
Development Plan
For
Main and First
Louisville/Jefferson County Metro Government
_____ , 2016

Development Plan
The Main and First Hill Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville Metro”) intends to establish the **Main and First 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 hotel project being undertaken by Poe Companies, LLC, a Kentucky limited liability company, or another affiliated entity that Stephen E. Poe has ownership in (the “Developer”), to be located at and adjacent to 101-105 West Main Street, Louisville, Kentucky. The Developer proposes to redevelop an existing surface parking lot at that location into a hotel project, consisting of approximately 300 rooms, a rooftop bar and pool, a full service restaurant and 12,000 to 15,000 square feet of premier meeting space, while incorporating the existing cast iron facades into the structure, all of which will cost approximately \$70 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 at least one hotel chain, possibly a second, on the site. It is anticipated that the hotel will be part of the Westin group and add an “upper up-scale” hotel experience option to the Louisville Metro market and support the burgeoning “Urban Bourbon” Trail rapidly establishing in Downtown Louisville Metro, as

well as addressing the hotel need brought on by the expanded and renovated Kentucky International Convention Center in Downtown.

1.3. The redevelopment plan for the Project will redevelop a site currently used as a surface parking lot, and will incorporate the existing facades that remain on the site into the new structure.

Redevelopment will transform an underutilized corner in a significant block of Downtown Louisville, and will be a catalyst for further development of the surrounding area. In addition to replacing a surface parking lot, this proposed project will provide additional opportunities for tourists, and will drive further development in Downtown Louisville.

1.4 Size and Location. The Development Area is an approximate 0.556 acre area in Downtown Louisville identified more specifically on the map attached as Exhibit “A”. This location, in Downtown Louisville, 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 0.556 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 \$1.492 billion. The taxable real property within the Development Area for calendar year 2015 is approximately \$2,152,380, and that combined with the other development areas that have been established by Louisville Metro totals approximately \$1.494 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville Metro for the calendar year 2015 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 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 Development Area includes a surface parking lot. Prior to its use as a parking lot, the buildings on the site had been abandoned for years and were not maintained. While the bulk of those buildings were demolished, the facades of the buildings still remain and will be incorporated into the project.
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 incorporation of the existing facades into the new structure. 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 Main Street.

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 bring additional visitors and diners to Louisville Metro. The Development Area has a 2015 taxable assessment of approximately \$2,152,380 and annually generates \$10,314 in ad valorem real property taxes to Louisville. The Project will increase capital investment by approximately \$70,000,000, 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 \$6,355,221, 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.

2.5. 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 0.556 acres on the northwest corner of the intersection at Main Street and First Street in Downtown Louisville. The existing site is a surface parking lot.

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 be a “Westin” brand (and possibly a second brand, to face Washington Street), which will complement the Bourbon Trail, the renovated and expanded Kentucky International Convention center and Downtown Louisville Metro by providing a “upper upscale” hotel option.

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: (i) for the first ten (10) years of the term of the Local Participation Agreement, 100% of the Louisville Metro Ad Valorem Real Property Tax Increment, as that term is defined in the Local Participation Agreement, and (ii) for the next ten (10) years of the term of the Local Participation Agreement, 65% of the Local Metro Louisville Ad Valorem Real Property Tax Increment (which averages 80% over the term of 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 \$6,355,221 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 Downtown Louisville 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

Beginning at the intersection of the west right-of-way line of First Street and the north right-of-way line of Main Street; thence with said north right-of-way line North $81^{\circ}07'36''$ West, 118.67 feet; thence leaving said north right-of-way line North $08^{\circ}48'54''$ East, 204.00 feet to the south right-of-way line of Washington Street; thence with said south right-of-way line South $81^{\circ}07'36''$ East, 118.67 feet to the aforesaid west right-of-way line of First Street; thence with said west right-of-way line South $08^{\circ}48'54''$ West, 204.00 feet to the beginning, containing .556 acres.

Being the same property conveyed to The Iron Quarter, LLC, a Kentucky limited liability company, pursuant to a Consolidation Deed dated January 14, 2014, and of record in Deed Book 10193, Page 857 in the office of the Clerk of Jefferson County, Kentucky.

Exhibit B

PROJECTED NEW REAL ESTATE TAX REVENUES

2018	325,126
2019	331,835
2020	338,678
2021	345,657
2022	352,777
2023	360,039
2024	367,446
2025	375,001
2026	382,707
2027	390,568
2028	398,585
2029	406,763
2030	415,105
2031	423,613
2032	432,292
2033	441,144
2034	450,173
2035	459,383
2036	468,777
2037	478,359