By:______________________________
Name______________________________
Title:______________________________

EXHIBIT A

PROJECT DESCRIPTION

The Hotel NULU Project will involve new capital investment of approximately $34 Million and be a mixed-use project with a hotel and conference center with related retail, restaurant and office uses as follows:

85,000± SF (150± room) Boutique Hotel with an international brand:

8,000± SF Rooftop Conference Center with Catering Kitchen and Lounge, as part of Hotel;

10,000± SF Ground Level Class "A" Retail Shell Space, as Part of Hotel;
250± Space Parking Structure;

6,000± SF Tenant Space in Historic Funeral Home;

4,000± SF Tenant Space in Historic Carriage House; and

Site and Utility Infrastructure Improvements.