

ORDINANCE NO. _____, SERIES 2017

AN ORDINANCE ESTABLISHING A DEVELOPMENT AREA PURSUANT TO PROVISIONS OF KRS 65.7041- 65.7083 TO BE KNOWN AS THE LOUISVILLE CHEMICAL BUILDING DEVELOPMENT AREA, DESIGNATING THE METRO DEVELOPMENT AUTHORITY, INC. AS AN "AGENCY", ADOPTING A DEVELOPMENT PLAN, APPROVING ENTERING INTO A LOCAL PARTICIPATION AGREEMENT, AUTHORIZING THE PAYMENT OF THE "RELEASED AMOUNT" PURSUANT TO THE TERMS AND CONDITIONS OF THE LOCAL PARTICIPATION AGREEMENT, REQUIRING THE SUBMISSION OF REGULAR REPORTS TO LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF ANY OTHER DOCUMENTS AND THE TAKING OF ANY OTHER ACTIONS NECESSARY TO ACCOMPLISH THE PURPOSES AUTHORIZED BY THIS ORDINANCE.

SPONSORED BY: COUNCILWOMAN SEXTON SMITH

WHEREAS, the Kentucky General Assembly enacted KRS 65.7041- 65.7083 (the "Act") relating to tax increment financing and urban redevelopment, which Act establishes development areas to increase property values, increase employment opportunities, and increase economic activity;

WHEREAS, 601 East, LLC, a Kentucky limited liability company, or an affiliate of same (the "Developer") plans to undertake a major project within the Louisville Chemical Building Development Area (the "Development Area") to complete the Louisville Chemical Building Redevelopment Project (the "Project"), as more particularly described in the Development Plan attached hereto as Exhibit A;

WHEREAS, the Project, which qualifies as a development area under the Act, will involve new capital investment of approximately \$7 million when fully developed;

WHEREAS, in accordance with the provisions of the Act, a Development Plan for the Development Area has been prepared and a public hearing has been conducted to seek public comment on the Development Plan;

WHEREAS, the Legislative Council of the Louisville/Jefferson County Metro Government (the “Council”) finds that the Project to be undertaken in the Development Area by the Developer will further the public purposes identified in the Act by increasing the value of property located in the Development Area, increasing employment within the Development Area, Louisville and the region and increasing the tax base of Louisville;

WHEREAS, it is therefore in the interest of Louisville/Jefferson County Metro Government (“Louisville Metro”) and Metro Development Authority, Inc. (the “Authority”) that there be a plan for the optimal revitalization and development of the Development Area in a most efficient manner;

WHEREAS, the redevelopment of previously developed land, within the meaning of the Act and as presented by the Developer and the Authority, enables Louisville Metro to use tax increment financing to encourage major economic development projects and is a worthy public purpose;

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

WHEREAS, the Authority is organized and incorporated as a nonprofit, nonstock corporation pursuant to KRS Chapters 58 and 273 to act as an “Agency” under the Act; and

WHEREAS, Louisville Metro has determined that based on the benefits to be derived from the Project that it is in furtherance of its public purposes to assist

Developer, through the Authority, with the costs of the Project and agrees to enter into the Local Participation Agreement in order to pay to the Authority the Released Amount (as hereinafter defined) for use solely for purposes of the Project.

NOW, THEREFORE, BE IT ORDAINED BY THE LEGISLATIVE COUNCIL OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AS FOLLOWS:

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

Section 2. That the Council finds as follows:

- A. All statements of fact set forth in the recitals to this Ordinance are found true and correct and are incorporated herein by reference.
- B. The Development Area, as depicted in Exhibit B, is a contiguous parcel of property, approximately 0.89 acres in size, and is less than three (3) square miles in area as required by the Act.
- C. The Development Area constitutes previously developed land as required by KRS 65.7043(2).
- D. The establishment of the Development Area shall not cause the assessed value of taxable real estate in all development areas located in Louisville Metro to exceed 20% of the assessed value of all taxable real property in Louisville. To date Louisville Metro has established several other development areas with a combined taxable real property assessment at the time they were established of approximately \$1.507 billion. The taxable real property assessment of the Development Area for calendar year 2016 is approximately \$930,580, and that amount combined with the previous development areas established by Louisville Metro totals \$1.508

billion, while the total taxable real property assessment for Louisville exceeds \$53 billion, 20% of which is \$10.6 billion.

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

1. **A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area.** The Development Area includes two historic buildings, one of which has sat vacant for more than ten years, while the other one is currently occupied by a church, who is in the process of vacating the building and moving to another location.

2. **A combination of factors substantially impairs or arrests the growth and economic development of the city or county and impedes the development of commercial or industrial property due to the Development Area's present condition and use.** Development of the Project site without assistance as provided by the Act is not feasible due to the large scale costs associated with the redevelopment of the proposed Project, including the redevelopment of two historic buildings, one of which has brownfield and environmental issues. 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 the city and surrounding area, especially the impact on S. Hancock, E. Market and E. Jefferson Streets.

- F. The Development Area will not reasonably be developed without public assistance, including incentives as provided by the Act. The high cost of site development expenses needed for the Project makes public incentives critical to the financing of the Project when compared with low potential revenue generated by these improvements.
- G. The public benefits of redeveloping the Development Area justify the public costs proposed. The investment in the Development Area will result in significant returns through increased property valuations for the surrounding area, facilitate secondary and tertiary re-development within the area, and bring additional residents, diners and other visitors to Louisville. The Development Area has a 2016 taxable assessment of approximately \$930,580 but annually generates \$3,293 in ad valorem real property taxes to Louisville Metro because one of parcels in the Development Area (assessed at \$242,000) was exempted from ad valorem real property taxes pursuant to Section 170 of the Kentucky Constitution. The Project will increase capital investment by approximately \$7,000,000, 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 \$631,513, to provide redevelopment assistance to the project, including public infrastructure improvements, it will retain 20% of the new incremental increase of the local ad valorem real property taxes and 100% of the local occupational taxes from the Development Area. 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. The Project will also serve as a catalyst for additional development in the area surrounding the Development Area.

- H. While the area immediately surrounding the Development Area has been subject to growth and development by private investment, (i) some of that development has required public support, and (ii) there are special circumstances, because of the brownfield issues associated with the Louisville Chemical Building and additional costs required to preserve the two buildings that prevent its development without public assistance. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them.
- I. The pledge and use of a portion of Louisville Metro's incremental revenues, as defined in the Local Participation Agreement, derived from the Development Area to provide redevelopment assistance to the Project and the Development Area will increase capital investment and

employment in Louisville Metro, and therefore constitutes a public purpose.

Section 3. The Development Area as illustrated and described in Exhibit B is designated as a development area pursuant to the Act and shall be named the Louisville Chemical Building Development Area. The Development Area shall be established as of the effective date of this Ordinance and shall terminate on the earlier of (a) the termination of the Local Participation Agreement, attached hereto as Exhibit C, or (b) 25 years from the date hereof, provided that in no case the termination date will be more than twenty (20) years from the activation date.

Section 4. That the Metro Development Authority, Inc., a Kentucky nonprofit, nonstock corporation (the "Authority"), (a) is designated as the Agency, pursuant to the terms of the Act, (b) shall be the recipient of the Released Amount under the Local Participation Agreement and (c) shall be required to oversee and administer the implementation of the Project within the Development Area.

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

Section 6. That the Office of Management and Budget is designated as the department in Louisville Metro to oversee the payment of the Released Amount and to review all documentation concerning the Project, its progress, costs and development. The Office of Management and Budget shall annually submit to the Council a report

concerning the Development Area (“Report”). The Developer shall provide to the Office of Management and Budget, on a timely basis, all information required by the Office of Management and Budget to prepare the Report. The Report shall include but not be limited to:

- A. An accounting of all payments made to the Authority pursuant to the Local Participation Agreement;
- B. An analysis and review of development activity within the Development Area;
- C. The progress made toward meeting the stated goals of the Development Area;
- D. An accounting of the Approved Project Costs and other Project Costs incurred by the Developer.

Section 7. That the Council authorizes Louisville Metro to pay annually to the Authority the Released Amount, which shall be calculated as provided in the Local Participation Agreement, not to exceed a sum equal to 80% of the Louisville Metro Ad Valorem Real Property Tax Increment, as that term is defined in the Local Participation Agreement subject to the following condition: in no event shall the total of the Released Amount paid to the Authority over the term of the Local Participation Agreement exceed \$631,513 as set forth in the Local Participation Agreement.

Section 8. That the Authority shall establish a Special Fund pursuant to the Act for the Development Area as set forth in the Local Participation Agreement.

Section 9. That the Mayor and other appropriate Louisville Metro officials, and each of them, for and on behalf of Louisville Metro, are hereby authorized, empowered and

directed to do and perform any and all things necessary to effect the execution of the Local Participation Agreement, the performance of all obligations of Louisville Metro under and pursuant to the Local Participation Agreement and related documents, and the performance of all other actions of whatever nature necessary to effect and carry out the authority conferred by this Ordinance and the Local Participation Agreement. The Mayor and other appropriate Louisville Metro officials, and each of them, are hereby further authorized, empowered and directed for and on behalf of Louisville Metro to execute all papers, letter, documents, undertakings, certificates, assignments, forms, instruments and closing papers that may be required for the carrying out and effectuation of the authority conferred by and for the purposes of this Ordinance and the Local Participation Agreement, or to evidence said authority and purposes, and to exercise and otherwise take all action necessary to the full realization of the rights and purposes of Louisville Metro under the Local Participation Agreement and related documents and to perform all of the obligations of Louisville Metro under the Local Participation Agreement and related documents.

Section 10. The provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall for any reason be declared invalid, such declaration of invalidity shall not affect the validity of the remainder of this Ordinance.

Section 11. This Ordinance shall take effect upon its passage and approval.

Stephen Ott
Metro Council Clerk

David Yates
President of the Council

Greg Fischer
Mayor

Approval Date

APPROVED AS TO FORM AND LEGALITY:

Michael J. O'Connell
Jefferson County Attorney

By: _____

Exhibits

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

EXHIBIT A
DEVELOPMENT PLAN

EXHIBIT B
MAP OF DEVELOPMENT AREA

LEGAL DESCRIPTION

Parcel 1

Beginning at the Southeast corner of Hancock and Market Streets, running thence Eastwardly and fronting on the South side of Market Street one hundred and five (105) feet and extending back Southwardly on equal width one hundred and forty four (144) feet.

Being the same property conveyed to Church of Our Lord Jesus Christ of the Apostolic Faith, Inc., and Raymond Keith, Ronald Campbell, Linda Bolware, Samuel Toomer, Clyde Travis, Joan Keith, Tamara Tarver and Eric Turner, as Trustees of the Refuge in Kentucky Church of Our Lord Jesus Christ of the Apostolic Faith by quitclaim deed dated March 8, 1991, of record in Deed Book 6043, Page 729 in the Office of the County Court Clerk of Jefferson County, Kentucky.

Parcel 2

Tract No. 1: Being lot 1 Revised, as shown on Minor Subdivision Plat, approved by the Louisville Metro Planning and Zoning on December 11, 2006, Docket No. 244-06 and attached to and made a part of Deed of record in Deed Book 8974, Page 658, in the Office of the Clerk of the County Court of Jefferson County, Kentucky.

Tract No. 2: Being Lots 3 and 4, as shown on Minor Subdivision Plat, approved by the Jefferson County Planning Commission on April 21, 2000, Docket No. 089-00 and attached and made a part of Deed dated April 24, 2000, of record in Deed Book 7437, Page 109, in the Office of the County Court Clerk of Jefferson County, Kentucky.

Being all of the same property conveyed to 601 East, LLC, by virtue of Deed dated January 21, 2016, of record in Deed Book 10543, Page 97 in the Office of the County Court Clerk of Jefferson County, Kentucky.

Parcel 3

A PORTION OF SOUTH HANCOCK STREET BETWEEN EAST JEFFERSON STREET AND EAST MARKET STREET IN LOUISVILLE, KENTUCKY AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A FOUND MAG NAIL WITH WASHER STAMPED "D. L. KRAUS 2613", SAID POINT BEING AT THE SOUTHEAST CORNER OF SOUTH HANCOCK STREET AND EAST MARKET STREET ALSO BEING THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO CHURCH OF OUR LORD JESUS CHRIST OF THE APOSTOLIC FAITH, INC. BY DEED DATED MARCH 9, 1991, OF RECORD IN DEED BOOK 6043. PAGE 729, IN THE OFFICE OF THE CLERK OF JEFFERSON COUNTY, KENTUCKY; THENCE ALONG THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°46'19" WEST (THIS AND ALL SUBSEQUENT BEARINGS ARE BASED ON GRID NORTH OF THE KENTUCKY STATE PLANE COORDINATE SYSTEM, NORTH ZONE,

NAD '83) 144.00 FEET TO A FOUND MAG NAIL WITH WASHER STAMPED "D. L. KRAUS 2613" AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO DOMINO PARTNERS BY DEED DATED OCTOBER 1, 1990, OF RECORD IN DEED BOOK 5999, PAGE 617 IN THE AFORESAID CLERK'S OFFICE; THENCE WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°46'19" WEST, 60.00 FEET TO A POINT IN THE NORTHERLY LINE OF A 12 FOOT ALLEY; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET AND CROSSING SAID 12 FOOT ALLEY SOUTH 9°53'46" WEST, 12.62 FEET TO A POINT AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO DOMINO PARTNERS, LTD BY DEED DATED JANUARY 25, 2007, OF RECORD IN DEED BOOK 8974, PAGE 658 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°45'18" WEST, 30.00 FEET TO A POINT AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO A & G GENERAL CONTRACTORS, LLC BY DEED DATED APRIL 24, 2000, OF RECORD IN DEED BOOK 7437, PAGE 109 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°45'18" WEST, 44.50 FEET TO A POINT AT THE NORTHWEST CORNER OF A TRACT OF LAND CONVEYED TO 601 EAST, LLC BY DEED DATED JANUARY 21, 2016, OF RECORD IN DEED BOOK 10543, PAGE 96 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE EAST LINE OF SOUTH HANCOCK STREET SOUTH 8°45'18" WEST, 129.50 FEET TO A POINT IN THE NORTH LINE OF EAST JEFFERSON STREET; THENCE LEAVING THE EAST LINE OF SOUTH HANCOCK STREET AND FOLLOWING THE NORTH LINE OF EAST JEFFERSON STREET NORTH 81°55'58" WEST, 59.91 FEET TO THE WEST LINE OF SOUTH HANCOCK STREET AND THE SOUTHEAST CORNER OF A TRACT OF LAND CONVEYED TO FIRST LH2, LLC BY DEED DATED AUGUST 8, 2016, OF RECORD IN DEED BOOK 10685, PAGE 776 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE WEST LINE OF SOUTH HANCOCK STREET NORTH 8°48'10" EAST, 191.00 FEET TO THE SOUTH LINE OF A 25 FOOT ALLEY; THENCE CROSSING THE AFORESAID 25 FOOT ALLEY AND CONTINUING WITH THE WEST LINE OF SOUTH HANCOCK STREET NORTH 8°45'14" EAST, 26.36 FEET TO THE SOUTHEAST CORNER OF A TRACT OF LAND CONVEYED TO DOMINO PARTNERS BY DEED DATED OCTOBER 1, 1990, OF RECORD IN DEED BOOK 5999, PAGE 617 IN THE AFORESAID CLERK'S OFFICE; THENCE CONTINUING WITH THE WEST LINE OF SOUTH HANCOCK STREET NORTH 8°46'19" EAST, 204.00 FEET TO THE SOUTH LINE OF EAST MARKET STREET; THENCE LEAVING THE WEST LINE OF SOUTH HANCOCK STREET AND FOLLOWING THE SOUTH LINE OF EAST MARKET STREET SOUTH 81°13'41" EAST, 60.00 FEET TO THE POINT OF BEGINNING AND CONTAINING 25,221 SQUARE FEET OR 0.579 ACRES.

EXHIBIT C
LOCAL PARTICIPATION AGREEMENT