
Development Plan

For

Vesta Derby Oaks

Louisville/Jefferson County Metro Government

_____, 2018

Development Plan
The Vesta Derby Oaks Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **Vesta Derby Oaks 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 multifamily residential redevelopment project being undertaken by Middleburg Real Estate Partners, LLC, a Virginia limited liability company, or an affiliate of same (the “Developer”), to be located at and adjacent to 1500 Oleanda Court, 1401, 1423 and 1500 Arcade Avenue, 1427, 1500 and 1503 ½ Earl Avenue, and 1501 Phyllis Street, Louisville, Kentucky. The Developer proposes to redevelop an older apartment complex (Arcadia Apartments) that was built in the 1950s into a 418 unit multifamily mixed-income housing community, all of which will cost approximately \$29.3 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 renovate, improve and maintain an affordable housing option for Louisville Metro, including the complete replacement of all roofs, gutters, siding, lighting and other improvements to both the interior and the exterior of the buildings, making energy efficiency improvements to both the buildings and the appliances, replacing all electrical and plumbing, removing all asbestos-containing

materials, as well as making landscaping improvements throughout the property, installing a dog park, playground, grill stations and two laundry facilities, as well as installing a camera surveillance system.

1.3. The redevelopment plan for the Project will redevelop and renovate an older apartment complex, which was built in the 1950s. In addition to contributing and supporting Louisville Metro's explicit goal of increasing and preserving affordable housing stock in Louisville Metro, this project will also improve the landscaping and public infrastructure on the site.

1.4 Size and Location. The Development Area is an approximately 24.0573 acre area in the Taylor Berry neighborhood of Louisville identified more specifically on the map attached as Exhibit "A".

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 24.0573 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 \$1.524 billion. The taxable real property within the Development Area for calendar year 2016 is approximately \$4,441,910, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.529 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2017 exceeds \$59 billion, 20% of which is \$11.8 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 three (3) of the seven (7) qualifying characteristics as follows:

1. **Substantial loss of residential, commercial or industrial activity or use.** Because of the declining condition of the buildings on the site, many of the buildings are boarded up and unoccupied, with a current occupancy rate is 45%.
2. **Forty percent (40%) or more of the households are low income households.** The Development Area includes an older apartment complex that whose residents are primarily low income households.
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, particularly if the buildings are to be renovated and the units will be available for workforce housing. 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 redevelopment of the proposed Project will have a positive impact on Louisville Metro and the surrounding area, especially the impact on Arcade Avenue and the Taylor Berry 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 and will facilitate secondary and tertiary re-development within the area. The Development Area has a 2016 taxable assessment of approximately \$4,441,910 and currently generates \$21,201 in ad valorem real property taxes to Louisville Metro. The Project will increase capital investment by approximately \$29,300,000, which will provide significant new taxes to Louisville Metro and the other taxing districts. While Louisville Metro will pledge 80% of the incremental increase of the local ad valorem real property taxes from the Development Area, up to a cap of \$2,066,258, 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. Further, the existing ad valorem real property taxes will be retained by Louisville Metro.

The Project will have the following income restrictions post-renovation with respect to 200 of the 418 units: 27 of the one-bedroom units, 108 of the two-bedroom units and 65 of the three-bedroom units will be rented to income eligible tenants at rates

not to exceed the applicable 80% AMI Cap for that year for that type of unit. Therefore, even when considering the requested incentives for the Project from Louisville Metro, the Project will be financially beneficial to Louisville Metro.

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 by 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.

2.6. 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 24.0573 acres in the Taylor Berry neighborhood of Louisville. The existing site consists of approximately 69 buildings on the site, originally built in the 1950s, that is currently being used to provide housing, primarily to low income residents.

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

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

3. The Development Program.

The Development is expected to update and continue an affordable housing option for the residents of Louisville Metro.

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 \$2,066,258 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 Taylor Berry neighborhood in Louisville and surrounding areas, will generate significant new tax revenues to Louisville Metro, and will facilitate the modernization and continuation of affordable living opportunities needed to support the growth and development of Louisville Metro. The incentives proposed to be provided under the Act are reasonable and critical to the overall financing for the Project.

Exhibit A

Map and Description of Development Area

Being Lots 2, 3, 4, 5, 6, 7, 8 and 9, Plan of Arcadia Apartments, plat of which is of record in Plat and Subdivision Book 10, Page 33, and re-recorded in Plat and Subdivision Book 10, Page 52, both in the Office of the Clerk of Jefferson County, Kentucky.

Exhibit B

PROJECTED NEW REAL ESTATE TAX REVENUES

2020	102,551
2021	105,026
2022	107,550
2023	110,125
2024	112,752
2025	115,431
2026	118,164
2027	120,951
2028	123,794
2029	126,694
2030	129,652
2031	132,669
2032	135,746
2033	138,885
2034	142,087
2035	145,353
2036	148,684
2037	152,081
2038	155,547
2039	159,082