



**Logistics Air Park Development Project
Economic and Fiscal Impact Analysis**

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I. EXECUTIVE SUMMARY

Commonwealth Economics (“CE”) was retained by Louisville Metro to conduct an incentive review and impact analysis of the proposed Logistics Air Park Development Project (“Project”) to be located across two contiguous sites, hereinafter referred to as LAP 2 and LAP 3, on the northeast corner of I-65 and KY Route 1065 (Outer Loop Rd.) in Louisville, Kentucky.¹ The purpose of this report is to estimate the potential impact of the Project, including the related state and local tax revenues.

The Project is anticipated to include close to 1.8 million square feet of industrial warehouse space and complimentary office space, resulting in a total capital investment of \$97.8 million. The Project will also require significant expenditures on public infrastructure elements, including: roadwork, earthwork, utilities, curbs, sidewalks, promenades, stormwater, sanitary sewer, landscaping, and erosion control. These infrastructure improvements account for over \$43.1 million of the total development costs. Of this amount, approximately \$17.7 million is for roadwork that is critical to the development of the Project.

Highlights

- **Tax Increment Financing (20 Years)** - The Project would likely meet the requirements for utilizing Tax Increment Financing (“TIF”), which could generate an estimated \$16.2 million in TIF-eligible local (property and occupational) and state (property) incremental tax revenues that could support the Project. Of this amount, LAP 2 accounts for \$9.2 million and LAP 3 accounts for \$7.0 million (Figure ES-1).
- **State Income Taxes (10 Years)** - The Project’s industrial businesses may be able to recover a portion of their state income taxes through the Kentucky Business Investment (“KBI”) program, which may require the State to consider a portion of the local occupational taxes being participated in the TIF to be utilized as matching funds for the KBI program reimbursement. Utilizing the KBI program

¹ **DISCLAIMER:** The results presented herein are fair and reasonable. Commonwealth Economics utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results. Furthermore, assumptions and methodologies utilized herein may differ from those that may be used by other industry experts as opinions may differ. And because events, circumstances, and opinions often vary, those differences may be material. Additionally, this analysis uses data and assumptions based on economic activity prior to COVID-19 shifts in economic behavior and, accordingly, assumes that economic activity and behavior will return to normal by the time this Project is completed and open. Should pandemic factors continue to affect economic industries, including distribution, travel, retail, dining, etc., the differences in realized Project impacts could be significant.

could be useful in attracting new companies to the Commonwealth while also utilizing state income tax withholding revenues to further support the Project.

- **Initial injection into the economy**
 - **LAP 2** - Estimated to generate one-time impacts, directly supporting 374 construction jobs, \$22.5 million in direct construction wages, and \$4.0 million in state and local taxes (local: \$495,488).
 - **LAP 3** - Estimated to generate one-time impacts, directly supporting 375 construction jobs, \$22.6 million in direct construction wages, and \$4.0 million in state and local taxes (local: \$496,459).
- **Ongoing impact to the economy**
 - **LAP 2** - Over the 20-year period following completion, LAP 2 is estimated to directly support 597 jobs and \$541.8 million in direct wages. This activity would also be projected to indirectly support another 360 jobs throughout the area earning \$458.4 million over the same 20-year period.
 - **LAP 3** - Over the 20-year period following completion, LAP 3 is estimated to directly support 507 jobs and \$460.8 million in direct wages. This activity would also be projected to indirectly support another 306 jobs throughout the area earning \$390.4 million.
- **Project could generate substantial tax revenue** – Over a 20-year period, an estimated \$89.6 million in state and local tax revenues would be directly generated by the Project (Figure ES-2).
 - State tax revenue ~ \$48.8 million (LAP 2: \$26.3 million; LAP 3: \$22.5 million)
 - Local tax revenue ~ \$40.8 million (LAP 2: \$21.3 million; LAP 3: \$19.5 million)
- **Local Net New Fiscal Impact** - Additionally, when considering the potential direct, as well as the indirect and induced impacts, **an estimated \$81.2 million in local net new tax revenues** are expected to result from this Project’s successful development over a 20-year period.

Figure ES-1

Logistics Air Park Development Project Estimated TIF-Eligible Incremental Tax Revenues				
	Tax Rate	20-Year Total		
		LAP 2	LAP 3	Total
Estimated TIF-Eligible Incremental Tax Revenues				
State Incremental Tax Revenues				
Property Tax	0.1220%	\$1,158,749	\$0	\$1,158,749
Local Incremental Tax Revenues				
General Fiscal Court Property Tax	0.1300%	\$1,234,732	\$1,237,151	\$2,471,883
Louisville Metro Occupational Tax	1.25%	\$6,772,948	\$5,760,449	\$12,533,397
Total Local Incremental Tax Revenues		\$8,007,680	\$6,997,600	\$15,005,280
TIF-Eligible Incremental Tax Revenues*				
State Incremental Tax Revenues		\$1,158,749	\$0	\$1,158,749
Local Incremental Tax Revenues		\$8,007,680	\$6,997,600	\$15,005,280
Total		\$9,166,429	\$6,997,600	\$16,164,029
State Participation Estimate	90%	\$1,042,874	\$0	\$1,042,874
Local Participation Estimate	80%	\$6,406,144	\$5,598,080	\$12,004,224
Total Estimated Participation over 20 Years		\$7,449,018	\$5,598,080	\$13,047,098

**Subject to review by the Cabinet for Economic Development and Louisville Metro*

Figure ES-2

Logistics Air Park Development Project Estimated Direct Tax Revenues				
	Tax Rate	20-Year Total		
		LAP 2	LAP 3	Total
Estimated Direct Tax Revenues from Project				
State Tax Revenues				
Property Tax	0.1220%	\$1,158,749	\$1,161,019	\$2,319,767
Individual Income Tax	Blended	\$25,140,798	\$21,384,923	\$46,525,721
Total State Tax Revenues		\$26,299,547	\$22,545,942	\$48,845,489
Local Tax Revenues				
General Fiscal Court Property Tax	0.1300%	\$1,234,732	\$1,237,151	\$2,471,883
Jefferson County School Property Tax	0.7550%	\$7,170,944	\$7,184,993	\$14,355,937
Okolona Fire District Property Tax	0.1000%	\$949,794	\$951,655	\$1,901,449
Louisville Metro Occupational Tax	1.25%	\$6,772,948	\$5,760,449	\$12,533,397
Louisville Transit Occupational Tax	0.20%	\$1,083,672	\$921,672	\$2,005,344
Louisville School Board Occupational Tax	0.75%	\$4,063,769	\$3,456,270	\$7,520,038
Total Local Tax Revenues		\$21,275,858	\$19,512,190	\$40,788,048
Direct Tax Revenues Generated from Project		\$47,575,405	\$42,058,132	\$89,633,537
State Tax Revenues		\$26,299,547	\$22,545,942	\$48,845,489
Local Tax Revenues		\$21,275,858	\$19,512,190	\$40,788,048

II. PROJECT DESCRIPTION & ASSUMPTIONS

Logistics Air Park, LLC (“Developer”) is planning to develop a mix of industrial and commercial buildings across two contiguous sites, hereinafter referred to as LAP 2 and LAP 3, that are located on the northeast corner of I-65 and KY Route 1065 (Outer Loop Rd.) in Louisville, Kentucky (“Project”). The Project will require various public infrastructure improvements, including significant roadwork that would run through and adjacent to the Project site and connect Industrial Blvd. to Route 1065. The development of this Project is likely cost-prohibitive without some form of a partnership between the Developer and state and local governing bodies to support the infrastructure improvements necessary to make development of this property feasible.

This report quantifies the Project’s economic and fiscal impacts to both Louisville and the Commonwealth of Kentucky. Planning is currently underway for the proposed Project, which is anticipated to include the following components (subject to change):

Project Description

Total Cost ~ \$97.8 million

- Public infrastructure – \$43.1 million
 - Roadwork ~ \$17.7 million
 - Earthwork ~ \$7.5 million
 - Utilities ~ \$5.8 million
 - Curbs, sidewalks, & promenades ~ \$5.3 million
 - Stormwater & sanitary sewer ~ \$4.3 million
 - Landscaping ~ \$2.0 million
 - Erosion control ~ \$0.5 million
- Warehouse space ~ \$52.9 million (1.7 million sq ft)
- Office space (attached to warehouse space) ~ \$1.8 million (60,000 sq ft)

Based on construction, site work, and miscellaneous costs, the total construction cost, public and private, is estimated to be approximately \$97.8 million. Of this amount, public infrastructure expenditures are estimated at \$43.1 million. Approximately \$17.7 million of the public infrastructure expenditures is for roadwork that is critical to the development of the Project.

The proposed Project components are estimated to be completed by early 2024. However, Project phasing could change depending on demand, financing, construction timing/ability, etc. Below is a summary of the Project’s components and costs upon completion of each site.

Figure 1

Logistics Air Park Development Project			
Estimated Phased Operations and Costs by Site Completion			
	LAP 2	LAP 3	Total
	(Early 2024)	(Early 2024)	
(sq ft) Warehouse space	920,000	770,000	1,690,000
(sq ft) Office space	30,000	30,000	60,000
Total Investment (\$ millions)	\$48.9	\$49.0	\$97.8
Public Infrastructure (\$ millions)	\$20.1	\$23.0	\$43.1
Roadwork	\$8.6	\$9.1	\$17.7
Earthwork	\$3.3	\$4.2	\$7.5
Utilities	\$2.4	\$3.4	\$5.8
Curbs, sidewalks, & promenades	\$2.3	\$3.0	\$5.3
Stormwater & sanitary sewer	\$1.9	\$2.4	\$4.3
Landscaping	\$1.5	\$0.5	\$2.0
Erosion control	\$0.2	\$0.3	\$0.5

Tax Rate Assumptions

For the purpose of estimating the fiscal impact of the Project, it is necessary to calculate the expected future tax revenues generated by the new development within the footprint.

The following list contains a breakdown of the taxes used to determine the fiscal impacts of the Project.

- **State taxes:**
 - Property \$0.1220 per \$100 of assessed value
 - Sales Tax 6.0 percent of sales
 - Individual Income Tax (average effective rate)..... 4.7 percent of income

▪ **Local taxes:**

General Fiscal Court Property.....	\$0.1300 per \$100 of assessed value
Jefferson County School Property Tax.....	\$0.7550 per \$100 of assessed value
Okolona Fire District Property.....	\$0.1000 per \$100 of assessed value
Louisville Metro Occupational Tax	1.25 percent of salaries
Transit Authority Occupational Tax	0.20 percent of salaries
School Board Occupational Tax	0.75 percent of salaries

Project Assumptions

Estimated future tax revenues throughout the analysis were generated using the following input assumptions, based on industry averages, discussions with the Developer, and direct impact multipliers generated by the IMPLAN modeling software for Jefferson-Louisville Metropolitan Area, Kentucky.

- LAP 2 Warehouse space ~ 920,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 552
 - Average salary ~ \$37,041
- LAP 2 Office space (attached to warehouse space) ~ 30,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 45
 - Average salary ~ \$41,190
- LAP 3 Warehouse space ~ 770,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 462
 - Average salary ~ \$37,041
- LAP 3 Office space (attached to warehouse space) ~ 30,000 sq ft
 - Occupancy ~ 90%
 - Employees ~ 45
 - Average salary ~ \$41,190

III. ECONOMIC & FISCAL IMPACTS

The following subsections describe the initial construction impacts and the annual economic and fiscal impacts for each of the Project components.

Initial Construction Impact

The construction of the Project will create a one-time influx of spending, which will ripple throughout the economy and generate indirect output, induced output, wages, employment, and tax revenues.

There are two key impacts from construction to Louisville Metro and the Commonwealth of Kentucky. First, the construction itself directly creates construction jobs, which are subject to state individual income and local occupational taxes. Second, construction spending will ripple out and generate indirect output due to spending on materials, induced output, increased earnings, and employment throughout the economy, as well as state sales tax revenues associated with spending on materials and the induced impacts.

Figure 2 conceptually illustrates the flow of construction impacts, as well as the assumptions and tax rates utilized for the impact calculation.

Figure 2

Logistics Air Park Development Project		
Conceptual Diagram of One-Time Economic and Fiscal Impact from Construction		
Sources of Impact	Economic and Fiscal Impact	Rate
Total Construction Costs		
» Employment and Income Impacts		
	» State Individual Income Tax on Total Wages*	4.8%
	» Louisville Occupational Tax on Direct Wages	2.20%
» Materials and Induced Output		
	Taxable Material Spending Estimate**	40%
	Taxable Induced Spending Estimate	50%
	» Sales & Use Tax on Materials and Induced Spending	6.0%

*Estimated rate based on estimated direct construction wages & Kentucky's Tax Code

**Estimated percentage of total project costs spent on taxable materials

Figure 3, on the next page, shows the taxes derived from IMPLAN-calculated impacts generated using the estimated construction costs of the Project.

Figure 3

Logistics Air Park Development Project			
Estimates of One-Time Economic and Fiscal Impacts of Construction			
	LAP 2	LAP 3	Total
Economic Impact			
Direct	\$48,862,998	\$48,958,732	\$97,821,730
Indirect	\$14,473,571	\$14,501,928	\$28,975,500
Induced	\$22,094,402	\$22,137,690	\$44,232,092
Total Output	\$85,430,971	\$85,598,350	\$171,029,322
Construction Materials	\$19,545,199	\$19,583,493	\$39,128,692
Total Employment	597	598	1,195
Direct Employment	374	375	750
Total Wages	\$34,735,834	\$34,803,889	\$69,539,723
Direct Wages	\$22,522,174	\$22,566,301	\$45,088,475
Fiscal Impact (Tax Revenues)			
State Tax Revenues			
State Sales and Use Tax			
On Material Spending	\$1,172,712	\$1,175,010	\$2,347,722
On Induced Spending	\$662,832	\$664,131	\$1,326,963
State Individual Income Tax			
On Total Wages	\$1,658,774	\$1,662,024	\$3,320,797
Total State Tax Revenues	\$3,494,318	\$3,501,164	\$6,995,482
Local Tax Revenues			
Occupational Taxes			
On Direct Wages	\$495,488	\$496,459	\$991,946
Total Local Tax Revenues	\$495,488	\$496,459	\$991,946
Total Tax Revenues	\$3,989,806	\$3,997,622	\$7,987,428

The \$48.9 million investment in LAP 2 is estimated to generate 597 jobs (374 direct construction jobs and 223 indirect and induced jobs). These jobs are estimated to generate approximately \$34.7 million of total wages (\$22.5 million of direct wages and \$12.2 million of indirect and induced wages). The state and local fiscal impact generated from this construction activity is estimated at \$4.0 million.

The \$49.0 million investment in LAP 3 is estimated to generate 598 jobs (375 direct construction jobs and 223 indirect and induced jobs). These jobs are estimated to generate approximately \$34.8 million of total wages (\$22.6 million of direct wages and \$12.2 million of indirect and induced wages). The state and local fiscal impact generated from this construction activity is estimated at \$4.0 million.

In total, LAP 2 and LAP 3 are estimated to generate 1,195 jobs (750 direct construction jobs and 445 indirect and induced jobs), \$69.5 million in total wages (\$45.1 million of direct wages and \$24.4 million of indirect and induced wages), and \$8.0 million in state and local taxes from construction activity.

Annual Impact from Operations

When construction of the proposed Project is complete, the warehouse space and office space and various activities and transactions occurring within the improved site will generate ongoing, annual economic and fiscal impacts to the state and local economies. Initial transactions occurring at each component will ripple out into the state and local economies and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues. These impact estimates assist in quantifying the Project's overall economic role within the Commonwealth.

Conceptually, annual economic impact would include the "ripple effects" generated from direct spending made by industrial businesses. This direct spending would then result in indirect spending, induced spending, increased earnings, and employment.

Impact Definitions

Economic impact reflects the "ripple effect" or "multiplying effect" from initial transaction, or "direct spending," that occurs as a direct result of a project being developed. As relates to the Project, examples of initial transactions are business expenditures during their time at the Project's warehouse space and office space. The "ripples" from these initial transactions include the following:

- **Indirect Spending** – consists of re-spending of the initial or direct expenditures. For example, a business consumers direct expenditure on products at the warehouse causes the warehouse business to purchase goods and other items from suppliers. The portion of these purchases that are within the state and local economies are counted as an indirect economic impact.

- **Induced Spending** – represents changes to in-state consumption due to the personal spending by employees whose incomes are affected by the Project. For example, a warehouse worker may spend more because they earn more. The amount of increased income the warehouse worker spends in the state and local economies is considered an induced impact.
- **Increased Earnings** – measures the change in total personal income, area-wide, that results from the initial spending activities occurring as a result of the Project.
- **Increased Employment** – measures the change in number of jobs, area-wide, that result from the initial spending activities that occur as a result of the Project.

Indirect spending, induced spending, increased earnings, and employment impact are estimated using multiplier factors. The multipliers utilized were derived from an IMPLAN input-output model. IMPLAN is a nationally recognized model commonly used to estimate economic impact. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy.

Impact of LAP 2

Spending by businesses will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 4 shows the estimated economic impacts of the LAP 2 warehouse/ office facility.

Figure 4

Logistics Air Park Development Project						
Summary of Impacts - LAP 2						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Output (Direct)	\$53,326,685	\$54,393,219	\$55,481,083	\$56,590,705	\$57,722,519	\$1,295,698,187
Indirect Impact	\$33,252,332	\$33,917,379	\$34,595,726	\$35,287,641	\$35,993,394	\$807,944,208
Induced Impact	\$26,253,456	\$26,778,525	\$27,314,096	\$27,860,378	\$28,417,585	\$637,889,934
Total Economic Impact	\$112,832,473	\$115,089,123	\$117,390,905	\$119,738,723	\$122,133,498	\$2,741,532,329
Total Employment						
Direct Employment	957	957	957	957	957	
Total Wages						
Direct Wages	\$41,166,571	\$41,989,902	\$42,829,700	\$43,686,294	\$44,560,020	\$1,000,239,388
Indirect Wages	\$22,300,185	\$22,746,189	\$23,201,112	\$23,665,135	\$24,138,437	\$541,835,842
Total Local Fiscal Impact	\$1,773,081	\$1,808,543	\$1,844,714	\$1,881,608	\$1,919,240	\$43,081,217

Impact of LAP 3

Spending by businesses will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 5 shows the estimated economic impacts of the LAP 3 warehouse/ office facility.

Figure 5

Logistics Air Park Development Project Summary of Impacts - LAP 3						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Output (Direct)	\$45,715,503	\$46,629,813	\$47,562,410	\$48,513,658	\$49,483,931	\$1,110,766,486
Indirect Impact	\$28,254,412	\$28,819,501	\$29,395,891	\$29,983,809	\$30,583,485	\$686,507,908
Induced Impact	\$22,346,190	\$22,793,113	\$23,248,976	\$23,713,955	\$24,188,234	\$542,953,631
Total Economic Impact	\$96,316,105	\$98,242,427	\$100,207,276	\$102,211,421	\$104,255,650	\$2,340,228,025
Total Employment						
Total Employment	813	813	813	813	813	
Direct Employment	507	507	507	507	507	
Total Wages						
Total Wages	\$35,033,910	\$35,734,588	\$36,449,280	\$37,178,266	\$37,921,831	\$851,231,870
Direct Wages	\$18,966,495	\$19,345,825	\$19,732,741	\$20,127,396	\$20,529,944	\$460,835,943
Total Local Fiscal Impact						
Total Local Fiscal Impact	\$1,567,018	\$1,598,358	\$1,630,325	\$1,662,932	\$1,696,190	\$38,074,409

Summary Impacts of Project

The combined estimated economic impacts of LAP 2 and LAP 3 over 20 years are shown in Figure 6.

Figure 6

Logistics Air Park Development Project Summary of Impacts - Total						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Output (Direct)	\$99,042,188	\$101,023,032	\$103,043,493	\$105,104,362	\$107,206,450	\$2,406,464,673
Indirect Impact	\$61,506,744	\$62,736,879	\$63,991,617	\$65,271,449	\$66,576,878	\$1,494,452,116
Induced Impact	\$48,599,646	\$49,571,639	\$50,563,071	\$51,574,333	\$52,605,820	\$1,180,843,565
Total Economic Impact	\$209,148,578	\$213,331,550	\$217,598,181	\$221,950,145	\$226,389,148	\$5,081,760,354
Total Employment						
Total Employment	1,770	1,770	1,770	1,770	1,770	
Direct Employment	1,104	1,104	1,104	1,104	1,104	
Total Wages						
Total Wages	\$76,200,481	\$77,724,490	\$79,278,980	\$80,864,560	\$82,481,851	\$1,851,471,258
Direct Wages	\$41,266,680	\$42,092,014	\$42,933,854	\$43,792,531	\$44,668,382	\$1,002,671,784
Total Local Fiscal Impact						
Total Local Fiscal Impact	\$3,340,099	\$3,406,901	\$3,475,039	\$3,544,540	\$3,615,431	\$81,155,625

As shown, the combined operational economic impacts over 20 years are estimated to include approximately \$2.4 billion in direct impact and \$5.1 billion in total economic impact throughout the area. Ongoing employment is expected to support an additional 1,770 jobs (1,104 direct jobs) and a total of \$1.9 billion in wages (\$1.0 billion direct wages) over the 20 years. Throughout the 20 years, it is estimated that the Project could generate approximately \$130.0 million in total tax revenue (direct, indirect, & induced).

Summary of Direct Fiscal Impact from Project Operations

Figures 7, 8, and 9, on the following pages, summarize the direct fiscal impacts of LAP 2 and LAP 3, and the combined impact of both over 20 years of operations, once all of the anticipated Project elements have come online. State and local tax revenues for the proposed Project site are estimated based on the previously discussed scope of the Project components.²

Throughout the 20 years, it is estimated that LAP 2 could generate approximately \$26.3 million in state tax revenues and \$21.3 million in local tax revenues. LAP 3 is estimated to generate approximately \$22.5 million in state tax revenues and \$19.5 million in local tax revenues. In total, the Project could generate approximately \$48.8 million in state tax revenues and \$40.8 million in local tax revenues.

² It is expressly acknowledged that Commonwealth Economics cannot guarantee and shall face no liability regarding the success of any proposed project, bond issue, loan, grant, the ability to obtain funding from any source or the accuracy of any estimated revenue stream. Commonwealth Economics utilized second and third-party sources, deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this report are based on trends and assumptions (outlined in detail within this document), which usually result in differences between the projected results and actual results. And because events and circumstances frequently do not occur as expected, those differences may be material.

Figure 7

Logistics Air Park Development Project									
Estimated Direct Tax Revenue									
LAP 2									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Future Tax Revenues from Project									
State Tax Revenues									
Property Tax	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Individual Income Tax	\$25,140,798	\$1,034,713	\$1,055,407	\$1,076,515	\$1,098,045	\$1,120,006	\$1,236,578	\$1,507,381	\$25,140,798
Total State Tax Revenues	\$26,299,547	\$1,082,403	\$1,104,051	\$1,126,132	\$1,148,655	\$1,171,628	\$1,293,572	\$1,576,857	\$26,299,547
Local Tax Revenues									
General Fiscal Court Property Tax	\$1,234,732	\$50,818	\$51,834	\$52,871	\$53,928	\$55,007	\$60,732	\$74,032	\$1,234,732
Jefferson County School Property Tax	\$7,170,944	\$295,133	\$301,035	\$307,056	\$313,197	\$319,461	\$352,711	\$429,952	\$7,170,944
Okolona Fire District Property Tax	\$949,794	\$39,090	\$39,872	\$40,670	\$41,483	\$42,313	\$46,717	\$56,947	\$949,794
Louisville Metro Occupational Tax	\$6,772,948	\$278,752	\$284,327	\$290,014	\$295,814	\$301,730	\$333,135	\$406,089	\$6,772,948
Louisville Transit Occupational Tax	\$1,083,672	\$44,600	\$45,492	\$46,402	\$47,330	\$48,277	\$53,302	\$64,974	\$1,083,672
Louisville School Board Occupational Tax	\$4,063,769	\$167,251	\$170,596	\$174,008	\$177,489	\$181,038	\$199,881	\$243,654	\$4,063,769
Total Local Tax Revenues	\$21,275,858	\$875,644	\$893,157	\$911,021	\$929,241	\$947,826	\$1,046,476	\$1,275,649	\$21,275,858
Direct Tax Revenues Generated from Project	\$47,575,405	\$1,958,048	\$1,997,208	\$2,037,153	\$2,077,896	\$2,119,454	\$2,340,048	\$2,852,506	\$47,575,405
State Tax Revenue	\$26,299,547	\$1,082,403	\$1,104,051	\$1,126,132	\$1,148,655	\$1,171,628	\$1,293,572	\$1,576,857	\$26,299,547
Local Tax Revenue	\$21,275,858	\$875,644	\$893,157	\$911,021	\$929,241	\$947,826	\$1,046,476	\$1,275,649	\$21,275,858

Figure 8

Logistics Air Park Development Project									
Estimated Direct Tax Revenue									
LAP 3									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Future Tax Revenues from Project									
State Tax Revenues									
Property Tax	\$1,161,019	\$47,784	\$48,739	\$49,714	\$50,708	\$51,723	\$57,106	\$69,612	\$1,161,019
Individual Income Tax	\$21,384,923	\$880,133	\$897,736	\$915,691	\$934,004	\$952,685	\$1,051,841	\$1,282,188	\$21,384,923
Total State Tax Revenues	\$22,545,942	\$927,917	\$946,475	\$965,405	\$984,713	\$1,004,407	\$1,108,947	\$1,351,800	\$22,545,942
Local Tax Revenues									
General Fiscal Court Property Tax	\$1,237,151	\$50,917	\$51,935	\$52,974	\$54,034	\$55,114	\$60,851	\$74,177	\$1,237,151
Jefferson County School Property Tax	\$7,184,993	\$295,711	\$301,625	\$307,657	\$313,811	\$320,087	\$353,402	\$430,795	\$7,184,993
Okolona Fire District Property Tax	\$951,655	\$39,167	\$39,950	\$40,749	\$41,564	\$42,396	\$46,808	\$57,059	\$951,655
Louisville Metro Occupational Tax	\$5,760,449	\$237,081	\$241,823	\$246,659	\$251,592	\$256,624	\$283,334	\$345,383	\$5,760,449
Louisville Transit Occupational Tax	\$921,672	\$37,933	\$38,692	\$39,465	\$40,255	\$41,060	\$45,333	\$55,261	\$921,672
Louisville School Board Occupational Tax	\$3,456,270	\$142,249	\$145,094	\$147,996	\$150,955	\$153,975	\$170,000	\$207,230	\$3,456,270
Total Local Tax Revenues	\$19,512,190	\$803,058	\$819,119	\$835,501	\$852,211	\$869,255	\$959,728	\$1,169,903	\$19,512,190
Direct Tax Revenues Generated from Project	\$42,058,132	\$1,730,975	\$1,765,594	\$1,800,906	\$1,836,924	\$1,873,663	\$2,068,675	\$2,521,703	\$42,058,132
State Tax Revenue	\$22,545,942	\$927,917	\$946,475	\$965,405	\$984,713	\$1,004,407	\$1,108,947	\$1,351,800	\$22,545,942
Local Tax Revenue	\$19,512,190	\$803,058	\$819,119	\$835,501	\$852,211	\$869,255	\$959,728	\$1,169,903	\$19,512,190

Figure 9

Logistics Air Park Development Project									
Estimated Direct Tax Revenue									
LAP 2 & LAP 3									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Future Tax Revenues from Project									
State Tax Revenues									
Property Tax	\$2,319,767	\$95,474	\$97,383	\$99,331	\$101,318	\$103,344	\$114,100	\$139,088	\$2,319,767
Individual Income Tax	\$46,525,721	\$1,914,846	\$1,953,143	\$1,992,206	\$2,032,050	\$2,072,691	\$2,288,418	\$2,789,569	\$46,525,721
Total State Tax Revenues	\$48,845,489	\$2,010,320	\$2,050,526	\$2,091,537	\$2,133,368	\$2,176,035	\$2,402,519	\$2,928,657	\$48,845,489
Local Tax Revenues									
General Fiscal Court Property Tax	\$2,471,883	\$101,735	\$103,769	\$105,845	\$107,962	\$110,121	\$121,582	\$148,208	\$2,471,883
Jefferson County School Property Tax	\$14,355,937	\$590,843	\$602,660	\$614,713	\$627,008	\$639,548	\$706,112	\$860,747	\$14,355,937
Okolona Fire District Property Tax	\$1,901,449	\$78,257	\$79,823	\$81,419	\$83,047	\$84,708	\$93,525	\$114,006	\$1,901,449
Louisville Metro Occupational Tax	\$12,533,397	\$515,834	\$526,150	\$536,673	\$547,407	\$558,355	\$616,469	\$751,472	\$12,533,397
Louisville Transit Occupational Tax	\$2,005,344	\$82,533	\$84,184	\$85,868	\$87,585	\$89,337	\$98,635	\$120,236	\$2,005,344
Louisville School Board Occupational Tax	\$7,520,038	\$309,500	\$315,690	\$322,004	\$328,444	\$335,013	\$369,881	\$450,883	\$7,520,038
Total Local Tax Revenues	\$40,788,048	\$1,678,702	\$1,712,276	\$1,746,522	\$1,781,452	\$1,817,081	\$2,006,205	\$2,445,552	\$40,788,048
Direct Tax Revenues Generated from Project	\$89,633,537	\$3,689,022	\$3,762,803	\$3,838,059	\$3,914,820	\$3,993,116	\$4,408,723	\$5,374,209	\$89,633,537
State Tax Revenue	\$48,845,489	\$2,010,320	\$2,050,526	\$2,091,537	\$2,133,368	\$2,176,035	\$2,402,519	\$2,928,657	\$48,845,489
Local Tax Revenue	\$40,788,048	\$1,678,702	\$1,712,276	\$1,746,522	\$1,781,452	\$1,817,081	\$2,006,205	\$2,445,552	\$40,788,048

IV. LOCAL “NET NEW” IMPACT ANALYSIS

Effective July 1, 2021, Kentucky Revised Statutes (“KRS”) 65.7047(2)(a) now requires that an independent outside consultant be hired to analyze the “net positive” or “net new” fiscal impact of a local Tax Increment Financing (“TIF”) development area project to be located on previously undeveloped land. As a result, this chapter considers the extent to which incremental tax revenues generated by the Logistics Air Park Development Project (“Project”) are “net new” to Louisville-Jefferson County, Kentucky (“Louisville Metro”).

The Project’s location directly on the northeast corner of I-65 and KY Route 1065 (Outer Loop Rd.), within a 5-minute drive to the Louisville Airport and UPS Worldport, allows it to generate “net new” impacts that no other location within Louisville Metro is in a similar position to achieve. Transforming one of Louisville Metro’s underachieving properties into a hub of economic activity that will bring “net new” tax revenues to Louisville Metro in a variety of ways.

Net New Definition

"Net new" impacts to Louisville Metro are made up of four key components:

- 1) The construction spending in Louisville Metro that would not have otherwise occurred but for the Project.
- 2) The attraction of residents, jobs, and businesses from other cities and counties that would not otherwise have come to Louisville Metro but for the Project.
- 3) The spending by businesses and/or employees from other cities and counties that would not have otherwise been spent but for the Project.
- 4) The retention of tax dollars in the local economy resulting from these activities that would have otherwise occurred in other cities and counties.

This Project creates a one-of-a-kind option on the south side of Louisville Metro that will attract new logistics businesses to the area and retain existing business spending and employment, generating unique impacts within the local economy that would not have occurred anywhere else within Louisville Metro but for the draw created by this Project.

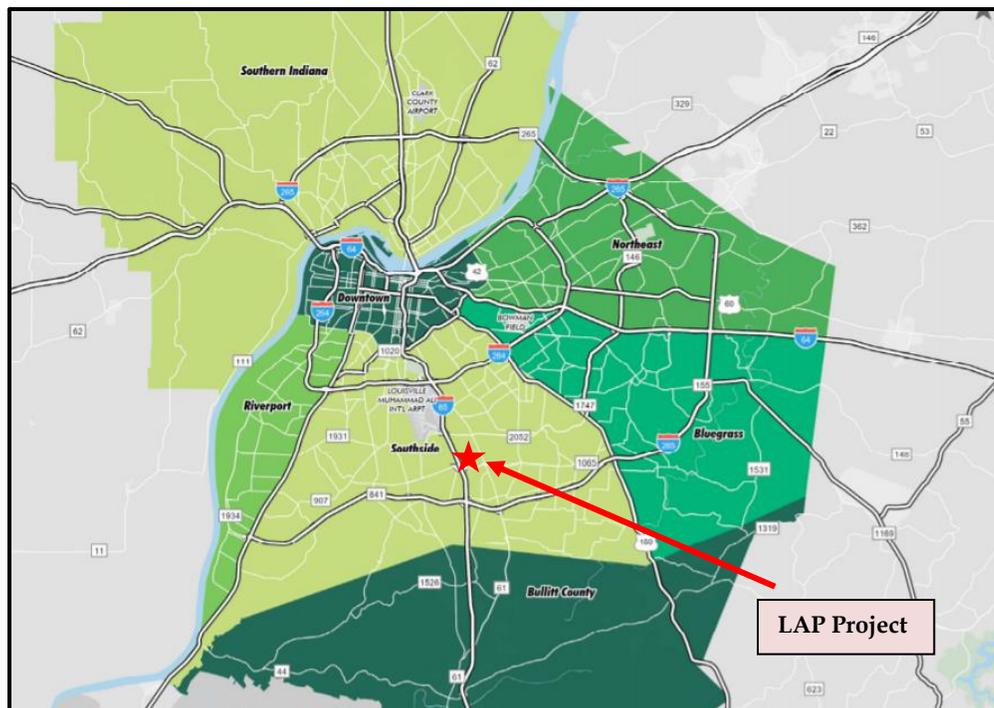
Net New Incremental Louisville Metro Property Taxes

Total construction costs are estimated at \$97.8 million, with \$43.1 million being spent on public infrastructure. The development of the property will provide a unique asset at a location within Louisville Metro that cannot be replicated anywhere else within Louisville Metro. Because the Project is uniquely located and will increase supply across the logistics market sector that will generate new demand, the construction spending and the property tax impacts associated with its development should all be considered “net new” fiscal impacts to Louisville Metro. **This will result in the remittance of new incremental property taxes over the 20-year period following construction, all of which will be “net new” impacts to Louisville Metro.**

Net New Incremental Louisville Metro Occupational Taxes

The Louisville Area Industrial Market is made up of the following submarkets: the bluegrass region, Bullitt County, downtown Louisville, northeast Louisville, the Louisville riverport area, the Southside/ Airport region, and Southern Indiana. The proposed location for the Project is within the Southside/ Airport submarket, which frequently competes with Bullitt County. Figure 10, below, provides an aerial view of these submarkets with a red star in place of the Project’s proposed location.

Figure 10



During the second quarter (“Q2”) of 2021, the Louisville Area Industrial Market recorded positive net absorption³ of 2.0 million square feet. This was the 25th consecutive quarter of positive net absorption recorded in the market, putting the market on track to make 2021 the second highest year of positive net absorption in its history. As a result, the average market vacancy rate dropped 90 basis points (“bps”) to 3.4% in Q2 2021. The Southside/ Airport submarket posted a vacancy rate of 0.4%, its lowest rate ever recorded. Figure 11, below, provides market data recorded by CBRE for Q2 2021.⁴

Figure 11

Submarket	Market Rentable Area (SF)	Vacancy Rate (%)	Avail. Rate (%)	Net Absorption (SF)	Under Construction (SF)	Construction Completions (SF)	NNN Avg. Asking Lease Rate (\$/SF/Yr)
Bluegrass	7,509,458	2.6	2.6	122,831	117,120	0	4.50
Bullitt County	18,014,831	9.0	12.9	264,100	2,484,754	264,100	4.32
Downtown	13,650,190	6.8	7.6	(52,821)	0	0	2.65
Northeast	10,684,988	0.8	0.8	8,700	98,800	0	5.58
Riverport	18,042,445	2.8	3.1	99,558	0	0	4.11
Southern Indiana	27,924,332	5.5	9.3	1,028,974	618,635	259,800	4.58
Southside/Airport	55,893,648	0.4	1.0	554,410	1,541,490	152,250	4.08
Totals	151,719,892	3.4	4.9	2,025,752	4,860,799	676,150	4.23

As shown in Figure 11, the Southside/ Airport region, Bullitt County, and Southern Indiana accounted for approximately 91% of positive net absorption in Q2 2021 (Southside/ Airport = 27%). This indicates a strong preference by logistics businesses to locate outside of downtown Louisville and nearby to the UPS Worldport. As a result, the Southside/ Airport submarket is quickly running out of space with only 1.0% of rentable square feet available as of Q2 2021.

³ **Net absorption Definition:** a metric used to show the demand for space, and is defined as a measure of square footage that is occupied at the end of a period minus the amount that was occupied at the beginning of the period, taking into account space vacated.

⁴ CBRE Q2 2021 Louisville Area Industrial Market Report: <https://www.cbre.us/research-and-reports/Louisville-Industrial-MarketView-Q2-2021>

Without the addition of new warehousing space, the Southside/ Airport submarket will risk losing businesses to Bullitt County and Southern Indiana which account for 64% of planned construction in Q2 2021. Figure 12, below, provides a list of the largest projects planned for the market.

Figure 12

Size (Sq. Ft.)	Project	Submarket
1,042,534	Bourbon Logistics Center 3	Bullitt County
671,678 *	Prologis Cedar Grove 6	Bullitt County
476,780	Louisville Industrial Center Building G	Southside/Airport
468,635 *	US Capital Development River Ridge	Southern Indiana
443,822 *	US Capital Development Bullitt County	Bullitt County
326,720	Bullitt 1 Logistics Center	Bullitt County
* New Starts	^ Build-to-suits	

When considering the above information, we anticipate that 100% of the Project’s activities and employment will be “net new” to Louisville Metro. Therefore, we estimate that 0% of the incremental occupational tax revenues generated by the Project would be the result of transfer activity within Louisville Metro.

V. CONCLUSION

The Logistics Air Park Development Project is positioned to provide industrial warehouse space and complimentary office space, spread across two different contiguous sites, and totaling over 1.8 million square feet of space. The Project's total capital investment is estimated at approximately \$97.8 million.

This analysis estimates that the Project could generate approximately \$5.1 billion of total economic output, sustain 1,770 jobs annually, and support approximately \$1.9 billion in wages throughout Louisville and the state over the 20 years following construction. This activity is projected to generate a 20-year direct fiscal impact of about \$89.6 million in state and local tax revenues, approximately \$40.8 million of which would be local. Construction impacts are estimated to add another \$8.0 million in tax revenues, approximately \$1.0 million of which would be local.

Additionally, when considering the potential direct, as well as the indirect and induced impacts, **an estimated \$81.2 million in local net new tax revenues** are expected to result from this Project's successful development over a 20-year period.

However, the Project will require significant expenditures on public infrastructure elements, which are likely cost prohibitive without public assistance either directly or using incentives. Site preparation includes: significant roadwork, earthwork, utilities, curbs, sidewalks, promenades, stormwater, sanitary sewer, landscaping, and erosion control. Louisville Metro and the Commonwealth of Kentucky have access to several incentive programs that could be utilized to support the Project.

APPENDIX: TIF INCREMENTAL REVENUE ESTIMATES

Logistics Air Park Development Project Estimated TIF-Eligible Incremental Tax Revenues LAP 2 & LAP 3									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated TIF-Eligible Incremental Tax Revenues									
State Tax Revenues									
Ad Valorem Real Property Tax Revenues	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Local Tax Revenues									
General Fiscal Court Property Tax	\$2,471,883	\$101,735	\$103,769	\$105,845	\$107,962	\$110,121	\$121,582	\$148,208	\$2,471,883
Louisville Metro Occupational Tax	\$12,533,397	\$515,834	\$526,150	\$536,673	\$547,407	\$558,355	\$616,469	\$751,472	\$12,533,397
Total Local Incremental Tax Revenues	\$15,005,280	\$617,568	\$629,919	\$642,518	\$655,368	\$668,476	\$738,051	\$899,680	\$15,005,280
TIF-Eligible Incremental Tax Revenues	\$16,164,029	\$665,258	\$678,564	\$692,135	\$705,978	\$720,097	\$795,045	\$969,156	\$16,164,029
State Tax Revenues	at 100% \$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Local Tax Revenues	at 100% \$15,005,280	\$617,568	\$629,919	\$642,518	\$655,368	\$668,476	\$738,051	\$899,680	\$15,005,280

Logistics Air Park Development Project
Estimated TIF-Eligible Incremental Tax Revenues
Only LAP 2

	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated TIF-Eligible Incremental Tax Revenues									
State Tax Revenues									
Ad Valorem Real Property Tax Revenues	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Local Tax Revenues									
General Fiscal Court Property Tax	\$1,234,732	\$50,818	\$51,834	\$52,871	\$53,928	\$55,007	\$60,732	\$74,032	\$1,234,732
Louisville Metro Occupational Tax	\$6,772,948	\$278,752	\$284,327	\$290,014	\$295,814	\$301,730	\$333,135	\$406,089	\$6,772,948
Total Local Incremental Tax Revenues	\$8,007,680	\$329,570	\$336,161	\$342,884	\$349,742	\$356,737	\$393,866	\$480,121	\$8,007,680
TIF-Eligible Incremental Tax Revenues	\$9,166,429	\$377,260	\$384,805	\$392,501	\$400,351	\$408,358	\$450,861	\$549,597	\$9,166,429
State Tax Revenues at 100%	\$1,158,749	\$47,690	\$48,644	\$49,617	\$50,609	\$51,621	\$56,994	\$69,476	\$1,158,749
Local Tax Revenues at 100%	\$8,007,680	\$329,570	\$336,161	\$342,884	\$349,742	\$356,737	\$393,866	\$480,121	\$8,007,680

Logistics Air Park Development Project
Estimated TIF-Eligible Incremental Tax Revenues
Only LAP 3

	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated TIF-Eligible Incremental Tax Revenues									
State Tax Revenues									
Ad Valorem Real Property Tax Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Local Tax Revenues									
General Fiscal Court Property Tax	\$1,237,151	\$50,917	\$51,935	\$52,974	\$54,034	\$55,114	\$60,851	\$74,177	\$1,237,151
Louisville Metro Occupational Tax	\$5,760,449	\$237,081	\$241,823	\$246,659	\$251,592	\$256,624	\$283,334	\$345,383	\$5,760,449
Total Local Incremental Tax Revenues	\$6,997,600	\$287,998	\$293,758	\$299,633	\$305,626	\$311,739	\$344,185	\$419,559	\$6,997,600
TIF-Eligible Incremental Tax Revenues	\$6,997,600	\$287,998	\$293,758	\$299,633	\$305,626	\$311,739	\$344,185	\$419,559	\$6,997,600
State Tax Revenues at 100%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Local Tax Revenues at 100%	\$6,997,600	\$287,998	\$293,758	\$299,633	\$305,626	\$311,739	\$344,185	\$419,559	\$6,997,600