
Development Plan

For

726 East Market Street Development Area

Louisville/Jefferson County Metro Government

_____, 2021

Development Plan
The 726 East Market Street Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **726 East Market Street Development Area** (the “Development Area”) pursuant to the provisions of KRS 65.7041 to 65.7083, as the same may be amended (collectively, the “Act”), to encourage the redevelopment of a lot currently used for surface parking being undertaken by Mountain & River City, LLC, a Delaware limited liability company, or an affiliate of same (the “Developer”), to be located at and adjacent to 726-730R E. Market Street, Louisville, Kentucky. The Developer proposes to redevelop the site for a hotel project consisting of approximately 122 rooms plus at least two additional unique food and beverage establishments, which will cost approximately \$29 million (the “Project”). Louisville proposes to support the Project and provide redevelopment assistance through a pledge of a portion of the incremental increase in local, Louisville Metro ad valorem real property taxes generated within the Development Area as a result of the Project.

1.2. The Project will have approximately 122 rooms, and it is anticipated that the hotel will be managed by the Bunkhouse Group and add a unique hotel experience option to the Louisville Metro market and support the burgeoning “Urban Bourbon” Trail rapidly establishing in Louisville Metro, as it will partner with Rabbit Hole Spirits to provide programming for indoor/outdoor museum art space.

1.3. The redevelopment plan for the Project will redevelop a site that where the buildings were torn down years ago, and since then, has been used as a surface parking lot.

Redevelopment will transform a significant block along East Market Street and will be a catalyst for further development of the surrounding area. In addition to redeveloping an underutilized site that has been used for surface parking, this proposed project will provide additional opportunities for tourists and will drive further development in the NuLu neighborhood.

1.4 Size and Location. The Development Area is an approximate 0.3865 acre area in the NuLu neighborhood identified more specifically on the map attached as Exhibit “A”. This location, in the NuLu 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 0.3865 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 \$1.537 billion. The taxable real property within the Development Area for calendar year 2020 is approximately \$420,880, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.538 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2020 exceeds \$65.6 billion, 20% of which is \$13.1 billion. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Louisville Metro; and

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

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

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

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

(c) More than fifty percent (50%) of residential, commercial, or

industrial structures are deteriorating or deteriorated;

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

(e) Substantial presence of environmentally contaminated land;

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

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

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

1. **A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area.** The buildings in the Development Area were removed years ago due to their condition and for safety reasons, and the site has only been used for surface parking since their removal.
2. **A combination of factors substantially impairs or arrests the growth and economic development of the city or county and impedes the development of commercial or industrial property**

due to the Development Area's present condition and use.

Development of the Project site without assistance as provided by the Act is not feasible due to the dramatically rising large scale costs associated with the redevelopment of the proposed Project, and the current scarcity of traditional financing for hospitality development. 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, improved connectivity and amenities (including related amenities on an adjoining parcel, event space, museum and hospitality) resulting from the development of the proposed Project will have a positive effect on the city and surrounding area, especially the impact on East Market Street, the NuLu neighborhood and the Kentucky International Convention Center.

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.

2.3. Assurances Regarding the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. Louisville Metro finds that the public benefits of redeveloping the Development Area justify the public costs proposed. The investment in the Development Area will result in significant returns through increased property valuations for the surrounding area, will facilitate secondary and tertiary re-development within the area, and will bring additional visitors to Louisville Metro. The Development Area has a 2020 taxable assessment of approximately \$420,880 which annually generates \$2,092 in ad valorem real property taxes to Louisville Metro. The Project will increase capital investment by approximately \$29,000,000, which will provide significant new taxes to Louisville Metro and the other taxing districts. While Louisville Metro will pledge 80% of the incremental increase of the local ad valorem real property taxes from the Development Area, up to a cap of \$1,880,404, 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.

2.4. Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not

been subject to growth and development through investment by private enterprise or, if the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, that there are certain special circumstances within the Development Area that would prevent its development without public assistance. Most of the area immediately surrounding the Development Area has been subject to growth and development only through public support of private investment. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them.

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

2.6. Existing Uses and Conditions. The Development Area consists of approximately 0.3865 acres on East Market Street midblock between South Clay Street and South Shelby Street in the NuLu neighborhood. The existing site has been used for surface parking since the buildings were torn down years ago due to their condition and safety reasons.

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

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

3. The Development Program.

The Development is expected to be a hotel managed by the Bunkhouse Group, which will complement the Bourbon Trail and the Kentucky International Convention Center by providing another option for visitors wishing to lodge in Louisville.

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 \$1,880,404 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 development of the NuLu neighborhood and surrounding areas, will generate significant new tax revenues to Louisville Metro, and will facilitate an increase in the availability of hotel space 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

Tract 1

Parcel #04-017D-0194-000

Being Tract 2 as shown on Minor Plat Docket No. 15 Minor Plat 1067, of record in Deed Book 10492, Page 176, in the Office of the County Court of Jefferson County, Kentucky, having been approved by the Louisville Metro Planning Commission on October 22, 2015.

Tract 2

Parcel #04-017D-0087-0000

Beginning at a point in the South line of Market Street 183-9/12 feet West of the Southwest corner of Shelby and Market Streets; thence West 26-3/12 feet; thence extending back South and parallel with Shelby Street 133-3/4 feet; thence East 26-3/12 feet; thence North and parallel with Shelby Street, 133-3/4 feet to the point of beginning.

Tract 3

Parcel #04-017D-0087-0000*

Beginning at a point on the North side of the alley between Market and Jefferson Streets and Clay and Shelby Streets one hundred and sixty-five (165) feet nine (9) inches West of Shelby Street; running thence with the alley forty-three (43) feet nine (9) inches; thence Northwardly at right angles, seventy (70) feet, more or less; thence Eastwardly twenty-six (26) feet three (3) inches; thence Southeast to a point forty-three (43) feet nine (9) inches East of the West line of the lot to a point fifty-six (56) feet North of the alley; thence Southwardly fifty-six (56) feet to the beginning.

Tract 4

Parcel #04-017D-0085-0000

Beginning at a point in the South line of Market Street, 210 feet West of Shelby Street; running thence West with the South line of Market Street 28 feet, and extending back, between lines parallel with Shelby Street, 204 feet to an alley.

*Deed also lists Tract 3 as Parcel #04-017D-0087-0000; PVA lists Tract 3 as Parcel #04-017D-0086-0000.

Exhibit B

PROJECTED NEW REAL ESTATE TAX REVENUES

2023	98,873
2024	100,851
2025	102,868
2026	104,925
2027	107,024
2028	109,164
2029	111,347
2030	113,574
2031	115,846
2032	118,163
2033	120,526
2034	122,936
2035	125,395
2036	127,903
2037	130,461
2038	133,070
2039	135,732
2040	138,446
2041	141,215
2042	144,040