
Development Plan
For
Eighteenth and Broadway Development Area
Louisville/Jefferson County Metro Government
_____, 2017

Development Plan
The Eighteenth and Broadway Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **Eighteenth and Broadway Development Area** (the “Development Area”) pursuant to the provisions of KRS 65.7041 to 65.7083 (collectively, the “Act”), to encourage the redevelopment proposed to be undertaken by University Health Care, Inc., d/b/a Passport Health Plan, a Kentucky non-profit corporation, and/or Passport Health Solutions, LLC, a Kentucky limited liability company, or any approved affiliate or assignee (the “Developer”), to be located at and adjacent to the 1800 W. Broadway, 1824 W. Broadway, 1912 W. Broadway, 713 Kendall Court, 715 Kendall Court, 712 S. 20th Street, 714 S. 20th Street, 716 S. 20th Street, Louisville, Kentucky, which site formerly contained a Philip Morris factory, as well as a remnant parcel that will be created after the realignment of 18th Street at West Broadway has occurred. The Developer proposes to redevelop the former Philip Morris site that has sat vacant since the factory closed in 2001 into a mixed use project, the first phase of which will consist of the construction of an office headquarters of approximately 325,000 square feet, a 525 space parking garage, and retail space (the “First Project”), and the second phase which will consist of uses compatible to a health campus to be developed with community input, and while this community engagement is still ongoing, based on preliminary discussions, could include a mixture of office and retail space, as well as site improvements, including proposed extensions of Anderson and Maple Streets (the “Second Project”, and collectively with the First Project, the “Project”), all of which will cost approximately \$130 million (approximately \$60 million for

the First Project and approximately \$70 million for the Second Project). Louisville proposes to support the Project and provide redevelopment assistance through a pledge of a portion of the incremental increase in local, Louisville Metro ad valorem real property taxes generated within the Development Area as a result of the Project.

1.2. The Project will include a corporate headquarters and other mixed uses consistent with a health campus.

1.3. The redevelopment plan for the Project will redevelop a site, the majority of which has sat vacant since 2001 following the closure of a Philip Morris factory.

Redevelopment will transform an underutilized corner in a significant block of the California neighborhood, and will be a catalyst for further development of the surrounding area. In addition to replacing a mostly vacant site, this proposed project will provide additional employment opportunities, and will drive further development in the California neighborhood.

1.4 Size and Location. The Development Area is an approximate 19.608 acre area in the California neighborhood identified more specifically on the map attached as Exhibit "A". This location, in the California neighborhood, is perfectly situated for development of the Project, which will become the anchor and development catalyst for continued high quality growth and development in the surrounding areas.

2. The Development Area

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

(a) The Development Area is a contiguous area consisting of approximately 19.608 acres, which is less than three square miles in area;

(b) The establishment of the Development Area will not cause the assessed taxable value of real property within the Development Area and within all “development areas” and “local development areas” established by Louisville Metro (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Louisville Metro. To date, Louisville Metro has established several other development areas with a combined taxable real property assessment of \$1.508 billion. The taxable real property within the Development Area for calendar year 2016 is approximately \$878,368.41, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.509 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2016 exceeds \$53 billion, 20% of which is \$10.6 billion. Therefore, the assessed

value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Louisville Metro; and

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

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

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

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

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

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

(e) Substantial presence of environmentally contaminated land;

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

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

Louisville Metro has reviewed and analyzed the conditions within the Development Area and finds that the Development Area meets at least three (3) of the seven (7) qualifying characteristics as follows:

1. **A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area.** The bulk of the Development Area is the old Philip Morris site, which has sat vacant since the factory closed in 2001, and the majority of the remaining buildings were demolished in 2007 and 2008.
2. **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 public infrastructure will be needed to support the site, including utilities, storm water retention and the extension of Anderson and Maple Streets, which improvements will facilitate further development

within this area. These infrastructure improvements cannot be reasonably be funded with private investment alone.

3. **A combination of factors substantially impairs or arrests the growth and economic development of the city or county and impedes the development of commercial or industrial property due to the Development Area's present condition and use.**

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

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

2.4. Assurances Regarding the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. Louisville Metro finds that the public benefits of redeveloping the Development Area justify the public costs proposed. The investment in the Development Area will result in significant returns through increased property valuations for the surrounding area, will facilitate secondary and tertiary re-development within the area, and will increase employment in Louisville Metro. The Development Area has a 2016 taxable assessment of approximately \$878,368.41 and annually generates \$4,201.24 in ad valorem real property taxes to Louisville (\$2,272.62 is attributable to the First Project and \$1,928.72 is attributable to the Second Project). The Project will increase capital investment by approximately \$130 million (approximately \$60 million for the First Project and approximately \$70 million for the Second Project), which will provide significant new taxes to Louisville Metro and the other taxing districts. While Louisville Metro will pledge 80% of the incremental increase of the local ad valorem real property taxes from the Development Area, up to a cap of (i) \$5,541,927 for the First Project and (ii) \$4,935,652 for the Second Project, to provide redevelopment assistance to the project, it will retain 20% of the new incremental increase of the local ad valorem real property taxes from the Development Area, and 100% of the increase in any other taxes, such as local occupational taxes. Further, the existing ad valorem real property taxes will be retained by Louisville Metro. Therefore, even when considering the requested incentives for the Project from Louisville Metro, the Project will be financially beneficial to Louisville Metro. Further, the Project will serve as a catalyst for additional development in the area surrounding the Development Area. Lastly, while the Project is

not subject to Louisville Metro Code of Ordinances Section 37.75, the Developer intends to make a good faith effort to achieve the goals set forth in that ordinance with respect to minority participation, women participation and residents within the Louisville MSA during the construction of the project.

2.5. Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise or, if the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, that there are certain special circumstances within the Development Area that would prevent its development without public assistance. The area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise independent of public support. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them. This Project, at this time, is a catalyst project that can excite, and create the momentum needed to completely transform, this area over the coming years.

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

2.7. Existing Uses and Conditions. The Development Area consists of approximately 19.608 acres on the southwest corner of the intersection at Eighteenth and Broadway in the California neighborhood. The majority of the existing site is the site of the former Philip Morris factory, which closed in 2001, and the majority of the structures were demolished between 2007 and 2008.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. No change is needed in zoning to implement the Development Plan for the First Project. Community input is still being taken regarding the Second Project, but at this time, it does not appear that a change in zoning would be required. Even assuming that the community input resulted in a use requiring a zone change, it would only involve a small, non-material portion of the overall Second Project.

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

3. The Development Program.

The Development is expected to be a mixed use project, consisting of a corporate headquarters, parking garage and other complementary uses consistent with a health campus.

4. Redevelopment Assistance and Finance Plan.

Louisville Metro proposes to provide redevelopment assistance and pay

for Project costs through a pledge of a portion of the incremental increases in tax revenues from local ad valorem real property taxes from the Development Area. Louisville Metro proposes to pay annually to the Agency, as defined in the Local Participation Agreement, the Released Amount which shall be calculated as provided in the Local Participation Agreement as follows: 80% of the Louisville Metro Ad Valorem Real Property Tax Increment, as that term is defined in the Local Participation Agreement, subject to the following condition: in no event shall the total of the Released Amount paid to the Agency over the term of the Local Participation Agreement exceed (i) \$5,541,927 for the First Project and (ii) \$4,935,652 for the Second Project, as more particularly set forth in the Local Participation Agreement. The projected incremental revenues and proposed time frame of the financial obligations is attached as Exhibit "B."

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

5. Conclusions.

In conclusion, the Project will serve as an important catalyst to the further

redevelopment of the California neighborhood and surrounding areas in Louisville, will generate significant new tax revenues to Louisville Metro, and will facilitate an increase in the availability of employment opportunities needed to support the growth and development of Louisville Metro. The incentives proposed to be provided under the Act are reasonable and critical to the overall financing for the Project.

Exhibit A

Map and Description of Development Area

BEING A TRACT OF LAND LOCATED AT THE INTERSECTION OF DIXIE HIGHWAY (18TH STREET) AND WEST BROADWAY IN LOUISVILLE, KENTUCKY AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT AT THE SOUTHWEST CORNER OF THE INTERSECTION OF CURRENT DIXIE HIGHWAY (18TH STREET) AND WEST BROADWAY; THENCE ALONG THE SOUTH LINE OF WEST BROADWAY, SOUTH 80°36'09" EAST (THIS AND ALL SUBSEQUENT BEARINGS HEREON REFER TO THE KENTUCKY STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NAD 83), 61.00 FEET TO A POINT; THENCE FOLLOWING THE SOUTH LINE OF WEST BROADWAY, SOUTH 79°08'58" EAST, 73.28 FEET TO A POINT AT THE SOUTHWEST CORNER OF THE INTERSECTION OF THE PROPOSED DIXIE HIGHWAY (18TH STREET) AND WEST BROADWAY; THENCE ALONG THE WEST LINE OF THE PROPOSED DIXIE HIGHWAY, SOUTH 19°55'09" EAST, 57.24 FEET TO A POINT; THENCE CONTINUING ALONG THE WEST LINE OF THE PROPOSED DIXIE HIGHWAY, WITH A CURVE TO THE RIGHT HAVING A RADIUS OF 368.00' AND A CHORD THAT BEARS SOUTH 35°34'57" WEST, 264.58 FEET TO A POINT; THENCE WITH A CURVE TO THE LEFT HAVING A RADIUS OF 432.00' AND A CHORD THAT BEARS SOUTH 40°13'21" WEST, 244.36 FEET TO A POINT; THENCE CONTINUING ALONG THE WEST SIDE OF DIXIE HIGHWAY, SOUTH 18°28'14" WEST, 298.99 FEET TO A POINT; THENCE FOLLOWING THE WEST LINE OF DIXIE HIGHWAY, SOUTH 19°10'06" WEST, 60.13 FEET TO A POINT; THENCE LEAVING THE WEST LINE OF DIXIE HIGHWAY, NORTH 81°59'04" WEST, 965.56 FEET TO A POINT; THENCE NORTH 8°00'56" EAST, 55.67 FEET TO A POINT; THENCE NORTH 80°56'28" WEST, 100.00 FEET TO A POINT IN THE EAST LINE OF DR. W. J. HODGE STREET; THENCE FOLLOWING THE EAST LINE OF DR. W. J. HODGE STREET NORTH 9°39'58" EAST, 2.53 FEET TO A POINT; THENCE FOLLOWING THE EAST LINE OF DR. W. J. HODGE STREET NORTH 8°53'52" EAST, 247.20 FEET TO A POINT; THENCE CONTINUING ALONG THE EAST LINE OF DR. W. J. HODGE STREET, NORTH 8°53'46" EAST, 249.00 FEET TO A POINT IN THE SOUTH LINE OF ANDERSON STREET; THENCE FOLLOWING THE SOUTH LINE OF ANDERSON STREET, SOUTH 86°38'59" EAST, 142.75 FEET TO A POINT; THENCE FOLLOWING THE SOUTH LINE OF ANDERSON STREET, SOUTH 8°53'30" WEST, 15.00 FEET TO A POINT; THENCE FOLLOWING THE SOUTH LINE OF ANDERSON STREET, SOUTH 86°29'46" EAST, 142.77 FEET TO A POINT; THENCE FOLLOWING THE SOUTH LINE OF ANDERSON STREET, SOUTH 85°23'41" EAST, 15.52 FEET TO A POINT; THENCE FOLLOWING THE SOUTH LINE OF ANDERSON STREET, SOUTH 86°57'20" EAST, 180.85 FEET TO A POINT IN THE EAST LINE OF SOUTH 20TH STREET; THENCE FOLLOWING THE EAST LINE OF SOUTH 20TH STREET, NORTH 8°52'35" EAST, 210.20 FEET TO A POINT IN THE SOUTH LINE OF WEST

BROADWAY; THENCE SOUTH 86°36'30" EAST, 734.63 FEET TO THE POINT OF BEGINNING, CONTAINING 19.608 ACRES.

Project 1 is contained in 7.499 acres of the above described tract, more particularly described as follows:

BEING A TRACT OF LAND LOCATED AT THE INTERSECTION OF DIXIE HIGHWAY (18TH STREET) AND WEST BROADWAY IN LOUISVILLE, KENTUCKY AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT AT THE SOUTHWEST CORNER OF THE INTERSECTION OF CURRENT DIXIE HIGHWAY (18TH STREET) AND WEST BROADWAY; THENCE ALONG THE SOUTH LINE OF WEST BROADWAY, SOUTH 80°36'09" EAST (THIS AND ALL SUBSEQUENT BEARINGS HEREON REFER TO THE KENTUCKY STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NAD 83), 61.00 FEET TO A POINT; THENCE FOLLOWING THE SOUTH LINE OF WEST BROADWAY, SOUTH 79°08'58" EAST, 73.28 FEET TO A POINT AT THE SOUTHWEST CORNER OF THE INTERSECTION OF THE PROPOSED DIXIE HIGHWAY (18TH STREET) AND WEST BROADWAY; THENCE ALONG THE WEST LINE OF THE PROPOSED DIXIE HIGHWAY, SOUTH 19°55'09" EAST, 57.24 FEET TO A POINT; THENCE CONTINUING ALONG THE WEST LINE OF THE PROPOSED DIXIE HIGHWAY, WITH A CURVE TO THE RIGHT HAVING A RADIUS OF 368.00' AND A CHORD THAT BEARS SOUTH 35°34'57" WEST, 264.58 FEET TO A POINT; THENCE WITH A CURVE TO THE LEFT HAVING A RADIUS OF 432.00' AND A CHORD THAT BEARS SOUTH 44°36'56" WEST, 180.16 FEET TO A POINT; THENCE LEAVING THE WEST LINE OF THE PROPOSED DIXIE HIGHWAY NORTH 81°06'42" WEST, 668.92 FEET TO A POINT; THENCE NORTH 8°52'35" EAST, 365.48 FEET TO A POINT AT THE INTERSECTION OF SOUTH 20TH STREET AND WEST BROADWAY; THENCE FOLLOWING THE SOUTH LINE OF WEST BROADWAY, SOUTH 86°36'30" EAST, 734.63 FEET TO THE POINT OF BEGINNING, CONTAINING 7.499 ACRES.

Project 2 is the remaining 12.109 acres of the Development Area (the difference between the Development Area and Project 1).

Exhibit B

ESTIMATE OF NEW REAL ESTATE TAX REVENUE

| Year | First Project | Second Project | Total |
|------|---------------|----------------|---------|
| 2019 | 286,980 | 26,345 | 313,325 |
| 2020 | 292,720 | 72,262 | 364,981 |
| 2021 | 298,574 | 118,178 | 416,752 |
| 2022 | 304,545 | 170,791 | 475,337 |
| 2023 | 310,636 | 218,621 | 529,258 |
| 2024 | 316,849 | 276,017 | 592,866 |
| 2025 | 323,186 | 333,413 | 656,599 |
| 2026 | 329,650 | 340,082 | 669,731 |
| 2027 | 336,243 | 346,883 | 683,126 |
| 2028 | 342,968 | 353,821 | 696,789 |
| 2029 | 349,827 | 360,897 | 710,724 |
| 2030 | 356,824 | 368,115 | 724,939 |
| 2031 | 363,960 | 375,478 | 739,438 |
| 2032 | 371,239 | 382,987 | 754,226 |
| 2033 | 378,664 | 390,647 | 769,311 |
| 2034 | 386,237 | 398,460 | 784,697 |
| 2035 | 393,962 | 406,429 | 800,391 |
| 2036 | 401,841 | 414,528 | 816,399 |
| 2037 | 409,878 | 422,849 | 832,727 |
| 2038 | 418,076 | 431,306 | 849,381 |