EXHIBITS

LEGAL DESCRIPTION
Proposed Tax Increment Finance District
Red Mile Road, Lexington, Fayette County, Kentucky

The following area description is intended for tax increment financing district purposes only and shall not be used for transfer or conveyance purposes. This description represents information attained by deeds of record and in no way represents a survey by implication or actuality.

Being a tract of land located in Fayette County, Kentucky on the east side of Red Mile Road lying generally between Red Mile Road and the race track and being more particularly described as follows:

Parcel 1
Beginning at the northwest corner of the property designated as 837 South Broadway, Tattersalls Properties, LLC as shown at PC "M" Slide 036 at the office of the Fayette County Clerk;
Thence, with the line of Tattersall: S 38°55'41" E a distance of 332.00' to the northeast corner of lot #59;
Thence, with the line of lot #59 S 51°45'38" W a distance of 116.00' to the west edge of Nelms Avenue;
Thence, with Nelms Avenue S 38°55'47" E a distance of 370.94' to a point in the north right of way of Harrodsburg Road;
Thence, S 51°45'22" W a distance of 17.97' with said right of way;
Thence, N 86°30'15" W a distance of 80.23' with said right of way;
Thence, S 40°10'10" E a distance of 123.48' with said right of way;
Thence, S 51°45'22" W a distance of 302.07' with said right of way;
Thence, S 51°45'22" W a distance of 86.45' with said right of way;
Thence, S 38°44'41" E a distance of 15.00' with said right of way;
Thence, S 51°45'22" W a distance of 332.00' with said right of way;
Thence, N 38°14'38" W a distance of 85.00' with said right of way;
Thence, N 51°45'22" E a distance of 418.32' with said right of way;
Thence, N 51°45'22" E a distance of 200.00' to the intersection of the north right of way of Harrodsburg Road and the west right of way of Red Mile Road;
Thence, with said right of way of Red Mile Road; N 40°33'41" W a distance of 416.90' to the beginning of a curve to the left with an arc length of 266.35', with a radius of 527.70', along a chord bearing of N 52°58'18" W, with a chord length of 263.53' to the beginning of another curve to the left; with an arc length of 347.39', with a radius of 521.00' along a chord bearing N 86°37'35" W, with a chord length of 340.99' to a point;
Thence, S 74°16'19" W a distance of 637.50' to the beginning of a curve to the right; with an arc length of 1701.37', with a radius of 870.50' along a chord bearing of N 49°44'11" W, with a chord length of 1443.21';
Thence, N 06°15'19" E a distance of 1263.33' still with the right of way of Red Mile Road; N 05°17'48"E a distance of 115.77' to a point;
Thence, S 86°31'20" E a distance of 18.15' to a point;
Thence, N 06°31'47" E a distance of 914.62' to the beginning of a curve to the left with an arc length of 289.14' with a radius of 1400.00'along a chord bearing of N 00°36'47" E with a distance of 288.63';
Thence, still with the west right of way of Red Mile Road, N 05°18'13" W a distance of 97.24' to a point;
Thence N 51°35'13" W a distance of 48.61' to a point in the south right of way of Versailles Road;
Thence, crossing said right of way of Red Mile Road N 08°01'13" W a distance of 72.00' to a point in the north right of way of Versailles Road;
Thence with said right of way N 81°58'47" E a distance of 17.99', continuing with said right of way N 84°39'17" E a distance of 36.04' to the intersection of the west right of way of South Forbes Road;
Thence, crossing said right of way N 84°39'17" E a distance of 72.38' to a point in the east right of way of South Forbes Road;

Thence, with the north right of way of Versailles Road N 84°39'17" E a distance of 122.53' to a point;
Thence, crossing to the south right of way of Versailles Road S 05°20'43" E a distance of 72.00' and continuing with said right of way S 84°39'17" W a distance of 60.04';
Thence, S 49°11'34" W a distance of 78.47' to a point in the east right of way of Red Mile Road;
Thence S 05°18'13" E a distance of 86.16' to the beginning of a curve to the right with an arc length of 307.01', with a radius of 1486.50' along a chord bearing of S 00°36'47" W a length of 306.46';
Thence, continuing with said right of way S 06°31'47" W a distance of 943.32' to a point in said right of way;
Thence, leaving the right of way of Red Mile Road with a line of Ball Realty, LLC. S 86°57'19" E a distance of 318.63' to a point in said line;
Thence, N 04°50'08" E a distance of 435.57' to a point in the line common with the right of way of Nancy Hanks Road and the parcel of LFUCG property at 1306 Versailles Road.
Thence, with said parcel S 85°09'43" E distance of 362.64' to a point common with said parcel and parcel 62;
Thence, with said parcel 62 S 07°19'27" W a distance of 79.23' to a point;
Thence, around the race track 8 calls;
Thence, S 48°05'23" W a distance of 125.25' to a point;
Thence, S 36°22'20" W a distance of 80.51' to a point;
Thence, S 25°08'54" W a distance of 102.37' to a point;
Thence, S 13°11'17" W a distance of 104.00' to a point;
Thence, S 02°04'07" W a distance of 99.40' to a point;
Thence, S 11°49'01" E a distance of 106.44' to a point;
Thence, S 15°16'50" E a distance of 219.72' to a point;
Thence, S 40°51'14" E a distance of 1256.27' to a point;
Thence, along a curve to the left with an arc length of 424.17', with a radius of 725.00', a chord of S 57°36'53" E a distance of 418.15';
Thence, continuing with another curve to the left with an arc length 453.68', with a radius of 475.00', along a chord of N 78°15'43" E a distance of 436.63';
Thence, leaving the race track, S 39°06'01" E 189.68' to the northeast corner of Tattersall Properties, LLC;
Thence, with the line of Tattersall, S 51°17'09" W a distance of 283.20', which is the point of beginning, having an area of 3,502,880.94 square feet, 80.415 acres.

"STABLE OF MEMORIES"

Exception to the previous description being an area known as the "Stable of Memories" lying completely inside the previous description as shown on the attached drawing and more particularly described as follows:
Beginning at the corner nearest the race track;
Thence, S 38°47'10" E a distance of 150.00' to a point;
Thence, S 52°12'11" W a distance of 125.02' to a point;
Thence, S 67°48'54" W a distance of 32.38' to a point;
Thence, N 38°24'29" W a distance of 138.24' to a point;
Thence, N 51°04'54" E a distance of 155.12' to a point;
Which is the point of beginning, having an area of 22,968.17 square feet, 0.527 acres.

The total area of the TIF district is parcel 1 excluding the exception "Stable of Memories" property.

80.415 acres – 0.527 acres exception "Stable of Memories" Property
79.888 acres total

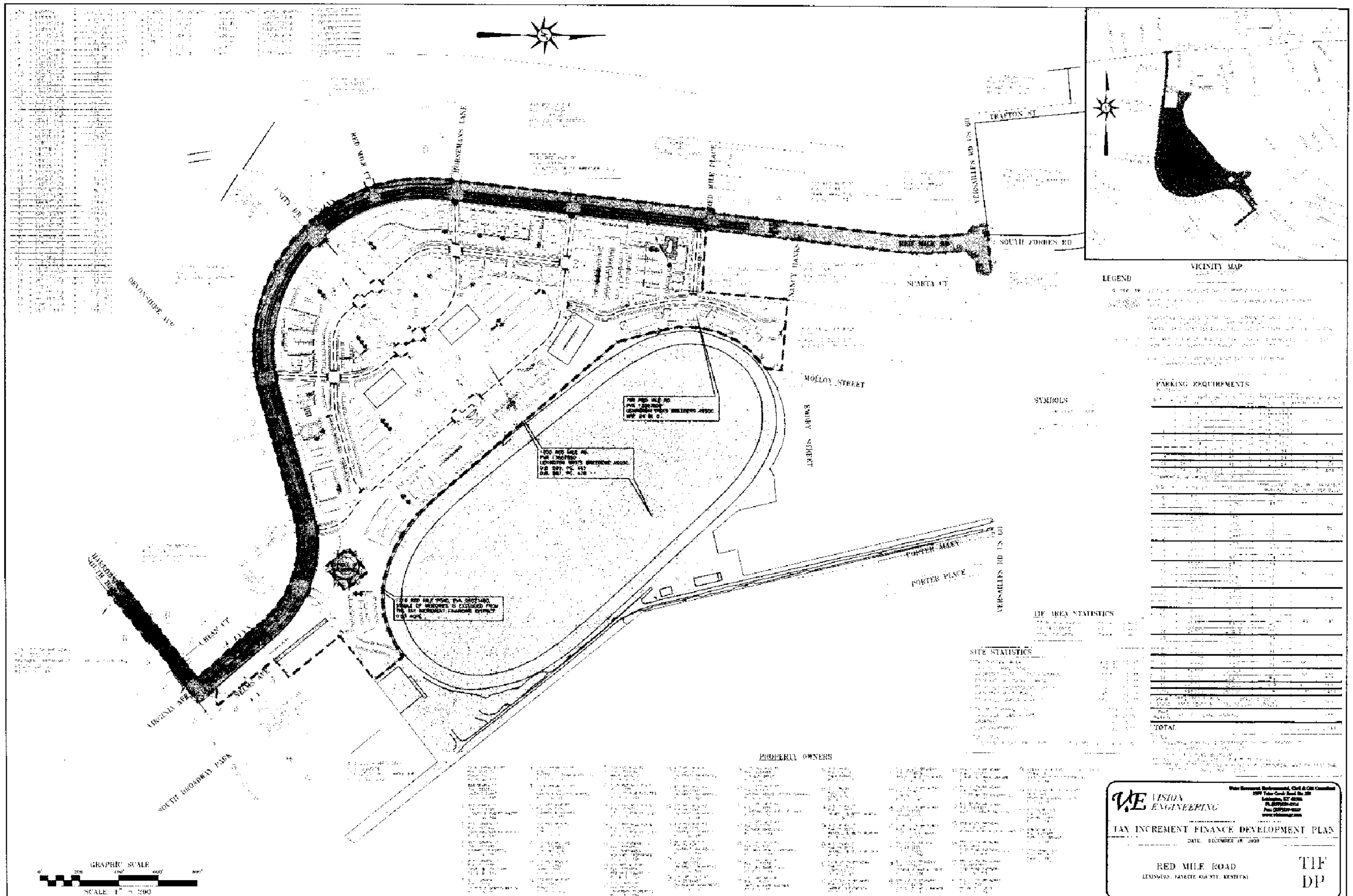

HORSEMANS LANE
RED MILE CT
RED MILE PLACE
NANCY HANKS
VERSAILLES RD US 60
TRAFTON ST
SOUTH FORBES RD
SCARTA CT
MOLLOY STREET
EMERY STREET
PORTER ALLEY
PORTER PLACE
DEVONSHIRE AVE
VIRGINIA AVE
CREAM CT
SOUTH BROADWAY PARK
VICINITY MAP
LEGEND
SYMBOLS
PARKING REQUIREMENTS
TOTAL
TIF AREA STATISTICS
SITE STATISTICS
PROPERTY OWNERS
GRAPHIC SCALE
SCALE: 1" = 200'
VISION ENGINEERING
TAX INCREMENT FINANCE DEVELOPMENT PLAN
RED MILE ROAD
LEXINGTON, FAYETTE COUNTY, KENTUCKY
TIF
DP

EXHIBIT B

PROJECT DESCRIPTION

Description of the Red Mile Mixed-Use Development

The Red Mile Mixed-Use Development project is a planned mixed-use development that is strategically located just off of South Broadway on the edge of downtown Lexington, Kentucky. The surrounding area has experienced a sizeable amount of growth in recent years, much in part due to the area's location on the edge of downtown and just a short walk to the campus of the University of Kentucky.

Planning is currently underway for the development, which will cover approximately 68 acres of property, and add over 450,000 square feet of retail, entertainment, and housing, along with three separate parking structures. Based on build construction, site work, and miscellaneous costs, the total construction cost, public and private, is estimated to be approximately $186.9 million. Overall, the proposed development will have the following components:

- Trackside Entertainment - The remodeled 1,900 seat grandstand and entertainment areas at the racetrack will cover approximately 47,500 square feet and include luxury boxes, additional grandstand seating, new dining options, and a new special events plaza.
- Hotel - The proposed trackside hotel will include approximately 200 rooms and will connect to the track's new entertainment and grandstand areas.
- Retail and Restaurant - Approximately 277,000 square feet of net leasable space will be available for various retail and restaurants to acquire.
- Office- Approximately 24,000 square feet of net leasable space will be available for use as office space.
- Residential - There will be approximately 295,000 square feet of residential apartment space (204 units) included in the development, spread over nine separate buildings throughout the property, two of which are located directly above retail space in the heart of the Project.
- Parking - Open grade parking will provide 1,768 parking spots, while the three proposed parking structures will add an additional 164, 104, and 104 spots respectively.

The Project is expected to be completed in five years. Phasing will be spaced out over the five years with various aspects of the project coming on line in each. The first phase is expected to be completed in 2011 and each subsequent phase completed approximately one year later. The phasing schedule is shown below in Figure 3-1.

Figure 3-1

Red Mile Mixed-Use Development Phasing Schedule Square Footage Breakdown	
Phase 1	
Retail	13,600 sq ft
Restaurant	20,400 sq ft
Residential	60 units
Phase 2	
Retail	22,400 sq ft
Restaurant	33,600 sq ft
Phase 3	
Retail	26,400 sq ft
Restaurant	39,600 sq ft
Office	24,000 sq ft
Phase 4	
Retail	48,400 sq ft
Restaurant	72,600 sq ft
Residential	96 units
Parking Structures	208 spaces
Phase 5	
Trackside Entertainment	65,500 sq ft
Hotel	200 rooms
Residential	48 units
Parking Structure	164 spaces

The Project includes several definitive and unique features. These features will add great appeal to the site as a tourist destination by making the one-of-a-kind project a premier harness racing venue and pedestrian-friendly place to live, work, dine and shop.

Trackside Entertainment

The proposed grandstand remodeling and expansion will add approximately 65,500 square feet of additional space for entertainment use including seating for 1,900. This broad expansion, including the addition of luxury boxes and a new special events plaza, will allow The Red Mile to become a premier venue. The increased appeal that will follow this expansion and modernization will allow The Red Mile to become a world-class harness racing destination. Revenues resulting from this new expansion are expected to amount to an estimated $285 per square foot in a given year of operation.

Hotel

The proposed hotel is expected to include 200 rooms and will be located trackside embedded in the expanded entertainment and grandstand area. The hotel will allow track visitors to stay on-site and fully experience everything the redeveloped track has to offer. The rest of the Project will provide convenient shopping and dining that the hotel guests can enjoy within a very short walking distance, and the close proximity to downtown Lexington provides a greater array of options for hotel guests to enjoy. The hotel is expected to generate $165 a night per room, and occupancy is expected to average 65% upon project completion.

Retail and Restaurant

The Project includes approximately 277,000 square feet of space for mixed-use including retail and restaurant. The revenue expected is approximately $68 million a year upon project completion, at an average of $250 per square foot a year for retail and $340 per square foot a year for restaurant space.

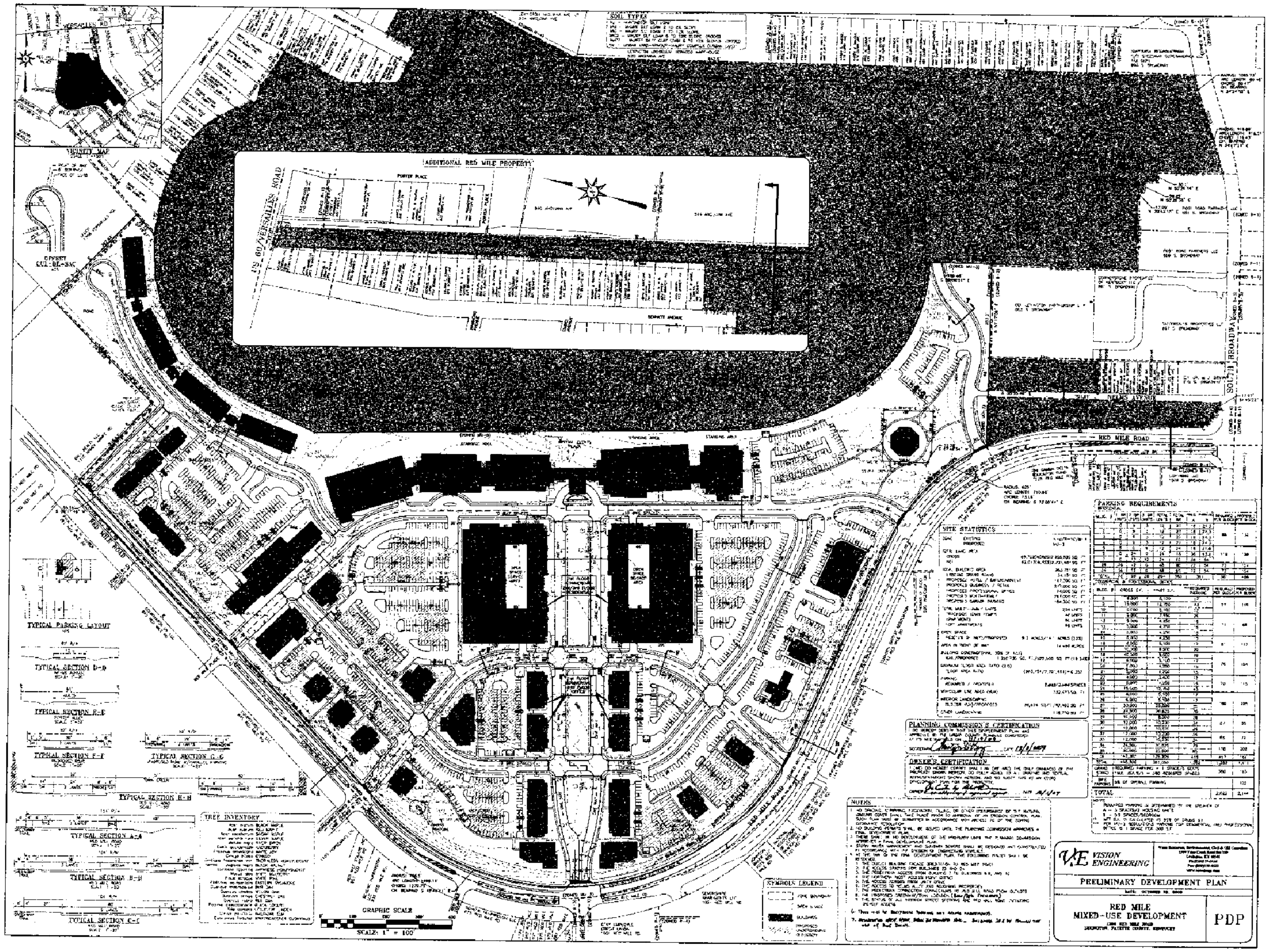
Residential

The Project, as proposed, has approximately 295,000 square feet of residential space located in different locations throughout the property. With rent estimates averaging approximately $1,200 a unit per month, and 204 units available upon project completion, the residential portion of the development is estimated to generate about $3.3 million a year after stabilization. This amounts to an estimated $1.6 million in income after expenses.

The location of this Project, and the estimated price range of the units, will make it a viable option for graduate and post graduate students at the University of Kentucky and young professionals who work in the downtown area. Once completed, the developer should easily be able to find a sufficient number of tenants to fill the apartments.

Office

The Project, as proposed, includes approximately 24,000 square feet of leasable office space located in the center of the development above retail space. With rent estimates averaging approximately $18 per square foot for a year, and about 24,000 square feet, the office space is expected to generate about $490,000 a year upon stabilization. The income after expenses that this money is estimated to generate is approximately $410,000 in the third year of office operations.



ADDITIONAL RED MILE PROPERTY
US 60/VERSAILLES ROAD
SOUTH BROADWAY
RED MILE ROAD
VICINITY MAP
SOIL TYPES
SITE STATISTICS
PARKING REQUIREMENTS
PLANNING COMMISSION'S CERTIFICATION
OWNER'S CERTIFICATION
NOTES
SYMBOL LEGEND
TREE INVENTORY
TYPICAL PARKING LAYOUT
TYPICAL SECTION D-D
TYPICAL SECTION E-E
TYPICAL SECTION F-F
TYPICAL SECTION G-G
TYPICAL SECTION H-H
TYPICAL SECTION A-A
TYPICAL SECTION B-B
TYPICAL SECTION C-C
GRAPHIC SCALE
SCALE: 1" = 100'
VISION ENGINEERING
PRELIMINARY DEVELOPMENT PLAN
RED MILE
MIXED-USE DEVELOPMENT
PDP

QUALIFYING PUBLIC INFRASTRUCTURE COMPONENTS

Figure 5-1 describes the public infrastructure costs that are included in project costs. These estimated costs for public infrastructure qualify for financial support through the TIF program. The public infrastructure costs total $54 million.

Figure 5-1

Red Mile Mixed-Use Development Approved Public Infrastructure Costs	
General Conditon	$150,000
Demolition	$350,000
Clearing and Grubbing	$162,500
Erosion and Sediment Control	$424,200
Land Development	$6,060,000
Curb and Gutter	$1,500,000
Sidewalk	$660,000
Road Work	$2,202,400
Parking Lots	$3,701,900
Sanitary Sewers	$1,913,580
Waterlines	$1,416,719
Storm Sewers	$4,112,466
Street Light	$180,000
Electric, Gas, Telephone, and Cable Conduits	$195,000
Town Green Park	$1,300,000
Town Green Streetscape	$2,080,000
Intersections With Red Mile Road	$1,095,000
Greenway Along Red Mile	$2,300,000
Intersection Improvement South Broadway	$968,750
Intersection Improvement Versailles Road	$475,000
Angliana Connection	$308,750
Red Mile Widening from Horseman Lane to Versailles Road Intersection	$2,402,690
Red Mile Greenway & Utility Relocations	$700,000
Parking Structures	$7,440,000
A/E, Legal Services & Other Soft Cost (15%)	$5,938,558
15%Contingency	$5,938,558
Total	**$53,976,071**

EXHIBIT "D"

Financing Plan

Redevelopment Assistance

The proposed "redevelopment assistance", as defined in the Act, to be provided in the Development Area is estimated to cost a total of $54 million, not including interest/financing expenses. The LFUCG will pledge eighty percent (80%) of its incremental tax revenues from real property taxes and occupational taxes from the Project for over the applicable 20-year period and, in accordance with the Act, will create a special fund for the deposit of pledged incremental revenues. In addition, the LFUCG and/or the Agency will submit an application to the Kentucky Economic Development Finance Administration ("KEDFA") to request State participation in the form of a pledge of eighty (80%) of incremental State tax revenues generated from the Project during the 20-year period.

The LFUCG will establish a special fund for the deposit of pledged incremental revenues. Pledged incremental revenues deposited into this special fund will be used solely to pay debt service and costs of issuance on increment bonds, including "financing costs" (as defined by the Act), issued by the LFUCG to finance the redevelopment assistance described herein and other "approved public infrastructure costs" (as defined in the Act) or, if increment bonds are not issued, to pay directly for such redevelopment assistance and approved public infrastructure costs, and any other purposes in compliance with this Development Plan, the Act, and all agreements and documents entered into in connection therewith. The Department of Finance and Administration (the "Agency"), organized by the LFUCG, will be designated to oversee, administer and implement the development ordinance.

The Project is estimated to generate approximately $238.4 million in incremental tax revenues over the 20 year period beginning in 2013. Approximately $190.7 million of this total will be available for debt service ($170.6 million for state participation and $20.1 million for local participation). The "activation date" (as defined in the Act) is expected to occur immediately following completion phase 2 of the Project, which is projected to be finished by 2013. This sets the timeframe of financial obligations at 20 years, beginning in 2013 and ending in 2032.

Attached hereto is an example of a plan of finance in the event increment bonds are issued to provide the redevelopment assistance and pay for approved public infrastructure costs.

$64,257,246

Red Mile Mixed-Use Development
Tax Increment Financing Revenue Bonds

Sources & Uses

Dated 1/01/2011 | Delivered 1/01/2011

Sources Of Funds	
Par Amount of Bonds	$64,257,246
Total Sources	**$64,257,246**
Uses Of Funds	
Deposit to Debt Service Reserve Fund (DSRF)	6,425,724.57
Deposit to Capitalized Interest (CIF) Fund	3,855,434.74
Deposit to Project Construction Fund	53,976,071.00
Rounding Amount	15.69
Total Uses	**$64,257,246**

$64,257,246

Red Mile Mixed-Use Project

Tax Increment Financing Revenue Bonds

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S
1/1/2011	-	6.00%	3,855,434.74	3,855,434.74	-	(3,855,434.74)	-
1/1/2012	-	6.00%	3,855,434.74	3,855,434.74	-	(3,855,434.74)	-
1/1/2013	150,000.00	6.00%	3,855,434.74	4,005,434.74	-	-	4,005,434.74
1/1/2014	625,000.00	6.00%	3,846,434.74	4,471,434.74	-	-	4,471,434.74
1/1/2015	925,000.00	6.00%	3,808,934.74	4,733,934.74	-	-	4,733,934.74
1/1/2016	1,915,000.00	6.00%	3,753,434.74	5,668,434.74	-	-	5,668,434.74
1/1/2017	2,085,557.00	6.00%	3,638,534.74	5,724,091.74	-	-	5,724,091.74
1/1/2018	2,241,973.78	6.00%	3,513,401.32	5,755,375.10	-	-	5,755,375.10
1/1/2019	2,410,121.81	6.00%	3,378,882.90	5,789,004.70	-	-	5,789,004.70
1/1/2020	2,590,880.94	6.00%	3,234,275.59	5,825,156.53	-	-	5,825,156.53
1/1/2021	2,785,197.01	6.00%	3,078,822.73	5,864,019.75	-	-	5,864,019.75
1/1/2022	2,994,086.79	6.00%	2,911,710.91	5,905,797.70	-	-	5,905,797.70
1/1/2023	3,218,643.30	6.00%	2,732,065.70	5,950,709.00	-	-	5,950,709.00
1/1/2024	3,460,041.55	6.00%	2,538,947.10	5,998,988.65	-	-	5,998,988.65
1/1/2025	3,719,544.66	6.00%	2,331,344.61	6,050,889.28	-	-	6,050,889.28
1/1/2026	3,998,510.51	6.00%	2,108,171.93	6,106,682.45	-	-	6,106,682.45
1/1/2027	4,298,398.80	6.00%	1,868,261.30	6,166,660.10	-	-	6,166,660.10
1/1/2028	4,620,778.71	6.00%	1,610,357.37	6,231,136.09	-	-	6,231,136.09
1/1/2029	4,967,337.12	6.00%	1,333,110.65	6,300,447.77	-	-	6,300,447.77
1/1/2030	5,339,887.40	6.00%	1,035,070.42	6,374,957.82	-	-	6,374,957.82
1/1/2031	5,740,378.95	6.00%	714,677.18	6,455,056.13	-	-	6,455,056.13
1/1/2032	6,170,907.38	6.00%	370,254.44	6,541,161.82	(6,425,724.57)	-	115,437.25
Total	$64,257,245.71	-	$55,517,562.63	$119,774,808.34	(6,425,724.57)	(3,855,434.74)	$109,493,649.03

Tax Increment Financing
6% Coupon

Coverage Ratio

Date	Total Revenues	Total D/S	Coverage
1/1/2013	$4,145,138	$4,005,435	1.0349
1/1/2014	$5,407,210	$4,471,435	1.2093
1/1/2015	$8,222,088	$4,733,935	1.7368
1/1/2016	$8,468,750	$5,668,435	1.4940
1/1/2017	$8,722,813	$5,724,092	1.5239
1/1/2018	$8,984,497	$5,755,375	1.5611
1/1/2019	$9,254,032	$5,789,005	1.5986
1/1/2020	$9,531,653	$5,825,157	1.6363
1/1/2021	$9,817,602	$5,864,020	1.6742
1/1/2022	$10,112,130	$5,905,798	1.7122
1/1/2023	$10,415,494	$5,950,709	1.7503
1/1/2024	$10,727,959	$5,998,989	1.7883
1/1/2025	$11,049,798	$6,050,889	1.8261
1/1/2026	$11,381,292	$6,106,682	1.8637
1/1/2027	$11,722,731	$6,166,660	1.9010
1/1/2028	$12,074,413	$6,231,136	1.9378
1/1/2029	$12,436,645	$6,300,448	1.9739
1/1/2030	$12,809,744	$6,374,958	2.0094
1/1/2031	$13,194,037	$6,455,056	2.0440
1/1/2032	$13,589,858	$115,437	117.7251
Total	$202,067,882	$109,493,649	-

EXHIBIT E

Old Revenues From Development Area

Property	PIDN #	Assessed Valuation		
780 Red Mile Rd.	13867600	07-$ 200,000	08-$ 200,000	09-$ 200,000
790 Red Mile Rd.	16983800	07-$ 132,000	08-$ 132,000	09-$ 132,000
1200 Red Mile Rd.	13867650	07-$5,000,000	08-$5,000,000	09-$5,000,000
439 Nelms Ave.	13867800	07-$ 8,000	08-$ 8,000	09-$ 8,000
441 Nelms Ave.	13867700	07-$ 7,000	08-$ 7,000	09-$ 7,000
445 Nelms Ave.	13867900	07-$ 15,200	08-$ 15,200	09-$ 15,200
449 Nelms Ave.	13867000	07-$ 7,000	08-$ 7,000	09-$ 7,000
451 Nelms Ave.	13867100	07-$ 4,000	08-$ 4,000	09-$ 4,000
455 Nelms Ave.	13868000	07-$ 91,500	08-$ 91,500	09-$ 91,500
459 Nelms Ave.	13088200	07-$ 10,000	08-$ 10,000	09-$ 10,000
461 Nelms Ave.	14496700	07-$ 10,000	08-$ 10,000	09-$ 10,000
463 Nelms Ave.	10856500	07-$ 20,000	08-$ 20,000	09-$ 20,000
471 Nelms Ave.	13856050	07-$ 65,000	08-$ 65,000	09-$ 65,000
Total		**$5,569,700**	**$5,569,700**	**$5,569,700**

"Old Revenues" to LFUCG from real estate taxes shall be the 2009 assessed valuation of real property within the Development Area of $5,569,700, multiplied by the 2009 tax rate to LFUCG, not including any special district tax rates and the $.05 rate per hundred valuation allocated to the Library, of $.2035 per each $100 in valuation, which is $11,334.34.

"Old Revenues" to LFUCG, from occupational taxes (net profits and payroll taxes) from the Development Area shall be based on the calendar year receipts to LFUCG for 2009 from the Development Area, which are $11,188 from net profits taxes and $45,343 from payroll taxes for a total of $56,531.

EXHIBIT F

to

LOCAL PARTICIPATION AGREEMENT

Figure 7-2

Red Mile Mixed-Use Development
Incremental Tax Revenues Generated for Project

		Total	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2021 Year 10	2026 Year 15	2031 Year 20	20-Year Total
Estimated Tax Revenues from Project											
State Tax Revenues											
State Property Tax Revenues		$4,561,489	$169,759	$174,852	$180,097	$185,500	$191,065	$221,497	$256,776	$297,674	$4,561,489
State Sales and Use Tax Revenues			$1,524,748	$2,890,622	$3,735,314	$5,845,428	$6,020,790	$6,979,746	$8,091,439	$9,380,195	$135,356,469
State Individual Income Tax			$769,902	$1,579,283	$2,046,295	$3,119,578	$3,213,165	$3,724,939	$4,318,226	$5,006,007	$72,282,452
State Corporate Income and LLE Tax			$30,998	$60,471	$110,965	$145,488	$149,853	$173,721	$201,390	$233,466	$3,368,494
Total State Tax Revenues		$215,568,904	$2,495,407	$4,705,228	$6,072,671	$9,295,994	$9,574,874	$11,099,903	$12,867,830	$14,917,342	$215,568,904
Local Tax Revenues											
Local Property Tax Revenues		$7,688,316	$286,126	$294,710	$303,551	$312,658	$322,037	$373,330	$432,791	$501,724	$7,688,316
Local Occupational License Tax			$127,002	$316,333	$521,685	$812,018	$836,379	$969,592	$1,124,023	$1,303,051	$18,635,820
Total Local Tax Revenues		$26,324,136	$413,128	$611,043	$825,236	$1,124,676	$1,158,416	$1,342,922	$1,556,814	$1,804,774	$26,324,136
Total Tax Revenues		$241,893,040	$2,908,534	$5,316,270	$6,897,907	$10,420,670	$10,733,290	$12,442,825	$14,424,645	$16,722,117	$241,893,040
"As-Is" Tax Revenues											
State Tax Revenues											
State Property Tax Revenues		$194,132	$7,225	$7,442	$7,665	$7,895	$8,132	$9,427	$10,928	$12,669	$194,132
State Sales and Use Tax Revenues		$348,820	$12,982	$13,371	$13,772	$14,185	$14,611	$16,938	$19,636	$22,763	$348,820
State Individual Income Tax		$1,704,287	$63,426	$65,329	$67,289	$69,308	$71,387	$82,757	$95,938	$111,218	$1,704,287
State Corporate Income and LLE Tax			$1,133	$1,167	$1,202	$1,238	$1,275	$1,478	$1,713	$1,986	$30,434
Total State "As Is" Tax Revenues		$2,277,673	$84,765	$87,308	$89,927	$92,625	$95,404	$110,599	$128,215	$148,636	$2,277,673
Local Tax Revenues											
Local Property Tax Revenues		$327,206	$12,177	$12,543	$12,919	$13,306	$13,706	$15,889	$18,419	$21,353	$327,206
Local Occupational License Tax		$913,011	$33,978	$34,998	$36,048	$37,129	$38,243	$44,334	$51,395	$59,581	$913,011
Total Local "As Is" Tax Revenues		$1,240,217	$46,156	$47,540	$48,966	$50,435	$51,948	$60,223	$69,814	$80,934	$1,240,217
Total "As-Is" Tax Revenues		$3,517,890	$130,921	$134,848	$138,894	$143,061	$147,352	$170,822	$198,029	$229,570	$3,517,890
Estimated Incremental Tax Revenues		$238,375,150	$2,777,613	$5,181,422	$6,759,013	$10,277,610	$10,585,938	$12,272,003	$14,226,615	$16,492,546	$238,375,150
(-) Retained by State	at 20%	$42,658,246	$482,128	$923,584	$1,196,549	$1,840,674	$1,895,894	$2,197,861	$2,547,923	$2,953,741	$42,658,246
(-) Retained by Local	at 20%	$5,016,784	$73,394	$112,700	$155,254	$214,848	$221,294	$256,540	$297,400	$344,768	$5,016,784
Net Incr. Tax Rev. Available from Project		$190,700,120	$2,222,091	$4,145,138	$5,407,210	$8,222,088	$8,468,750	$9,817,603	$11,381,292	$13,194,037	$190,700,120
Incr. Tax Rev. Available for State TIF Program	at 80%	$170,632,985	$1,928,513	$3,694,336	$4,786,195	$7,362,695	$7,583,576	$8,791,443	$10,191,692	$11,814,965	$170,632,985
Incr. Tax Rev. Available for Local Participation	at 80%	$20,067,135	$293,578	$450,802	$621,016	$859,392	$885,174	$1,026,159	$1,189,600	$1,379,072	$20,067,135

EXHIBIT C

DEVELOPMENT PLAN

EXHIBIT C

Tax Increment Financing Development Plan

For The

Red Mile Development Area

Lexington-Fayette Urban County Government
January 2010

Tax Increment Financing Development Plan
For The
Red Mile Development Area

1. Introduction.

1.1. Purpose. The Lexington-Fayette Urban County Government ("LFUCG" or "Lexington") intends to establish the Red Mile Development Area (the "Development Area") pursuant to the provisions of KRS 65.7041 to 65.7083, and KRS 154.30-010 to 154.30-090, as the same may be amended (collectively, the "Act"), and to request funding from the Commonwealth of Kentucky (the "State") to support a mixed-use private development (the "Project") within the Development Area, being undertaken by The Lexington Trots Breeders Association, LLC (the "Developer). The LFUCG proposes to support the Project and provide redevelopment assistance through a pledge of certain new LFUCG and State incremental tax revenues generated from the Project within the Development Area and to undertake certain public infrastructure improvements needed within the Development Area.

The Project proposed by the Developer or its affiliate includes trackside housing, stand-alone apartments, stand-alone retail, mixed-use office/retail, mixed-use residential/retail, and a hotel and entertainment center.

The Project will also include a remodeled grandstand, new entertainment area, three parking structures and a greenway trail and town green park. In order to help ensure the success and support of the Project and encourage other investment in and related to the Development Area, and to encourage and support development within the territorial limits of Lexington, certain public improvements are needed within the Development Area.

1.2. Size and Location. The Red Mile Race Track in Lexington, Kentucky, a 132-acre horse racing development, opened its doors on September 28, 1875 - the inaugural opening day of the Great Fall Trots at the Red Mile. The Red Mile is known widely for its fast, red clay, one-mile track. As it stands today, the Red Mile is the second oldest harness racing track in the world.

The Red Mile is located on Red Mile Road between two of Lexington's major roadways, South Broadway and Versailles Road. The Red Mile is positioned approximately 1.5 miles Southwest of Downtown Lexington and only about a half mile from the heart of the University of Kentucky's main campus. The Red Mile is a vast plot of land in a unique urban environment, surrounded by blossoming redevelopment opportunities on nearly all sides. Much of the surrounding land is medium-high density residential and some professional office space, as well as industrial/warehouse uses. The Development Area is described more particularly herein and in the site plan and legal description attached as Exhibit "A."

1.3. Current Uses. The Red Mile property as it sits today has been primarily zoned for agricultural use (A-U), a zone that seems to correlate to a horse racing track, but can also be seen as out of context for the urban environment the Red Mile Track is within. As a result, the property was rezoned to Mixed Use Community (MU-3) on January 14, 2010. The Red Mile property is bordered by 6 different zones, including Residential (R-2, R-3, R-4), Business (B-3, B-4) and Office (P-1). The residential zones range from duplex residential development (R-2) to high density apartment buildings (R-4). The business zones range from Highway Service Business (B-3) to Wholesale and Warehouse Business (B-4). These zones are illustrative of a development pattern taking place in the area surrounding the Red Mile.

The Red Mile Race Track itself includes many interesting site features that passersby may not be able to appreciate without first hand experience. Illustrated in photographs and on the included map are the key site features at the Red Mile. The most well known feature of the grounds, due to its visual impact, is the Standardbred Stable of Memories located near Red Mile Road and visible from the South Broadway and Red Mile Road intersection. The Stable of Memories is one of many culturally rich pieces on site where numerous community functions still take place. Other notable features are the Clubhouse, a 2-story colonial brick building that houses restaurants and track viewing areas as well as banquet space. The Tattersalls Stables, a "world-renowned" horse sale pavilion/arena, is also a part of the Red Mile property and is envisioned to be a major factor in the future operations post development. Of course, the Red Mile is most well known for its track and training facilities that owners and trainers travel from far and wide to utilize with their horses. The Race Track itself, the Stable of Memories and the Tattersalls Stables will remain as is, and they are located on the portion of the Red Mile property that is not included in the Development Area. However, their rich historic fabric will be woven into the redevelopment plans in order to build on the Red Mile's past successes.

2. The Development Area

2.1. Assurances Regarding the Size and Taxable Assessed Value of the Development Area and Other Matters. The LFUCG finds in accordance with the Act that:

(a) The Development Area is a contiguous area consisting of 79.89 acres, more or less, 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 the LFUCG (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Lexington. The assessed value of taxable real property within the Development Area for calendar year 2009 was $5,332,000. The LFUCG has previously established three other development areas pursuant to the Act, the Phoenix Park/Courthouse Development Area, the Lexington Distillery District Development Plan, and the Showprop Lexington Development Area. The combined real property assessed valuation for those three development areas is $19,373,200 and when combined with the real property assessed value for the proposed Development Area, the total real property assessed value for all development areas established by the LFUCG will be approximately $24,705,200. The total assessed value of taxable real property within Lexington for the calendar year 2009 is approximately $22 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 Lexington; and

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

2.2. Statement of Conditions and Findings Regarding the Development Area. Pursuant to KRS 65.7049(3), a development area shall exhibit at least three of the following conditions to qualify for designation as a "development area" under the Act and to qualify for a pledge of State incremental revenues pursuant to KRS 154-30.060:

(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.

The LFUCG has reviewed and analyzed the conditions within the Development Area and finds that the Development Area exhibits four of the qualifying characteristics:

(1) A substantial loss of commercial activity has occurred. On site, the Red Mile Race Track, like most of the horse racing industry, has been in a state of economic decline for years. Declining attendance has increased the financial losses suffered in the operation of the Race Track. Only contributions from owners who are dedicated to the sport have enabled the Developer to preserve the core commercial venture - standardbred racing.

(2) More than fifty percent (50%) of the commercial structures are deteriorating or deteriorated. In fact, one hundred percent (100%) of the buildings could be considered as either deteriorating or deteriorated. The grandstand, clubhouse and paddock area stand unchanged. No upgrades have been made to their basic infrastructure since original construction. Renovations of those structures will be necessary. Many of the stables, which constitute more than fifty percent (50%) in number of the structures in the Development Area, could be considered as deteriorated. Some stables have been demolished because of their deteriorated condition.

(3) Public improvements and public infrastructure are inadequate. Limited public infrastructure currently exists within the proposed development site. In addition, public infrastructure connecting to the site is inadequate to handle the increased services that will be needed. Having to construct the necessary public infrastructure creates a heavy financial burden for the potential future development of this land. Examples of public infrastructure needed to enable construction of the Project and growth in the Development Area include:

- Utilities – A vast expansion of sanitary sewer lines, storm sewer lines, water service lines, and utility conduits, including electric, gas, telephone and cable, to accommodate the large increase in utility usage that the Project will require.

- Roadways – The creation of new internal roads and an expansive walkway system to handle the increased vehicular and pedestrian traffic this development will draw.

- Parking – Open grade parking will provide 1,768 parking spots, while the three proposed parking structures will add an additional 164, 104 and 104 spots respectively.

- Red Mile Road – Improvements at Red Mile Road's intersections with both South Broadway and Versailles Road and a widening of Red Mile Road to improve the flow of traffic, both vehicular and pedestrian, that will result from this Project.

- Storm Water Management – The traditional storm water management plan to control detention and post development water quality consists of surface detention located at the lowest point on-site. Underground storm water facilities will be constructed at various locations on-site to enhance infiltration and groundwater recharge while maximizing the site's open spaces and usages. Each of these underground storm water facilities will include sump volume to store the portion of storm water runoff generated from the site and will use a solar pump system to pump runoff to irrigate the open spaces and greenway areas.

(4) 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. As noted in Section 1.3, most of the Development Area has been zoned for agricultural use. It and the surrounding lands as a whole were initially agricultural in nature - horse racing, horse sales, tobacco warehouses, suppliers to farmers, and even a restaurant (the Coach House) frequented by horse farm owners and racing fans. The lifespan of that model has expired, and surrounding properties already have or are converting to other uses. Much of the land surrounding the proposed Project has been converted to large apartment complexes providing student housing. This dominant residential use impairs the development of commercial properties in that area of Lexington and arrests the growth of economic activities there. The development of the Red Mile Project will alleviate this single usage by creating mixed usage of entertainment, hotel, retail, offices, and residential; but the inadequacy of the public infrastructure in the Development Area impedes its development.

2.3. Assurances the Development Area Is Not Reasonably Expected to Develop Without Public Assistance. The LFUCG finds that the Development Area is not reasonably expected to be developed without public assistance. Despite its appealing location and storied history, no interest has been shown in redeveloping the property to bring new economic activity to the area, other than the proposed Project. The public infrastructure costs associated with any successful redevelopment of the Development Area are too high to occur without the help of the public. It is estimated that the total cost of public infrastructure improvements needed within the Development Area to successfully redevelop the Red Mile site as an urban mixed-use development is approximately $54 million. Without public funding, including the critical pledge of State incremental revenues under the Commonwealth Participation Program for Mixed-Use Redevelopment in Blighted Urban Areas, as provided in the Act, the proposed Project within the Development Area would not be possible.

2.4. Assurances the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. The LFUCG finds that the public benefits of redeveloping the Development Area justify the public costs proposed. As detailed in the Commonwealth Economics Report, attached hereto as Exhibit "B", (the "Report"), the public investment is expected to reach $54 million, but the private investment within the Development Area will reach $133 million and support 2,099 new construction jobs and approximately 1,767 new permanent jobs within the Development Area. The proposed improvements will encourage new visitation to the area and provide necessary amenities for existing residents and new visitors alike. While the LFUCG will pledge eighty percent (80%) of new ad valorem property taxes and occupational taxes to pay for the public projects proposed, it will generate significant new revenues from the twenty percent (20%) of those new incremental revenues not pledged and one hundred (100%) of the other local taxes generated from the Project. Under the Act, school systems may not participate in the pledge of incremental revenues. Therefore, the local school system will receive significant new revenues from the Project within the Development Area.

Besides the new jobs and capital investment created directly by the Project, the Project will have a significant multiplier effect on the economy of Lexington and the State. According to the Report, upon the opening and stabilization of the Project, the annual economic and fiscal impact of the Project is estimated to include $177 million of total spending, $70.3 million of increased earnings, support for 1,767 jobs, and $11.2 million in State and LFUCG tax revenues. Of these tax revenues, approximately $6.2 million are net new to the State in the first year of stabilization.

The $241.8 million in tax revenue that is expected to be created over the 20-year period is much greater than the amount of taxes created in the Development Area without the Project. Furthermore, the analysis shows that the "net new" amount of taxes from this Project will include $136.4 million in net new tax revenue to the State and $17.6 million for the LFUCG, for a total estimated net new fiscal impact of $154 million.

The fiscal benefits far exceed the existing tax revenue from the Development Area, which is estimated at $119,811 annually (by end of 2009 estimates). In a 20-year period, which begins at full operation, the Project is estimated to generate a total of about $241.8 million of State and LFUCG tax revenues. By contrast, if the site remains "as-is", tax revenues are estimated to amount to $3.5 million during the same period. As a result, incremental tax revenues are estimated to amount to $238.4 million. After

20 percent is retained, such amount translates to an estimated $170.6 million of cash available from the State and an estimated $20.1 million from the LFUCG.

Based on research and analysis documented in the Report, the Project is estimated to have a significant economic and fiscal impact to the local economy. Its construction is estimated to generate a one-time impact that includes over $233.5 million of total spending throughout the state, $98.3 million of earnings, support for 2,565 jobs, and $10.1 million of state and local tax revenues. Upon project opening and in the first year of stabilization, annual economic and fiscal impact is estimated to include $177 million of total spending, $70.3 million of increased earnings, support for 1,767 jobs, and $11.2 million of state and local tax revenues.

It is proposed that the incremental revenues from the LFUCG and State will be used to fund the capital costs of the "approved public infrastructure" (as defined in the Act) needed for the Project within the Development Area. The estimated cost of the approved public infrastructure needed for the Project is approximately $54 million. It is estimated that approximately $190.7 million in LFUCG and State incremental revenues from the Project will be available over 20 years to pay for approved public infrastructure costs needed for the Project. The net present value of this $190.7 million is dependent upon many variables in the tax-exempt financing/bonding market.

After subtracting the baseline "old revenues" as required by the Act, the estimated net new incremental tax revenue generated by the Project is $120.4 million. This amount far exceeds the estimated $54 million in approved public infrastructure costs. As a result, the Project represents an enormous benefit to Lexington and the State.

In addition, the significant investment represented by the Project will act as a catalyst for other development in the 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 LFUCG finds that portions of the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, but that certain special circumstances within the Development Area would prevent its development without public assistance as follows:

(a) Commercial activity. Commercial activity in the surrounding area has been in a state of decline as the former agricultural related uses are no longer viable in this area.

(b) Infrastructure. The area bordering Red Mile Road is in need of improvements within the right-of-way including new pedestrian facilities (sidewalks, greenway trail, cross walks at new and existing intersections), road widening along Red Mile Road, new signaled intersections at specified locations along Red Mile Road coordinating with the Development Plan, improvements at intersections of Red Mile Road and South Broadway as well as Red Mile Road and Versailles Road, a major sanitary sewer pump station and forced main to connect to the public sanitary sewer, and storm sewer facilities to protect and enhance existing karst features on site.

(c) **Housing.** Private development of surrounding lands has primarily been construction of large student housing projects, the majority of which are made up of medium-high density rental units. This concentration of residential development prevents diversified economic growth, but public infrastructure is needed for the proposed mixed use Project to be built in the Development Area.

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 Red Mile property as it sits today is primarily zoned for agricultural use (A-U), a zone that seems to correlate to a horse racing track, but can also be seen as out of context for the urban environment the Red Mile Track is within. The Red Mile property is bordered by 6 different zones, including Residential (R-2, R-3, R-4), Business (B-3, B-4) and Office (P-1). The residential zones range from duplex residential development (R-2) to high density apartment buildings (R-4). The business zones range from Highway Service Business (B-3) to Wholesale and Warehouse Business (B-4). These zones are illustrative of a development pattern taking place in the area surrounding the Red Mile.

The Red Mile property is currently used as a horse racing track for standardbred harness and quarter horse races. In addition to hosting live racing, the Red Mile simulcasts races from around the world and allows wagering on these races 365 days a year. The facility is also the host of numerous horse sales throughout the year along with other events such as receptions and corporate meetings. The Red Mile will not be able to function profitably for a sustained period of time if changes are not made that will attract more visitors and allow more live racing days throughout the year.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. A portion of the development area needed a zone change from Agricultural to Mixed Use Community (MU-3). Council has approved the text amendment for the MU-3 zone. The Planning Commission unanimously approved the rezoning from agricultural to MU-3 on November 19, 2009. Council approved the rezoning on January 14, 2010.

2.9. Certification of Compliance with the Comprehensive Land-Use Plan. The Red Mile property is one of a handful in Lexington that received special notation in the 2007 Comprehensive Plan as "property [that] should be reviewed through a Small Area Plan, with strong consideration for high-density residential and mixed-use."

The Red Mile Development Plan has been created through the process of the Developer collaborating with the working group that was assembled by the consultant team and representatives from LFUCG. Its purpose was to have an open and transparent design process, allowing local residents and stake holders to voice their opinions and concerns in regards to the concepts being presented to them. After the working group sessions, a series of meetings with city officials and an open public forum were held to further expand the public process to all levels of the community. The Development Plan was submitted to the LFUCG for certification of compliance with the duly adopted Comprehensive Plan. The Planning Commission approved such certification at its December 10, 2009 meeting. Attached as Exhibit "C" is the documentation of certification.

3. The Development Program.

The Project proposed for the Development Area includes the following approved public infrastructure and public improvement elements, in addition to the private portions of the Project, as described more particularly on the site plan attached hereto as Exhibit "A." A breakdown of approved public infrastructure costs is attached hereto as Exhibit "D."

3.1. Private Development. It is estimated that the total development potential on site, in terms of dollars, is in the neighborhood of $190 million. The list of the potential private development projects are:

- Trackside Housing
- Stand-alone Apartments
- Stand-alone Retail
- Mixed Use Office/Retail
- Mixed Use Residential/Retail
- Hotel/Entertainment Center

3.2. Public Projects.

- *Intersection Improvements at South Broadway and Versailles Road*

Left turn, through, and right turn lanes will be constructed to help ease time delays at these traffic lights during peak hours.

- *Red Mile Widening*

The median will be extended along Red Mile Road, which could potentially require the widening of Red Mile Road.

- *Red Mile Greenway Trail*

The creation of the Red Mile Greenway Trail, as well as the Town Green, the central open space pedestrian spine and the centerpiece for the Project's main street would connect South Broadway to Versailles Road and beyond. The Greenway Trail includes a trail, tree plantings, pedestrian lighting, pedestrian seating and other facilities. It is a major component of the Project that will eventually connect the Red Mile to the University of Kentucky, as well as to the proposed Town Branch Trail. The Red Mile Greenway Trail proposed will lie in the existing right-of-way between Red Mile Road and the proposed development.

- *Town Green: Park and Streetscape*

The Town Green is the centerpiece for the Red Mile Development Plan. The current location coincides with the idea that there will eventually be an addition to the grandstand that will serve as a termination point of the town green axis. It will also include the potential hotel/entertainment center, with an associated parking structure. The Town Green provides open green space, gathering area and a central pedestrian spine that runs along the main commercial/mixed-use corridor.

- *New Intersections*

Five intersections, including two with signals, will be constructed at the proposed entrance/exits from the development area. Each intersection will need lighting, cross walks and other pedestrian amenities.

- *Utilities*

The site will need a major sanitary sewer pump station and forced main to connect to existing trunk line. The site will also need a major infrastructure upgrade and treatment of urban runoff to protect and enhance the karst features on site.

4. Redevelopment Assistance and Finance Plan.

The proposed "redevelopment assistance", as defined in the Act, to be provided in the Development Area is estimated to cost a total of $54 million, not including interest/financing expenses. The LFUCG will pledge eighty percent (80%) of its incremental tax revenues from real property taxes and occupational taxes from the Project for over the applicable 20-year period and, in accordance with the Act, will create a special fund for the deposit of pledged incremental revenues. In addition, the LFUCG and/or the Agency will submit an application to the Kentucky Economic Development Finance Administration ("KEDFA") to request State participation in the form of a pledge of eighty (80%) of incremental State tax revenues generated from the Project during the 20-year period.

The LFUCG will establish a special fund for the deposit of pledged incremental revenues. Pledged incremental revenues deposited into this special fund will be used solely to pay debt service and costs of issuance on increment bonds, including "financing costs" (as defined by the Act), issued by the LFUCG to finance the redevelopment assistance described herein and other "approved public infrastructure costs" (as defined in the Act) or, if increment bonds are not issued, to pay directly for such redevelopment assistance and approved public infrastructure costs, and any other purposes in compliance with this Development Plan, the Act, and all agreements and documents entered into in connection therewith. The LFUCG will enact an ordinance establishing the Development Area and adopting this Development Plan. The development ordinance will designate the Department of Finance and Administration (the "Agency"), organized by the LFUCG, to oversee, administer and implement the development ordinance.

As set forth in more detail in the Report, the Project is estimated to generate approximately $238.4 million in incremental tax revenues over the 20 year period beginning in 2013. Approximately $190.7 million of this total will be available for debt service ($170.6 million for state participation and $20.1 million for local participation). The "activation date" (as defined in the Act) is expected to occur immediately following completion phase 2 of the Project, which is projected to be finished by 2013. This sets the timeframe of financial obligations at 20 years, beginning in 2013 and ending in 2032.

5. Conclusions.

The Development Area's mix of private investment and public improvements will allow the LFUCG to create an environment welcoming to visitors and residents alike. The proposed assistance is critical to the successful redevelopment of the Development Area and the significant amount of private investment and economic benefit that will come with this Project.

List of Exhibits

L0475983.4

LEGAL DESCRIPTION
Proposed Tax Increment Finance District
Red Mile Road, Lexington, Fayette County, Kentucky

The following area description is intended for tax increment financing district purposes only and shall not be used for transfer or conveyance purposes. This description represents information attained by deeds of record and in no way represents a survey by implication or actuality.

Being a tract of land located in Fayette County, Kentucky on the east side of Red Mile Road lying generally between Red Mile Road and the race track and being more particularly described as follows:

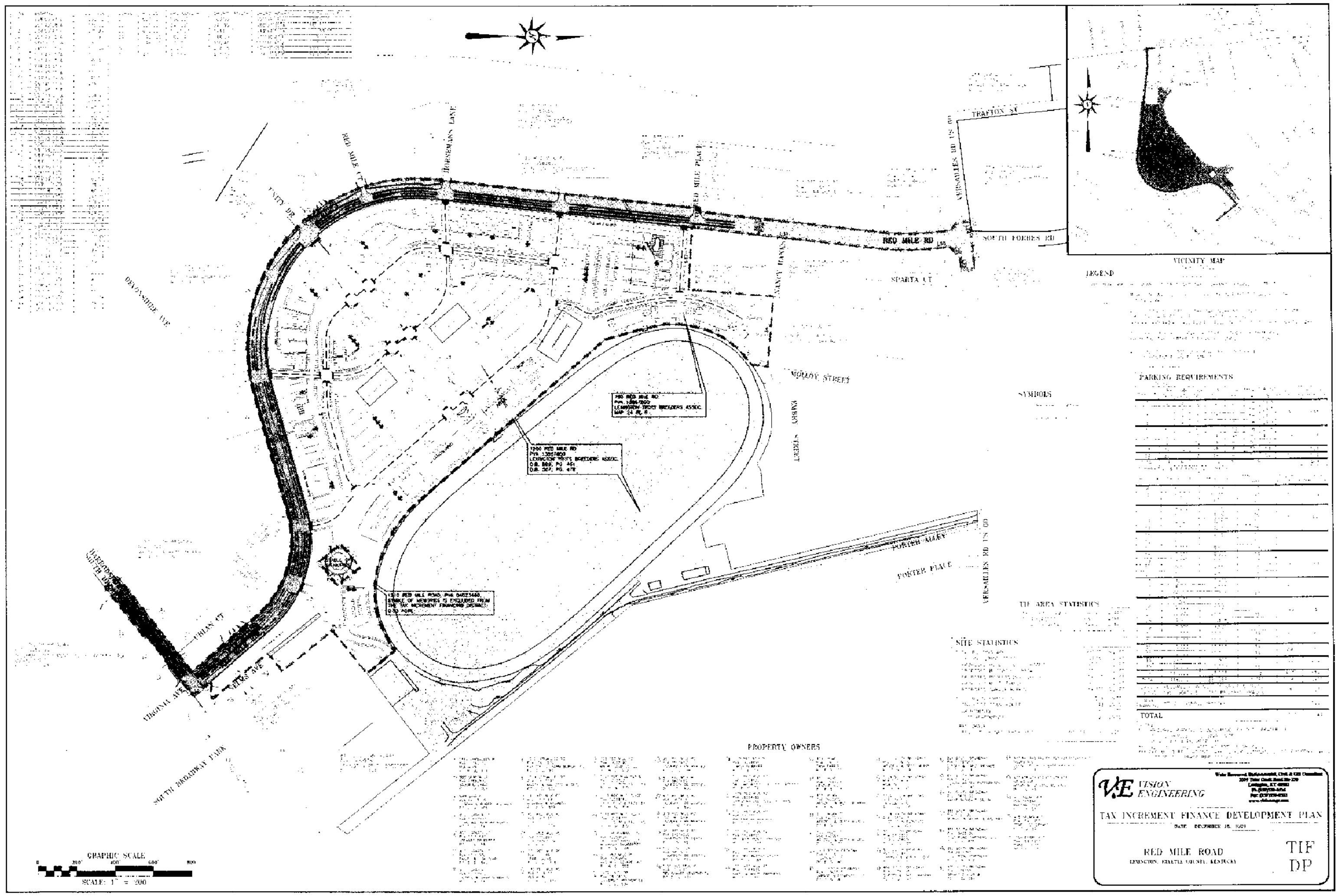
Parcel 1
Beginning at the northwest corner of the property designated as 837 South Broadway, Tattersalls Properties, LLC as shown at PC "M" Slide 036 at the office of the Fayette County Clerk;
Thence, with the line of Tattersall: S 38°55'41" E a distance of 332.00' to the northeast corner of lot #59;
Thence, with the line of lot #59 S 51°45'38" W a distance of 116.00' to the west edge of Nelms Avenue;
Thence, with Nelms Avenue S 38°55'47" E a distance of 370.94' to a point in the north right of way of Harrodsburg Road;
Thence, S 51°45'22" W a distance of 17.97' with said right of way;
Thence, N 86°30'15" W a distance of 80.23' with said right of way;
Thence, S 40°10'10" E a distance of 123.48' with said right of way;
Thence, S 51°45'22" W a distance of 302.07' with said right of way;
Thence, S 51°45'22" W a distance of 86.45' with said right of way;
Thence, S 38°44'41" E a distance of 15.00' with said right of way;
Thence, S 51°45'22" W a distance of 332.00' with said right of way;
Thence, N 38°14'38" W a distance of 85.00' with said right of way;
Thence, N 51°45'22" E a distance of 418.32' with said right of way;
Thence, N 51°45'22" E a distance of 200.00' to the intersection of the north right of way of Harrodsburg Road and the west right of way of Red Mile Road;
Thence, with said right of way of Red Mile Road; N 40°33'41" W a distance of 416.90' to the beginning of a curve to the left with an arc length of 266.35', with a radius of 527.70', along a chord bearing of N 52°58'18" W, with a chord length of 263.53' to the beginning of another curve to the left; with an arc length of 347.39', with a radius of 521.00' along a chord bearing N 86°37'35" W, with a chord length of 340.99' to a point;
Thence, S 74°16'19" W a distance of 637.50' to the beginning of a curve to the right; with an arc length of 1701.37', with a radius of 870.50' along a chord bearing of N 49°44'11" W, with a chord length of 1443.21';
Thence, N 06°15'19" E a distance of 1263.33' still with the right of way of Red Mile Road; N 05°17'48"E a distance of 115.77' to a point;
Thence, S 86°31'20" E a distance of 18.15' to a point;
Thence, N 06°31'47" E a distance of 914.62' to the beginning of a curve to the left with an arc length of 289.14' with a radius of 1400.00'along a chord bearing of N 00°36'47" E with a distance of 288.63';
Thence, still with the west right of way of Red Mile Road, N 05°18'13" W a distance of 97.24' to a point;
Thence N 51°35'13" W a distance of 48.61' to a point in the south right of way of Versailles Road;
Thence, crossing said right of way of Red Mile Road N 08°01'13" W a distance of 72.00' to a point in the north right of way of Versailles Road;
Thence with said right of way N 81°58'47" E a distance of 17.99', continuing with said right of way N 84°39'17" E a distance of 36.04' to the intersection of the west right of way of South Forbes Road;
Thence, crossing said right of way N 84°39'17" E a distance of 72.38' to a point in the east right of way of South Forbes Road;

Thence, with the north right of way of Versailles Road N 84°39'17" E a distance of 122.53' to a point;
Thence, crossing to the south right of way of Versailles Road S 05°20'43" E a distance of 72.00' and continuing with said right of way S 84°39'17" W a distance of 60.04';
Thence, S 49°11'34" W a distance of 78.47' to a point in the east right of way of Red Mile Road;
Thence S 05°18'13" E a distance of 86.16' to the beginning of a curve to the right with an arc length of 307.01', with a radius of 1486.50' along a chord bearing of S 00°36'47" W a length of 306.46';
Thence, continuing with said right of way S 06°31'47" W a distance of 943.32' to a point in said right of way;
Thence, leaving the right of way of Red Mile Road with a line of Ball Realty, LLC. S 86°57'19" E a distance of 318.63' to a point in said line;
Thence, N 04°50'08" E a distance of 435.57' to a point in the line common with the right of way of Nancy Hanks Road and the parcel of LFUCG property at 1306 Versailles Road.
Thence, with said parcel S 85°09'43" E distance of 362.64' to a point common with said parcel and parcel 62;
Thence, with said parcel 62 S 07°19'27" W a distance of 79.23' to a point;
Thence, around the race track 8 calls;
Thence, S 48°05'23" W a distance of 125.25' to a point;
Thence, S 36°22'20" W a distance of 80.51' to a point;
Thence, S 25°08'54" W a distance of 102.37' to a point;
Thence, S 13°11'17" W a distance of 104.00' to a point;
Thence, S 02°04'07" W a distance of 99.40' to a point;
Thence, S 11°49'01" E a distance of 106.44' to a point;
Thence, S 15°16'50" E a distance of 219.72' to a point;
Thence, S 40°51'14" E a distance of 1256.27' to a point;
Thence, along a curve to the left with an arc length of 424.17', with a radius of 725.00', a chord of S 57°36'53" E a distance of 418.15';
Thence, continuing with another curve to the left with an arc length 453.68', with a radius of 475.00', along a chord of N 78°15'43" E a distance of 436.63';
Thence, leaving the race track, S 39°06'01" E 189.68' to the northeast corner of Tattersall Properties, LLC;
Thence, with the line of Tattersall, S 51°17'09" W a distance of 283.20', which is the point of beginning, having an area of 3,502,880.94 square feet, 80.415 acres.

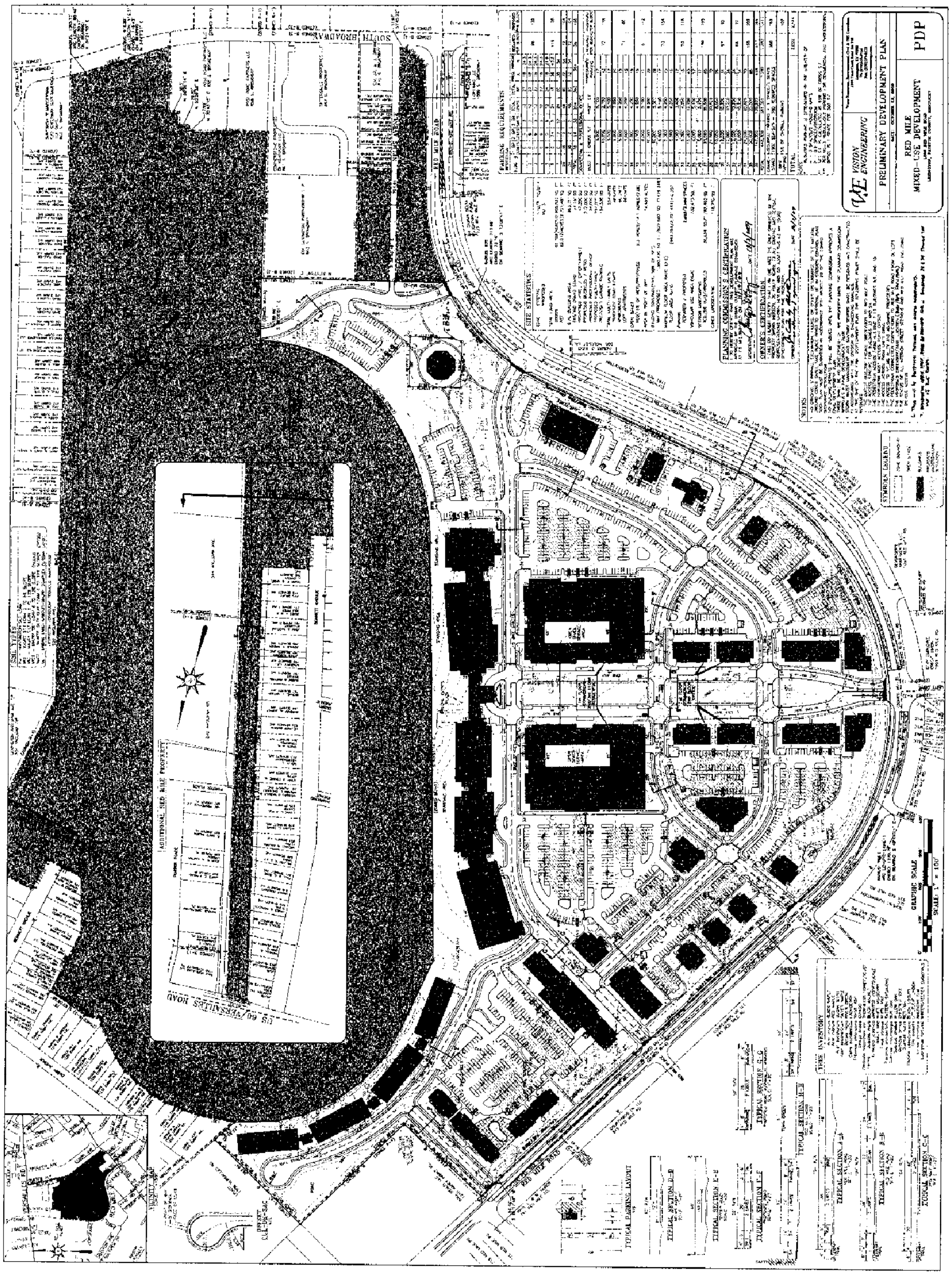
"STABLE OF MEMORIES"
Exception to the previous description being an area known as the "Stable of Memories" lying completely inside the previous description as shown on the attached drawing and more particularly described as follows:
Beginning at the corner nearest the race track;
Thence, S 38°47'10" E a distance of 150.00' to a point;
Thence, S 52°12'11" W a distance of 125.02' to a point;
Thence, S 67°48'54" W a distance of 32.38' to a point;
Thence, N 38°24'29" W a distance of 138.24' to a point;
Thence, N 51°04'54" E a distance of 155.12' to a point;
Which is the point of beginning, having an area of 22,968.17 square feet, 0.527 acres.

The total area of the TIF district is parcel 1 excluding the exception "Stable of Memories" property.

80.415 acres – 0.527 acres exception "Stable of Memories" Property
79.888 acres total



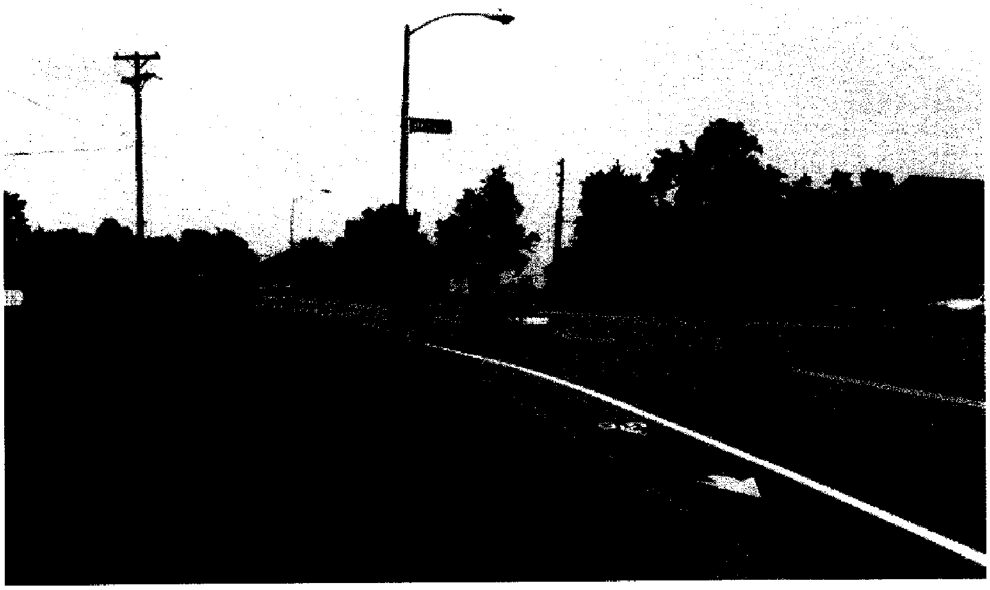
RED MILE RD
RED MILE PLACE
HORSEMANS LANE
RED MILE CT
UNITY DR
DEVONSHIRE AVE
VIRGINIA AVE
SOUTH BROADWAY PARK
VERSAILLES RD US 60
TRAFTON ST
SOUTH FORBES RD
SPARTA CT
NANCY HANKS
MOLLOY STREET
EMBRY STREET
PORTER ALLEY
PORTER PLACE
VICINITY MAP
LEGEND
PARKING REQUIREMENTS
SYMBOLS
TIF AREA STATISTICS
SITE STATISTICS
TOTAL
PROPERTY OWNERS
GRAPHIC SCALE
SCALE: 1" = 200'
VISION ENGINEERING
TAX INCREMENT FINANCE DEVELOPMENT PLAN
RED MILE ROAD
LEXINGTON, FAYETTE COUNTY, KENTUCKY
TIF
DP



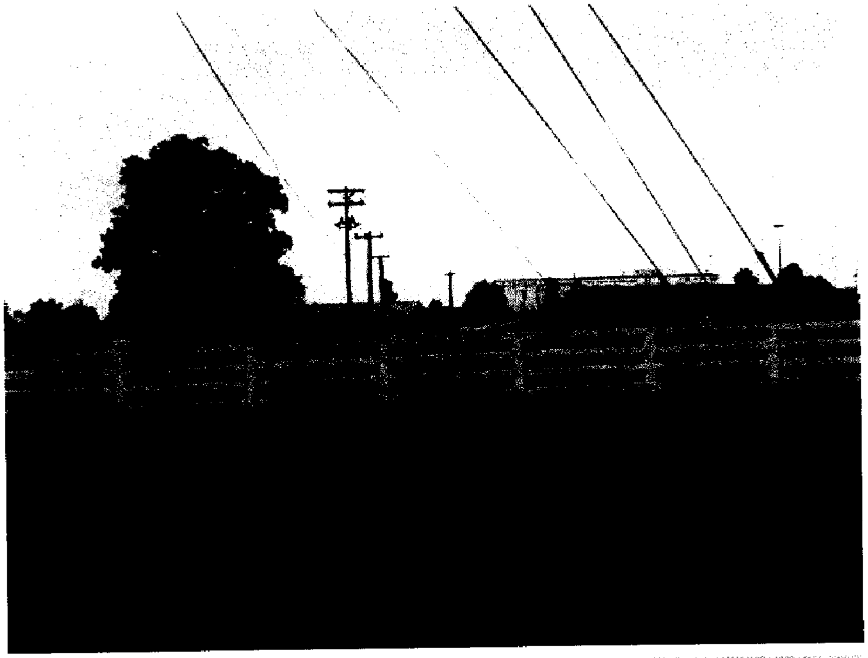
VISION ENGINEERING
PRELIMINARY DEVELOPMENT PLAN
RED MILE
MIXED-USE DEVELOPMENT
PDP
SOUTH BROADWAY
ADDITIONAL RED MILE PROPERTY
GRAPHIC SCALE
TYPICAL PARKING LAYOUT

Red Mile Road from S. Broadway Junction

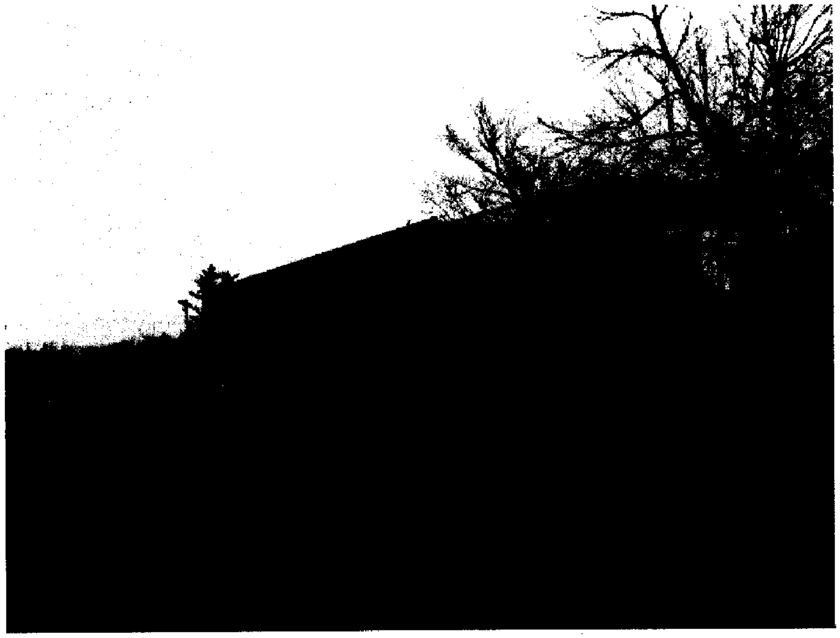
Red Mile Road



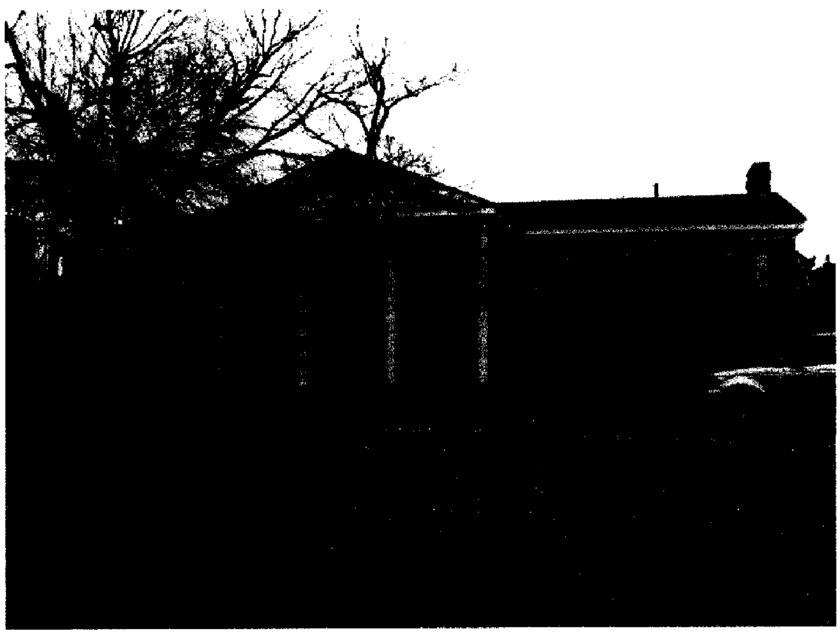
Red Mile Road



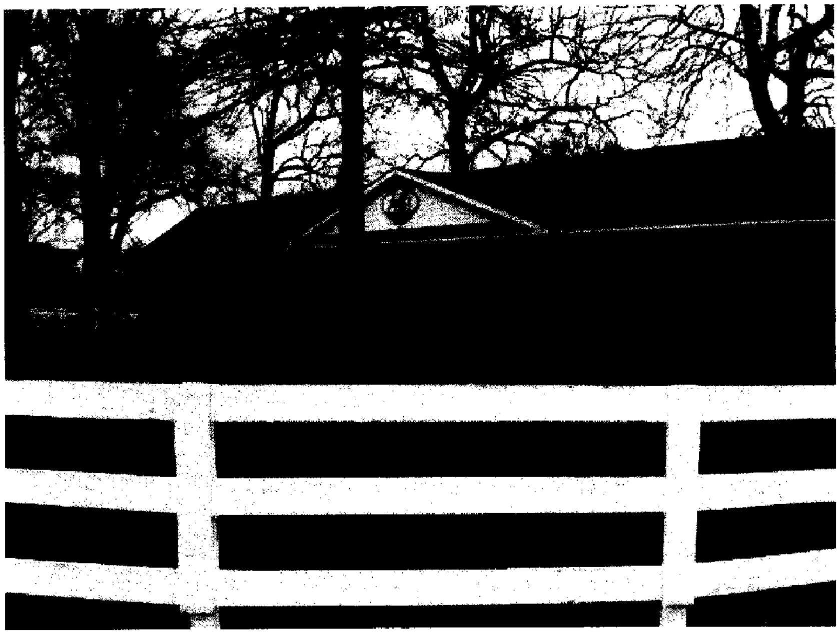
Red Mile from the Red Mile Road



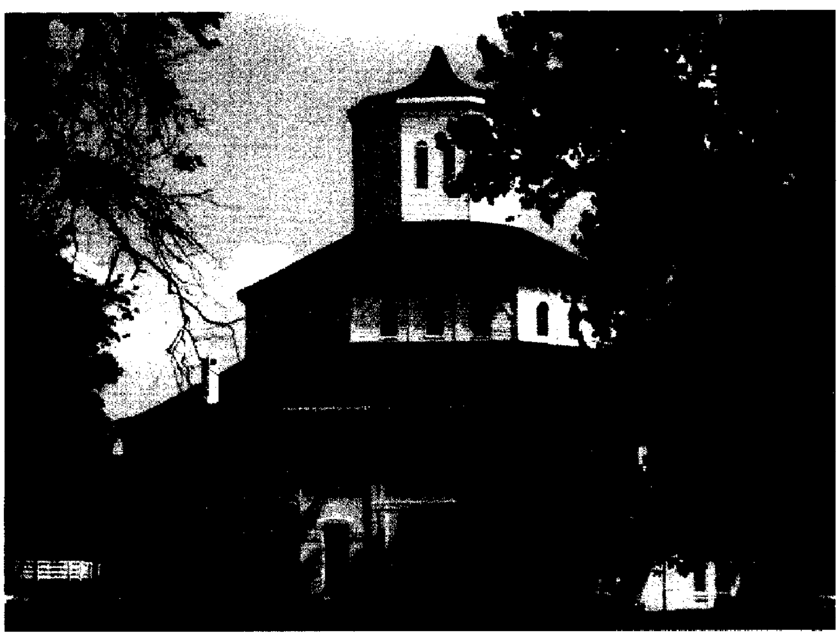
Red Mile Grandstand



Red Mile Club House

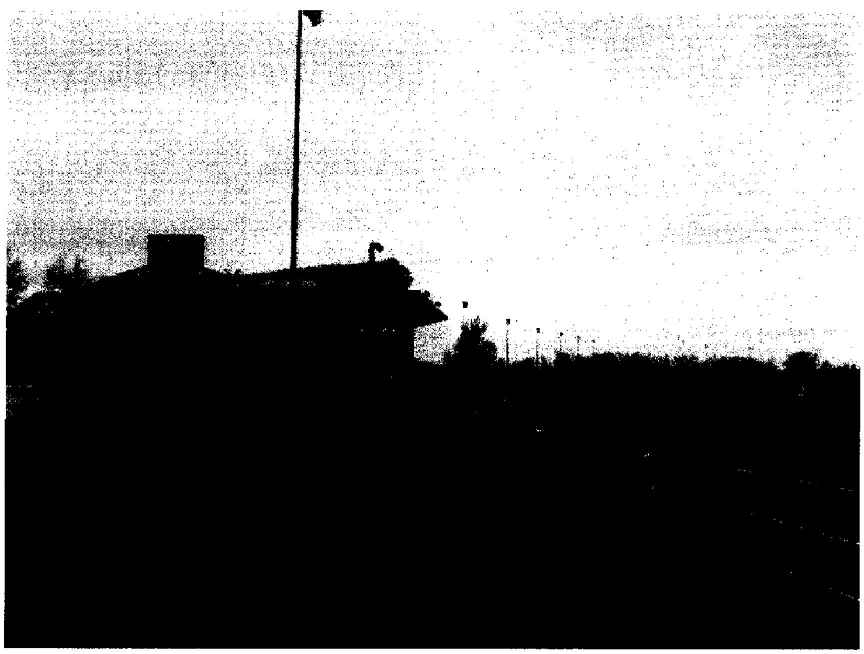


Paddock Area



Stable of Memories

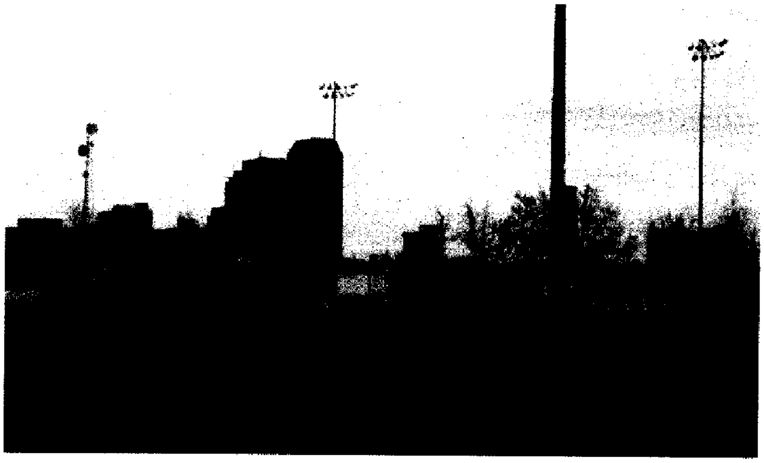
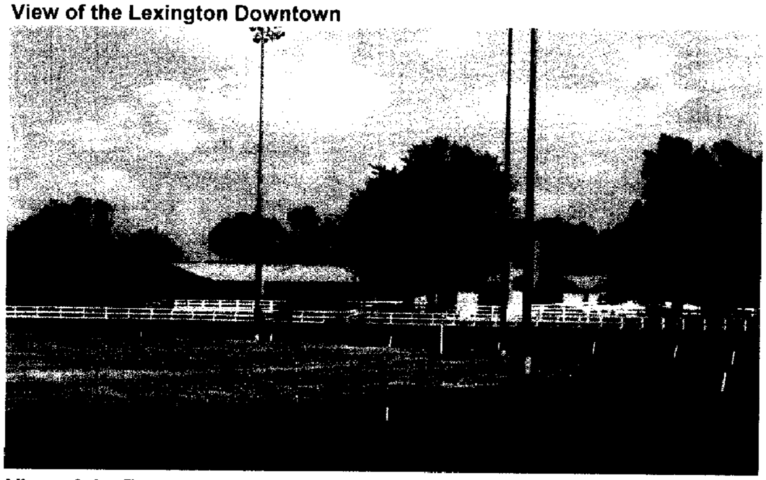
Grandstand



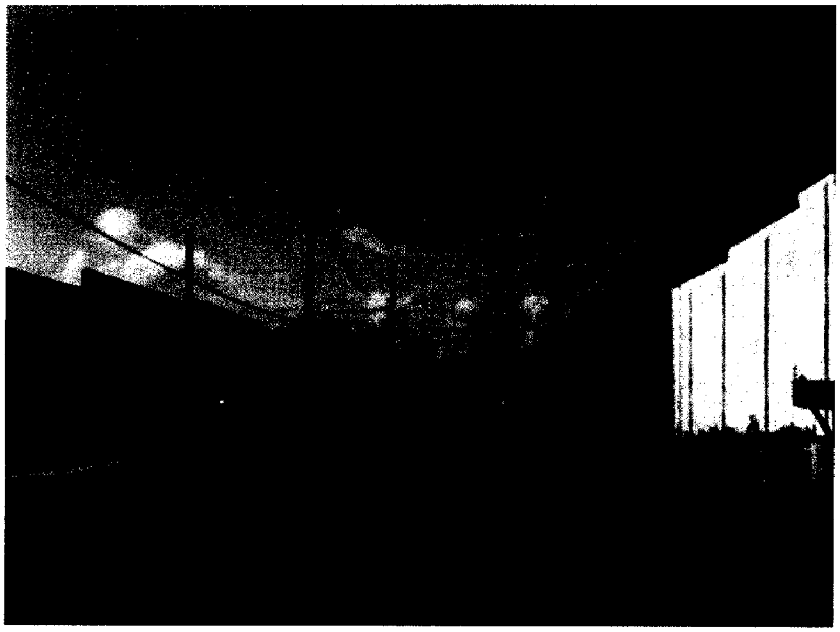
View of the Grandstand from the Tracks

Parking area with the stables in the background

Stables


View of the Lexington Downtown

View of the Tattersalls

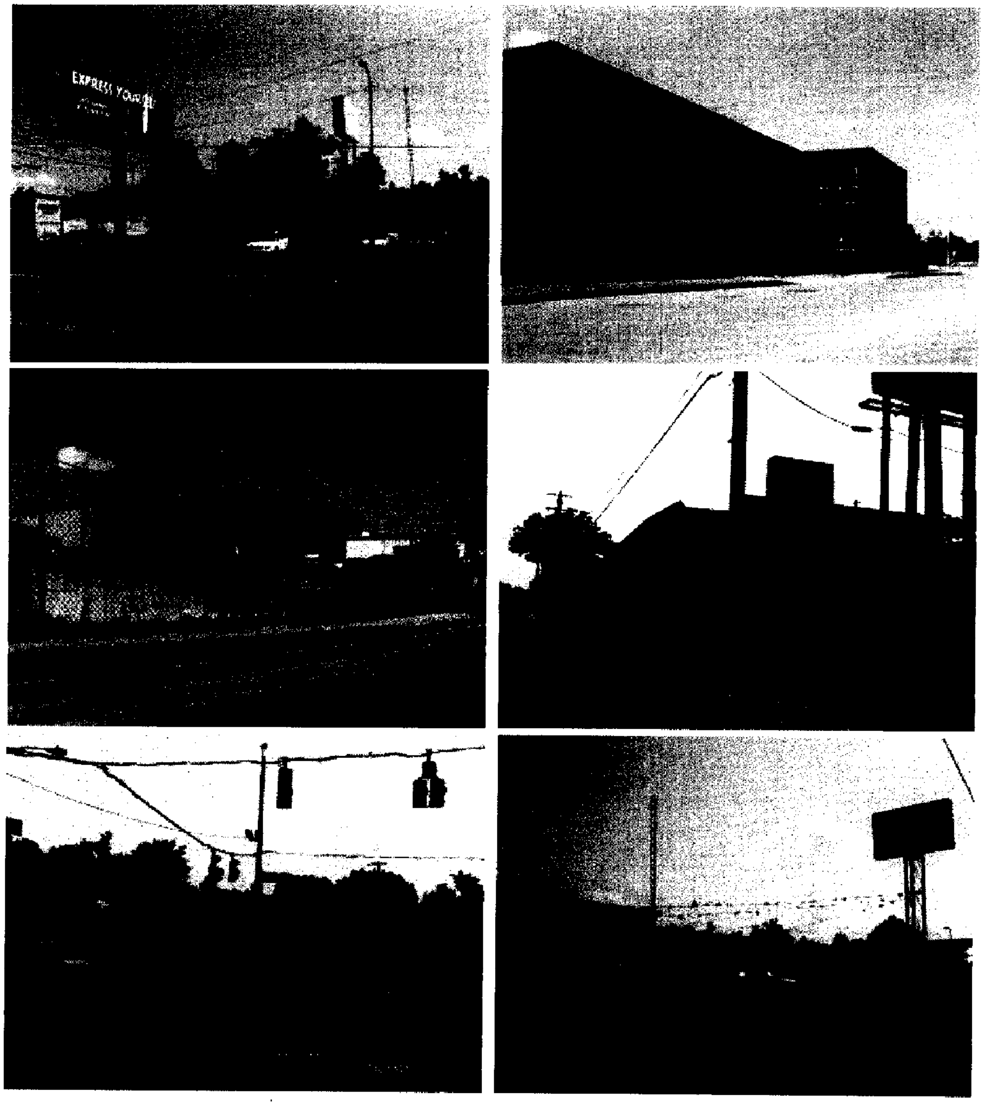
View of the Developments towards the West.



Adjoining Industrial Area

Adjoining New Student Housing

Tattersalls



Surrounding Developments

EXHIBIT B

Commonwealth | Economics

Red Mile Mixed-Use Development:

Tax Increment Financing and Economic Impact Analysis

Submitted To:

Red Mile Mixed-Use Development

Submitted By:

Commonwealth Economics, LLC

October 2009

108 Esplanade, Suite 340 Lexington, KY 40507 | (859) 246-3060 | www.commonwealthecon.com

Table of Contents

I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics, LLC was retained by the Red Mile Mixed-Use Development to perform an economic and fiscal impact analysis[1] of the Red Mile Mixed-Use Development (the Project) in Lexington, Kentucky.

The objective of the analysis is to support applications that are being submitted to the Lexington Fayette Urban County Government (LFUCG) for incentives for the development of the Red Mile Mixed-Use Development project through the use of Tax Increment Financing (TIF).

Thus, the role of this impact study is two-fold: (1) to quantify the positive economic activity that will result from the Project, and (2) to compare the impact of this new economic activity on state and local tax revenues to the requested amount of the TIF. The LFUCG examines both aspects to determine, in part, whether the project truly is beneficial not only to the economy but also to governmental revenues.

Executive Summary

The subject of this analysis is the Red Mile Mixed-Use Development project, which is to be located at 790, 980, and a portion of 1200 Red Mile Road in Lexington, Kentucky. The proposed development will include a remodeled 1,900 seat grandstand and new entertainment area, a 200 room hotel, 24,000 square feet of leasable office space, approximately 277,000 square feet of leasable mixed-use space for retail and restaurants, over 295,000 square feet of residential apartment space (204 units), three parking structures providing a combined 372 spaces, and a greenway trail and town green park. The private portions of the project are expected to have a total cost of nearly $133 million.

[1] The results presented herein are fair and reasonable. Based on Commonwealth Economics' analysis, the Project is a strategic development that will bring significant economic and fiscal benefits to both Lexington and the Commonwealth of Kentucky.

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. And because events and circumstances frequently do not occur as expected, those differences may be material.

With a national ranking of 2nd for small market cities in *Best Cities for Relocating Families,* by *Worldwide ERC and Primacy Relocation,* and 33rd of all cities in the nation according to *Forbes Magazine's Best Places for Businesses and Careers*, Lexington continues to improve and solidify its status as a desirable place to live and do business. In its 2007 Annual Quality of Life Quotient, *Expansion Management* magazine gave Lexington, Kentucky 5 stars, which is its highest honor for metro areas. By 2015, it is estimated that the population of Lexington will have increased by 15% since the 2000 Census. The population is expected to continue to increase each year following 2015 by an average of about 14,000. A rapidly growing population such as Lexington's will require continued growth and development in order to keep up with the growing demands that will accompany the expanding population and continue to attract new businesses.

The growing population will create increased demand for an environment in downtown Lexington that is more vibrant and inviting. The Red Mile Mixed-Use Development project is exactly the type of development that the downtown area needs to continue to attract professionals and their businesses to the Commonwealth. It will provide entertainment of multiple varieties including a great amount of green space, shopping, dining, and a world-class harness racing destination. The Project will fill a void in the downtown area which will make everyday shopping more convenient for those living in both the apartments constructed as part of the project and the thousands of people already living in the very nearby area. This development combines a variety of businesses with a unique and exciting environment that is necessary in order to revitalize and reinvigorate downtown Lexington. This, along with similar developments, will create a more "livable" downtown Lexington. This will draw new businesses and residents from outside of the Commonwealth by creating an attractive and exciting downtown environment, providing a very practical living option for young professionals and graduate students, and offering premier harness racing facilities.

Based on research and analysis documented in this report, the Red Mile Mixed-Use Development project is estimated to have a significant economic and fiscal impact to the local economy.

Baseline Tax Revenue

The current site would generate an estimated $119,811 in "as-is" baseline tax revenue through its 2009 property valuation and the related state and local property taxes along with other applicable taxes annually, with $77,572 going to the state, and $42,239 going to the local government.[2]

Economic and Fiscal Impact

Its construction is estimated to generate a one-time impact that includes over $132 million of total spending, $79.7 million of direct construction earnings, support for 2,565 jobs, and $5 million of state and local tax revenues. Upon project opening and in the first year of stabilization, annual economic and fiscal impact is estimated to include $177 million of total spending, $70.3 million of increased earnings, support for 1,767 jobs, and $11.2 million of state and local tax revenues.

Incremental Revenues

In a 20-year period, which begins upon TIF activation, the Red Mile Mixed-Use Development project is estimated to generate a total of about $241.8 million of state and local tax revenues. By contrast, if the site remains "as-is", tax revenues are estimated to amount to $3.5 million in the same period. As a result, incremental tax revenues are estimated to amount to $238.4 million. After 20 percent is retained, such amount translates to an estimated $190.7 million of cash available for the State's TIF program and an estimated $20.1 million for local participation.

Public Infrastructure Costs

It is important to understand that only the costs associated with "public infrastructure" are eligible to be paid for through the TIF program. The estimated cost of the TIF eligible public infrastructure is approximately $54 million. We estimate that up to approximately $190.7 million will be available over 20 years through TIF to cover costs that are related to public infrastructure development.

"Net New" Benefit

This $190.7 million is much greater than the amount of taxes created on this property without the Project. Furthermore, our analysis shows that the "net new" amount of taxes from this Project will include $136.4 million in net new tax revenue to the Commonwealth and $17.6 million for the city of Lexington, for a total estimated net new fiscal impact of $154million.

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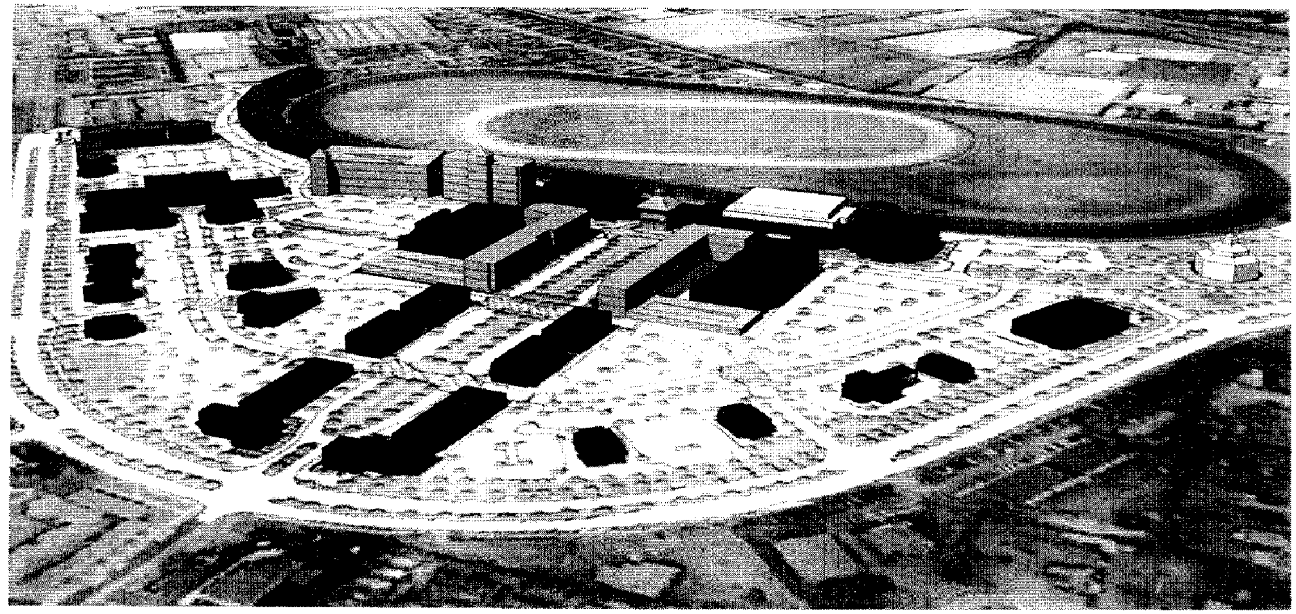
[2] This number represents "The estimated amount of local and state old revenues that would have been generated in the footprint of the project in the absence of the project" as defined in KRS 154.30-030(6)a(5).

After subtracting the baseline "as-is" tax revenues that would be displaced from the existing site by the proposed Project, the estimated net new incremental tax revenue is $150.5 million. This amount far exceeds the estimated $54 million in TIF recoverable public infrastructure costs. As a result, the Project represents an enormous benefit to the city of Lexington and the Commonwealth of Kentucky.

The basic development plan for the Project is shown below in Figure 1-1.

Figure 1-1



II. THE NEED FOR PUBLIC INFRASTRUCTURE

The public infrastructure needs in the footprint are significant and are of critical importance to the redevelopment of the location. In its current state, the site is not suited for residential or commercial use. The site faces several infrastructure issues that will prevent the area from becoming successful and experiencing economic growth without the assistance of the local and state governments.

The site's redevelopment will require a large amount of infrastructure improvements that will be necessary to deal with the addition of residential and commercial buildings. The additional infrastructure needs include a vast expansion of the sanitary sewer lines, water service lines, storm sewer lines, and utility conduits (including electric, gas, telephone and cable). The area is currently not suited for or capable of accommodating the large increase in use of utilities that the Project will certainly require. The addition of sewer and water lines that are capable of handling the increased flow that will result from a development of this magnitude is absolutely mandatory for site development, but is very cost prohibitive. Sewer and water line expansions alone are estimated to cost over $7 million.

The Project also requires the creation of several internal roads, sidewalks, and parking lots. The current site only has a very small paved parking lot, while the rest of the area consists of gravel roads and dirt/grass parking areas. The proposed Project will require the addition of about three new internal roads, an expansive walkway system, and a vast amount of paved parking to safely handle the increased vehicular and pedestrian traffic that this development will draw. These improvements are expected to cost over $9 million.

The area surrounding the site will also face difficulties as a result of the increased traffic to the Project. In order to prepare for the increased traffic, some off-site road improvements are included in the public infrastructure improvements. The improvements at Red Mile Road's intersections with both South Broadway and Versailles Road will greatly improve the flow of traffic, both vehicular and pedestrian, that will result from the new Project. The Project also proposes a widening of Red Mile Road for certain portions to help with traffic as well. The costs associated with these improvements that will be required if any economic progress is to occur in this area amount to nearly $4.5 million.

The Project, as proposed, also includes a large amount of green space including "greenways" that are designed to make the area more pedestrian friendly. The proposed greenway trail, which is lined with trees and various landscaping, runs along Red Mile Road and connects the town branch trail to the University of Kentucky. This will make pedestrian travel along Red Mile Road much more appealing and safe. Also included in the Project is the "Town Green Park", which is a length of green space, trees, and water décor that runs from the Project's main entrance to the remodeled track's entrance. These public amenities will greatly increase the appeal of the area to visitors, and make the area much more pedestrian friendly. As proposed, these improvements are expected to cost over $5.5 million.

The project also requires a storm water management plan to control detention and post development water quality. The traditional storm water management plan consists of surface detention located at the lowest point on-site.

In order to maximize the open spaces and overall usage of the site, underground storm water facilities will be constructed at various locations on site to enhance infiltration and groundwater recharge while maximizing the site's open spaces and usages. Each of these underground storm water facilities will include sump volume to store the portion of storm water runoff generated from the site and will use a solar pump system to pump runoff to irrigate the open spaces and the greenway areas.

This is a very unique system that is able to enhance groundwater recharge, reduce environmental impact, and recycle storm water from impervious areas for irrigation using a solar power system. The estimated construction cost of solar pump and storm water facilities for the site totals approximately $2.4 million.

Theses public infrastructure improvements and expansions are necessary for any successful redevelopment to occur on this site. The high cost of the expansive infrastructure improvements required at this location will call for significant financial assistance from both the state and local governments. It is highly unlikely that this site will be redeveloped anytime in the near future without governmental assistance in absorbing the high public infrastructure costs.

III. PROJECT DESCRIPTION AND FEASIBILITY ANALYSIS

This section provides an overview of the proposed Red Mile Mixed-Use Development, its land use components, and the market projections and feasibility of each component. It also includes an estimate of the projected baseline tax collections from the site in the absence of the proposed development.

Description of the Red Mile Mixed-Use Development

The Red Mile Mixed-Use Development project is a planned mixed-use development that is strategically located just off of South Broadway on the edge of downtown Lexington, Kentucky. The surrounding area has experienced a sizeable amount of growth in recent years, much in part due to the area's location on the edge of downtown and just a short walk to the campus of the University of Kentucky.

Planning is currently underway for the development, which will cover approximately 68 acres of property, and add over 450,000 square feet of retail, entertainment, and housing, along with three separate parking structures. Based on build construction, site work, and miscellaneous costs, the total construction cost, public and private, is estimated to be approximately $186.9 million. Overall, the proposed development will have the following components:

- Trackside Entertainment – The remodeled 1,900 seat grandstand and entertainment areas at the racetrack will cover approximately 47,500 square feet and include luxury boxes, additional grandstand seating, new dining options, and a new special events plaza.
- Hotel - The proposed trackside hotel will include approximately 200 rooms and will connect to the track's new entertainment and grandstand areas.
- Retail and Restaurant - Approximately 277,000 square feet of net leasable space will be available for various retail and restaurants to acquire.
- Office- Approximately 24,000 square feet of net leasable space will be available for use as office space.
- Residential - There will be approximately 295,000 square feet of residential apartment space (204 units) included in the development, spread over nine separate buildings throughout the property, two of which are located directly above retail space in the heart of the Project.
- Parking - Open grade parking will provide 1,768 parking spots, while the three proposed parking structures will add an additional 164, 104, and 104 spots respectively.

The Project is expected to be completed in five years. Phasing will be spaced out over the five years with various aspects of the project coming on line in each. The first phase is expected to be completed in 2011 and each subsequent phase completed approximately one year later. The phasing schedule is shown below in Figure 3-1.

Figure 3-1

Red Mile Mixed-Use Development Phasing Schedule Square Footage Breakdown	
Phase 1	
Retail	13,600 sq ft
Restaurant	20,400 sq ft
Residential	60 units
Phase 2	
Retail	22,400 sq ft
Restaurant	33,600 sq ft
Phase 3	
Retail	26,400 sq ft
Restaurant	39,600 sq ft
Office	24,000 sq ft
Phase 4	
Retail	48,400 sq ft
Restaurant	72,600 sq ft
Residential	96 units
Parking Structures	208 spaces
Phase 5	
Trackside Entertainment	65,500 sq ft
Hotel	200 rooms
Residential	48 units
Parking Structure	164 spaces

Feasibility

Provided in the following text is a description of the major project components that will be included in the proposed TIF application and their ability to succeed in the market area. Twenty-year projections of each of the project components that would make lease payments are presented in Appendix B.

The development plans include several definitive and unique features. These features will add great appeal to the site as a tourist destination by making the one-of-a-kind project a premier harness racing venue and pedestrian-friendly place to live, work, dine and shop.

Trackside Entertainment

The proposed grandstand remodeling and expansion will add approximately 65,500 square feet of additional space for entertainment use including seating for 1,900. This broad expansion, including the addition of luxury boxes and a new special events plaza, will allow The Red Mile to become a premier venue. The increased appeal that will follow this expansion and modernization will allow The Red Mile to become a world-class harness racing destination. Revenues resulting from this new expansion are expected to amount to an estimated $285 per square foot in a given year of operation.

Hotel

The proposed hotel is expected to include 200 rooms and will be located trackside embedded in the expanded entertainment and grandstand area. The hotel will allow track visitors to stay on-site and fully experience everything the redeveloped track has to offer. The rest of the Project will provide convenient shopping and dining that the hotel guests can enjoy within a very short walking distance, and the close proximity to downtown Lexington provides a greater array of options for hotel guests to enjoy. The hotel is expected to generate $165 a night per room, and occupancy is expected to average 65% upon project completion.

Retail and Restaurant

The proposed development includes approximately 277,000 square feet of space for mixed-use including retail and restaurant. The revenue expected is approximately $68 million a year upon project completion, at an average of $250 per square foot a year for retail and $340 per square foot a year for restaurant space.

The current market for retail and restaurant space in Lexington, and across the nation has suffered recently. However, the construction period and phasing of the proposed Project provides a sufficient amount of time for the economy to recover. The location of the Project, along with the unique features and designs of the development greatly improves the outlook and feasibility of the project. The developer should face no difficulty in finding businesses to fill the space due to the project's phased construction period, and its attractive location which is surrounded by student housing. The revenue generated should be on par with expectations when considering the location and industries.

Residential

The Project, as proposed, has approximately 295,000 square feet of residential space located in different locations throughout the property. With rent estimates averaging approximately $1,200 a unit per month, and 204 units available upon project completion, the residential portion of the development is estimated to generate about $3.3 million a year after stabilization. This amounts to an estimated $1.6 million in income after expenses.

The current rental market for housing in downtown Lexington is slow in most areas. However, the location of this project, and the estimated price range of the units, will make it a viable option for graduate and post graduate students at the University of Kentucky and young professionals who work in the downtown area. Once completed, the developer should easily be able to find a sufficient number of tenants to fill the apartments.

Office

The Project, as proposed, includes approximately 24,000 square feet of leasable office space located in the center of the development above retail space. With rent estimates averaging approximately $18 per square foot for a year, and about 24,000 square feet, the office space is expected to generate about $490,000 a year upon stabilization. The income after expenses that this money is estimated to generate is approximately $410,000 in the third year of office operations.

The current market for office space in downtown Lexington is slow in areas. However, the location of the Project, along with its unique features and wide variety of business, will make this a desired office location. Its location will make it an ideal location for small businesses that work with the University of Kentucky through research projects or other services. It should not be difficult to fill this relatively small amount of office space, especially due to the timing of its completion in the third year of construction.

IV. TAX INCREMENT FINANCING

Tax Increment Financing (TIF) is a form of economic incentive, which uses the increase in local and state tax revenues generated on a development footprint (the increment) to finance certain public infrastructure components of the project.

This financing is typically structured by the applicable local government issuing tax increment bonds either as the guarantor or just as a conduit for the bonds. The proceeds of the bonds are used to finance approved infrastructure costs. The increment is then used to retire the bonds.

The Red Mile project will fall under the "mixed-use" status. It meets the following statutory qualifications for a "mixed-use status":

- It will have a net positive economic and fiscal impact to the Commonwealth.
- It will not include any one retail establishment that exceeds twenty thousand (20,000) square feet of finished square footage.
- It will meet the required minimum capital investment of $20,000,000.
- The development area is less than the maximum three square miles.
- It includes at least two of the following: retail, residential, office, restaurant, or hospitality.
- It is located in an area with blighted conditions and inadequate public infrastructure.

The Red Mile Mixed-Use Development project may use certain incremental taxes created by the project to recover up to 100 percent of approved public infrastructure costs, certain soft costs and costs related to land preparation, demolition and clearance. The recovery period is limited to 20 years.

V. QUALIFYING PUBLIC INFRASTRUCTURE COMPONENTS

Figure 5-1 describes the public infrastructure costs that are included in project costs. These estimated costs for public infrastructure qualify for financial support through the TIF program. The public infrastructure costs total $54 million.

Figure 5-1

Red Mile Mixed-Use Development Approved Public Infrastructure Costs	
General Conditon	$150,000
Demolition	$350,000
Clearing and Grubbing	$162,500
Erosion and Sediment Control	$424,200
Land Development	$6,060,000
Curb and Gutter	$1,500,000
Sidewalk	$660,000
Road Work	$2,202,400
Parking Lots	$3,701,900
Sanitary Sewers	$1,913,580
Waterlines	$1,416,719
Storm Sewers	$4,112,466
Street Light	$180,000
Electric, Gas, Telephone, and Cable Conduits	$195,000
Town Green Park	$1,300,000
Town Green Streetscape	$2,080,000
Intersections With Red Mile Road	$1,095,000
Greenway Along Red Mile	$2,300,000
Intersection Improvement South Broadway	$968,750
Intersection Improvement Versailles Road	$475,000
Angliana Connection	$308,750
Red Mile Widening from Horseman Lane to Versailles Road Intersection	$2,402,690
Red Mile Greenway & Utility Relocations	$700,000
Parking Structures	$7,440,000
A/E, Legal Services & Other Soft Cost (15%)	$5,938,558
15%Contingency	$5,938,558
Total	**$53,976,071**

VI. BASELINE AND FUTURE "AS-IS" TAX REVENUE

For purposes of estimating the amount of potentially available TIF dollars from the footprint, it is necessary to calculate the current or "baseline" tax revenues and the future as-is taxes on the footprint.

Tax Rates

Fiscal impact measures TIF applicable tax revenues that result from the spending and income related to the activities at the Project, e.g., Red Mile Mixed-Use Development. This analysis estimates fiscal impacts of the TIF applicable tax revenues. Only taxes that are eligible for tax increment financing are used.

Below is a breakdown of the taxes used to determine the fiscal impacts for the Project:

- State taxes:
  - Property Tax .... $0.124 per $100 of assessed value
  - Sales and Use Tax .... 6.0 percent of sales
  - Individual Income Tax .... 4.2 percent of income[3]
  - Corporate Income and LLE Tax .... $0.095 per $100 of gross receipts or $0.75 per $100 of profits[4]
- Local tax:
  - Local Property Tax .... $0.209 per $100 of assessed value[5]
  - Occupational License Tax .... 2.25 percent of salaries and 2.25 percent of net profit

The tax rates were obtained from Kentucky Department of Revenues and the LFUCG.

[3] Although the Commonwealth has a graduated income tax, Commonwealth Economics is using an effective income tax rate of 4.2 percent on all income earned in the state.

[4] Corporate income tax rates are graduated and taxpayer-specific. The indicated rates reflect an alternative minimum calculation, used in this study for analytical purposes.

[5] Including County and Special District tax, but excluding School District tax. Special assessments apply.

Baseline Tax Revenues from Existing Site

The site for the development is located at 790, 980, and a portion of 1200 Red Mile Road in Lexington, Kentucky. The current site would generate an estimated $119,811 in "as-is" baseline tax revenue through its 2009 property valuation and the related state and local property taxes along with other applicable taxes annually. Of this amount, $77,572 is estimated to go to the state, and $42,239 to the local government.[6] The breakdown of the "as-is" baseline tax revenue of the existing site is shown below in Figure 6-1.

Figure 6-1

Red Mile Mixed-Use Development Baseline Tax Collections				
	Rate	2009 Base Taxable Amount		2009 Tax Collection
State Property Tax	0.124*	$5,332,000	(assessed value)	$6,612
State Sales and Use Tax	6.00%	$198,000	(gross sales)	$11,880
State Individual Income Tax	4.2%	$1,382,000	(salaries)	$58,044
State Corporate Income and LLE Tax	0.75%	$138,200	(net profit)	$1,037
Local Property Tax	0.209*	$5,332,000	(assessed value)	$11,144
Local Occupational License Tax	2.25%	$1,382,000	(salaries)	$31,095
Total				**$119,811**

*Per $100 of assessed value.

Figure 6-2 shows the "as-is" baseline tax revenues that would be displaced from the existing site by the proposed Project, carried out over the life of the TIF. The TIF is expected to be activated by 2012. The table shows the estimated growth of the revenues beginning with the estimated tax revenues of 2009 and subsequent years, and carried out over the 20-year period following 2012 assuming 3 percent inflation. As shown, the total baseline tax revenue generated over the 20-year period following TIF activation totals $3.5 million and will be used throughout the remainder of the report.

[6] These numbers represent "The estimated amount of local and state old revenues that would have been generated in the footprint of the project in the absence of the project" as defined in KRS 154.30-030(6)a(5).

Figure 6-2

Red Mile Mixed-Use Development Baseline Tax 20-Year Totals	2009	2010	2011	2012	20 Year Total From 2012
State Property Tax	$6,612	$6,810	$7,014	$7,225	$194,132
State Sales and Use Tax	$11,880	$12,236	$12,603	$12,982	$348,820
State Individual Income Tax	$58,044	$59,785	$61,579	$63,426	$1,704,287
State Corporate Income Tax	$1,037	$1,068	$1,100	$1,133	$30,434
Local Property Tax	$11,144	$11,478	$11,823	$12,177	$327,206
Local Occupational License Tax	$31,095	$32,028	$32,989	$33,978	$913,011
Total	$119,811	$123,405	$127,108	$130,921	**$3,517,890**

VII. ELIGIBLE INCREMENTAL TAX REVENUE

In order to properly estimate the tax revenues that will be available for this mixed-use TIF project, it is necessary to subtract the baseline tax revenues from the expected future revenues. Figure 7-1 summarizes the estimates of annual fiscal impact of the new Red Mile Mixed-Use Development during the first year of TIF activation. Future state sales and use tax, state and local property tax, state individual income tax, corporate income tax, and local occupational license tax revenues for the TIF footprint are estimated based on the new Red Mile Mixed-Use Development pro-forma.

As shown in Figure 7-1, in year 1 of the new development the property will produce an estimated $2.9 million in total state and local taxes.

Figure 7-1

Red Mile Mixed-Use Development Estimated Annual Fiscal Impact in Year 1 of TIF Activation	Tax Rate	Year 1 Revenues
Estimated Tax Revenues from Project		
State Tax Revenues		
State Property Tax Revenues	0.12%	169,759
State Sales and Use Tax Revenues	6.00%	1,524,748
State Individual Income Tax	4.20%	769,902
State Corporate Income Tax	0.75%	30,998
Total State Tax Revenues		2,495,407
Local Tax Revenues		
Local Property Tax Revenues	0.21%	286,126
Local Occupational License Tax	2.25%	127,002
Total Local Tax Revenues		413,128
Total Tax Revenues		**2,908,534**

To account for the potential growth in both the baseline and future tax revenues, all calculations are adjusted by 3 percent each year. Figure 7-2 shows the projected TIF revenues resulting from the new Red Mile Mixed-Use Development over a 20-year period.

Figure 7-2

Red Mile Mixed-Use Development
Incremental Tax Revenues Generated for Project

		Total	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2021 Year 10	2026 Year 15	2031 Year 20	20-Year Total
Estimated Tax Revenues from Project											
State Tax Revenues											
State Property Tax Revenues		$4,561,489	$169,759	$174,852	$180,097	$185,500	$191,065	$221,497	$256,776	$297,674	$4,561,489
State Sales and Use Tax Revenues			$1,524,748	$2,890,622	$3,735,314	$5,845,428	$6,020,790	$6,979,746	$8,091,439	$9,380,195	$135,356,469
State Individual Income Tax			$769,902	$1,579,283	$2,046,295	$3,119,578	$3,213,165	$3,724,939	$4,318,226	$5,006,007	$72,282,452
State Corporate Income and LLE Tax			$30,998	$60,471	$110,965	$145,488	$149,853	$173,721	$201,390	$233,466	$3,368,494
Total State Tax Revenues		$215,568,904	$2,495,407	$4,705,228	$6,072,671	$9,295,994	$9,574,874	$11,099,903	$12,867,830	$14,917,342	$215,568,904
Local Tax Revenues											
Local Property Tax Revenues		$7,688,316	$286,126	$294,710	$303,551	$312,658	$322,037	$373,330	$432,791	$501,724	$7,688,316
Local Occupational License Tax			$127,002	$316,333	$521,685	$812,018	$836,379	$969,592	$1,124,023	$1,303,051	$18,635,820
Total Local Tax Revenues		$26,324,136	$413,128	$611,043	$825,236	$1,124,676	$1,158,416	$1,342,922	$1,556,814	$1,804,774	$26,324,136
Total Tax Revenues		$241,893,040	$2,908,534	$5,316,270	$6,897,907	$10,420,670	$10,733,290	$12,442,825	$14,424,645	$16,722,117	$241,893,040
"As-Is" Tax Revenues											
State Tax Revenues											
State Property Tax Revenues		$194,132	$7,225	$7,442	$7,665	$7,895	$8,132	$9,427	$10,928	$12,669	$194,132
State Sales and Use Tax Revenues		$348,820	$12,982	$13,371	$13,772	$14,185	$14,611	$16,938	$19,636	$22,763	$348,820
State Individual Income Tax		$1,704,287	$63,426	$65,329	$67,289	$69,308	$71,387	$82,757	$95,938	$111,218	$1,704,287
State Corporate Income and LLE Tax			$1,133	$1,167	$1,202	$1,238	$1,275	$1,478	$1,713	$1,986	$30,434
Total State "As Is" Tax Revenues		$2,277,673	$84,765	$87,308	$89,927	$92,625	$95,404	$110,599	$128,215	$148,636	$2,277,673
Local Tax Revenues											
Local Property Tax Revenues		$327,206	$12,177	$12,543	$12,919	$13,306	$13,706	$15,889	$18,419	$21,353	$327,206
Local Occupational License Tax		$913,011	$33,978	$34,998	$36,048	$37,129	$38,243	$44,334	$51,395	$59,581	$913,011
Total Local "As Is" Tax Revenues		$1,240,217	$46,156	$47,540	$48,966	$50,435	$51,948	$60,223	$69,814	$80,934	$1,240,217
Total "As-Is" Tax Revenues		$3,517,890	$130,921	$134,848	$138,894	$143,061	$147,352	$170,822	$198,029	$229,570	$3,517,890
Estimated Incremental Tax Revenues		$238,375,150	$2,777,613	$5,181,422	$6,759,013	$10,277,610	$10,585,938	$12,272,003	$14,226,615	$16,492,546	$238,375,150
(-) Retained by State	at 20%	$42,658,246	$482,128	$923,584	$1,196,549	$1,840,674	$1,895,894	$2,197,861	$2,547,923	$2,953,741	$42,658,246
(-) Retained by Local	at 20%	$5,016,784	$73,394	$112,700	$155,254	$214,848	$221,294	$256,540	$297,400	$344,768	$5,016,784
Net Incr. Tax Rev. Available from Project		$190,700,120	$2,222,091	$4,145,138	$5,407,210	$8,222,088	$8,468,750	$9,817,603	$11,381,292	$13,194,037	$190,700,120
Incr. Tax Rev. Available for State TIF Program	at 80%	$170,632,985	$1,928,513	$3,694,336	$4,786,195	$7,362,695	$7,583,576	$8,791,443	$10,191,692	$11,814,965	$170,632,985
Incr. Tax Rev. Available for Local Participation	at 80%	$20,067,135	$293,578	$450,802	$621,016	$859,392	$885,174	$1,026,159	$1,189,600	$1,379,072	$20,067,135

As shown, Figure 7-2 clearly demonstrates that the potential tax revenues associated with the new Red Mile Mixed-Use Development footprint exceeds the "as-is" baseline tax collections of the current footprint. Throughout the projection period, the new Red Mile Mixed-Use Development is estimated to generate a total of $241.9 million of state and local tax revenues over the 20-year period. On the other hand, if the facilities are not redeveloped, the "as-is" state and local tax revenues on the footprint are estimated to amount to $3.5 million over the 20-year period.

The resulted incremental tax revenues are estimated to amount to $238.4 million during the 20-year period. After 20 percent is retained by state and local authorities, (this 20 percent is required by statute), total cash flow available from the TIF is estimated to amount to $190.7 million over the 20-year period. This includes $170.6 million from state participation in the TIF program and $20.1 million from local participation.

VIII. ANNUAL ECONOMIC AND FISCAL IMPACTS

When construction of the proposed Red Mile Mixed-Use Development project is complete, the racetrack, hotel, restaurants, and retail stores open, various activities and transactions occurring within the improved site will generate on-going, annual economic and fiscal impacts to the local economy. Initial transactions occurring within the racetrack, hotel, retail stores, and restaurants will ripple out into the local economy and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues.

For analytical purposes, annual impact is estimated by six key project components: the racetrack's trackside entertainment, hotel, retail, restaurants, office space and residential apartments. Conceptually, annual economic impact would include the "ripple effects" generated from direct spending made by the racetrack attendees, hotel guests, shoppers, restaurant patrons, and office workers. This direct spending would then result in indirect spending, induced spending, increased earnings, and employment.

Annual fiscal impact would include various taxes applied on transactions made and salaries paid within the Project as well as property values of the project's components. The annual fiscal impact should also measure the fiscal impact of the "ripple effects" created by the initial spending within the Project. In order to capture the fiscal impact of these effects:

- The income tax is calculated on the number that is derived using the increased earnings multiplier for each component. This captures the increased earnings felt throughout the community as a result of the initial on-site spending.
- Sales tax is calculated on the induced spending numbers in order to account for the impact of secondary spending throughout the Commonwealth. This calculation is made using only half of the induced spending number for a given component because not all secondary spending is expected to be taxable.

The following subsections describe the annual economic and fiscal impact and the calculations for each of the key project components.

Economic 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. In the Red Mile Mixed-Use Development's case, examples of initial transactions are the shoppers' expenditures in the stores. The "ripples" from these initial transactions include the following:

- **Indirect Spending** – consists of re-spending of the initial or direct expenditures. For example, a shopper's direct expenditure on a retail purchase causes the store to purchase goods and other items from suppliers. The portion of these store purchases that are within the local, regional, or state economies is counted as an indirect economic impact.
- **Induced Spending** – represents changes in local consumption due to the personal spending by employees whose incomes are affected by the project. For example, a waiter at a restaurant may spend more because he/she earns more. The amount of the increased income the waiter spends in the local economy is considered an induced impact.
- **Increased Earnings** – measures the change in total personal income, area-wide, that results from the initial spending activities occurring in the project.
- **Increased Employment** – measures the change in number of jobs, area-wide, that result from the initial spending activities that occur in the project.

Indirect spending, induced spending, increased earnings, and employment impact are estimated using multiplier factors. Figure 8-1 lists the multipliers utilized for the Red Mile Mixed-Use Development analysis, which were derived from an IMPLAN input-output model used in similar analyses in comparable Kentucky markets. 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.

Figure 8-1

Red Mile Mixed-Use Development
Economic Impact Multipliers

Impact	Multiplier	Base
Indirect Spending	0.329	of direct spending
Induced Spending	0.428	of direct spending
Increased Earnings	0.698	of direct spending
Increased Employment	17.54	per $1 million of direct spending

The multipliers shown in Figure 8-1 mean that for every $1 million of direct spending, there will be $329,000 of indirect spending, $428,000 of induced spending, $698,000 of increased earnings, and 17.5 full-time equivalent jobs generated within the area economy.

One-Time Impact from Construction

The construction of the Red Mile Mixed-Use Development will create a one-time influx of spending, which will ripple throughout the economy and result in indirect spending, induced spending, increased earnings, and employments, as well as related tax revenues.

There are two key sources of construction impacts to Lexington. First, the construction itself creates construction jobs, which are subject to state individual income tax and local occupational license tax. Second, direct construction spending on material that occurs within the State will ripple out and generate indirect spending, induced spending, increased earnings, and employment throughout the economy, as well as state sales and use tax, state corporate income tax, and local occupational license tax revenues.

Figure 8-2 conceptually illustrates the flows of construction impacts, as well as the multipliers and tax rates utilized for the impact calculation.

Figure 8-2

Red Mile Mixed-Use Development Conceptual Diagram of One-Time Economic and Fiscal Impact from Construction		
Sources of Impact	**Economic and Fiscal Impact**	**Rate**
I. Labor Costs		
→ Construction Labor →	# of Construction Jobs	na
	State Individual Income Tax on Salaries	4.2%
	City Occupational License Tax on Salaries	2.25%
II. Material Costs		
→ Local Spending →	Ripple (or Multiplier) Effects:	
	Indirect Spending	0.329
	Induced Spending	0.428
	Increased Earnings	0.698
	Increased Employment	17.54
	Sales and Use Tax on Material Spending	6.00%
	State Corporate Income and LLE Tax on Suppliers' Revenues	0.095%

Impact Analysis of Construction

One-time Construction Impact vs. Annual Impact from Operations

The construction of the Red Mile Mixed-Use Development will create a one-time influx of spending, which will "ripple" throughout the economy and result in indirect spending, induced spending, increased earnings and employment, as well as related tax revenues. These are measured as a "One-Time Impact from Construction," described in detail in Figure 8-3.

When the businesses open their doors for business, various activities and transactions occurring in the Red Mile Mixed-Use Development project will generate on-going, annual economic and fiscal impacts, as described previously. These are measured as "Annual Impact from Operation," described in detail later on.

The number of jobs during construction is derived from the construction cost estimates as provided by the developer. These costs are estimated to amount to $132.9 million.

In absence of an actual construction cost detailed rundown, labor costs are assumed to amount to 60 percent of construction costs, while the remaining 40 percent goes to material costs. This 60/40 ratio is a construction industry standard, as published by McGraw-Hill Construction. Applying this ratio to the estimated $132.9 million construction cost amount, labor costs are estimated to amount to approximately $79.8 million, while material costs are estimated to amount to $53.2 million.

Figure 8-3 shows the calculation from construction hard costs to the resulting construction jobs, ripple effects, and tax revenues. Note that in calculating the impact of construction, the distinction between net new spending and transfer spending is not necessary, because the "true" origin of funding is not necessarily known. Therefore, for analytical purposes, all construction spending can reasonably be considered as net new.

Figure 8-3

Red Mile Mixed-Use Development Calculation of One-Time Impact of Construction			Amount (in $000's)
Sources of Impact: Hard Costs			
Total Hard Costs			**$132,915,000**
		↙	↓
		Labor Cost **60%**	**Material Cost** **40%**
		$79,749,000	$53,166,000
One-Time Economic and Fiscal Impact of Construction		↓	↓
Average Construction Laborer Salary		$38	
Construction Jobs		2,099 jobs	
State Individual Income Tax	4.2%	$3,349,458	
Local Occupational License Tax	2.25%	$1,794,353	
% of Spending that Occurs in Kentucky			50%
Direct Construction Spending in Kentucky			$26,583,000
		Multipliers or Rate	
Indirect Spending		0.329	$8,745,807
Induced		0.428	$11,377,524
Total Spending			$46,706,331
Increased Earnings		0.698	$18,554,934
Employment		17.54	466 jobs
State Sales and Use Tax		6.00%	$1,594,980
State Corporate income and LLE Tax		0.095%	$25,254

As shown in Figure 8-3, assuming an average construction laborer salary of $38,000, the $79.7 million of labor costs are estimated to translate to 2,099 construction jobs. These jobs consequently will generate approximately $3.3 million of state individual income tax revenues and $1.8 million of local occupational license tax revenues.

On the material cost side, not all of the construction materials are purchased within Kentucky. This analysis conservatively assumes that 50 percent of material costs are spent within the State, or $26.6 million. Applying multipliers to this amount, such spending on materials is estimated to generate $8.8 million of indirect spending, $11.4 million of induced spending, $18.6 million of increased earnings, and support for 466 jobs in the local economy. Tax revenues from the $26.6 million direct spending on materials are estimated to include $1.6 million of state sales and use tax, and $25,254 of state corporate income tax.

Figure 8-4 summarizes the economic and fiscal impact of the construction, assuming a five year construction period, beginning in 2010.

Figure 8-4

Red Mile Mixed-Use Development Estimates of One-Time Economic and Fiscal Impact of Construction (in $000's)	Total
Economic Impact	
Direct Spending	$132,915,000
Indirect Spending	$43,729,035
Induced Spending	$56,887,620
Total Spending	$233,531,655
Direct Construction Earnings	$79,749,000
Increased Earnings	$18,554,934
Direct Construction Employment	2,099
Employment	466
Fiscal Impact (Tax Revenues)	
State Tax Revenues	
State Property Tax	$164,815
State Sales and Use Tax	$1,594,980
On Induced Spending (50% taxable)	$1,706,629
State Individual Income Tax	$3,349,458
On Increased Earnings in State (other than construction)	$779,307
State Corporate Income and LLE Tax	$25,254
Total State Tax Revenues	$7,620,442
Local Tax Revenues	
Local Property Tax	$277,792
Local Occupational License Tax	$1,794,353
On Increased Earnings (other than construction)	$417,486
Total Local Tax Revenues	$2,489,631
Total Tax Revenues	**$10,110,073**

As shown in Figure 8-4, the one-time impact of construction is estimated to include $132.9 million of direct spending, $98.3 million of total earnings ($79.7 million of direct construction earnings plus $18.6 million of increased earnings), 2,565 jobs (2,099 direct construction plus 466 employment), and $10.1 million of state and local tax revenues during the estimated five year construction period.

Impact of Trackside Entertainment

Figure 8-5 conceptually illustrates the flows of annual impact of the theatre component of the Red Mile Mixed-Use Development, as well as the multipliers and tax rates utilized for the impact calculations. Spending by racing fans will ripple throughout the economy and their spending on concessions is subject to state sales and use tax. Revenues received by the track are subject to state corporate income tax. Racetrack employment is subject to state individual income tax and local occupational license tax. In addition, the building itself is subject to state and local property taxes.

Figure 8-5

Trackside Entertainment
Conceptual Diagram of Potential Annual Economic and Fiscal Impact

	Sources of Impact		Economic and Fiscal Impact	Rate
→	Spending by patrons on food, beverage, and/or other sales taxable purchases	→	Ripple (or Multiplier) Effects	
			Indirect Spending	0.329
			Induced Spending	0.428
			Increased Earnings	0.698
			Increased Employment	17.54
			State Sales and Use tax	6.00%
→	Gross Revenues and/or Net Profit	→	State Corporate Income and LLE tax	0.095% or 0.75%*
→	Employment	→	State Individual Income tax	4.2%
			Local Occupational License Tax	2.25%
→	Property Value	→	State Property tax	$0.00124
			Local Property tax	$0.00209

* Tax is 0.095% of gross revenue or 0.75% of net income.

Figure 8-6 shows the estimated economic and fiscal impact of the trackside entertainment component, annually and in a 20-year total.

Figure 8-6

Red Mile Mixed-Use Development Trackside Entertainment Estimates of Annual Economic and Fiscal Impact	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Sources of Impact										
Total Sales per SF	285	$0	$0	$0	$0	$22,289,971	$25,840,186	$29,955,857	$34,727,049	
Estimated Net Profit	10%	$0	$0	$0	$0	$2,228,997	$2,584,019	$2,995,586	$3,472,705	
Entertainment Employment	400 sq ft per employee	0	0	0	0	164	164	164	164	
Average Salaries	$29,000	$0	$0	$0	$0	$34,628	$40,143	$46,536	$53,949	
Total Salaries		$0	$0	$0	$0	$5,670,256	$6,573,381	$7,620,350	$8,834,074	
Economic Impact (Multiplier Effects)										
Direct Spending		$0	$0	$0	$0	$22,289,971	$25,840,186	$29,955,857	$34,727,049	$449,296,305
Indirect Spending	0.329	$0	$0	$0	$0	$7,333,401	$8,501,421	$9,855,477	$11,425,199	$147,818,484
Induced Spending	0.428	$0	$0	$0	$0	$9,540,108	$11,059,600	$12,821,107	$14,863,177	$192,298,818
Total Spending		$0	$0	$0	$0	$39,163,479	$45,401,206	$52,632,442	$61,015,425	$789,413,607
Increased Earnings	0.698	$0	$0	$0	$0	$15,558,400	$18,036,450	$20,909,189	$24,239,480	$313,608,821
Employment	17.54	0	0	0	0	391	453	525	609	609
Fiscal Impact (Tax Revenues)										
State Tax Revenues										
State Sales and Use Tax	6.00%	$0	$0	$0	$0	$1,337,398	$1,550,411	$1,797,351	$2,083,623	$26,957,778
Induced Spending	50% Taxable	$0	$0	$0	$0	$286,203	$331,788	$384,633	$445,895	$5,768,965
State Individual Income Tax	4.20%	$0	$0	$0	$0	$653,453	$757,531	$878,186	$1,018,058	$13,171,570
State Corporate income and LLE Tax	0.095% or 0.75%	$0	$0	$0	$0	$16,717	$19,380	$22,467	$26,045	$336,972
Total State Tax Revenues		$0	$0	$0	$0	$2,293,772	$2,659,110	$3,082,637	$3,573,622	$46,235,286
Local Tax Revenues										
Local Occupational License Tax	2.25%	$0	$0	$0	$0	$127,581	$147,901	$171,458	$198,767	$2,571,630
Total Local Tax Revenues		$0	$0	$0	$0	$127,581	$147,901	$171,458	$198,767	$2,571,630
Total Tax Revenues		$0	$0	$0	$0	$2,421,353	$2,807,011	$3,254,095	$3,772,388	$48,806,916

Impact of the Hotel

Figure 8-7 conceptually illustrates the flows of annual impact of the proposed hotel, as well as the multipliers and tax rates utilized for the impact calculations. Spending by the guests will ripple throughout the economy and their spending on concessions is subject to state sales and use tax. Revenues received by the hotel are also subject to state corporate income tax and the employees' compensation is subject to state individual income tax and local occupational license tax. Also, the building is subject to property taxes.

Figure 8-7

Hotel
Conceptual Diagram of Potential Annual Economic and Fiscal Impact

	Sources of Impact		Economic and Fiscal Impact	Rate
→	Spending by guests on room, food, beverage, and/or other purchases	→	Ripple (or Multiplier) Effects	
			Indirect Spending	0.329
			Induced Spending	0.428
			Increased Earnings	0.698
			Increased Employment	17.54
			State Sales and Use tax	6.00%
→	Gross Revenues and/or Net Profit	→	State Corporate Income and LLE tax	0.095% or 0.75%*
→	Employment	→	State Individual Income tax	4.2%
			Local Occupational License Tax	2.25%
→	Property Value	→	State Property tax	$0.00124
			Local Property tax	$0.00209

* Tax is 0.095% of gross revenue or 0.75% of net income.

Figure 8-8 shows the estimated economic and fiscal impact of the hotel, annually and in a 20-year total.

Figure 8-8

Red Mile Mixed-Use Development
Hotel
Estimates of Annual Economic and Fiscal Impact

	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Sources of Impact										
Vacancy Rate		100%	100%	100%	100%	35%	35%	35%	35%	
Total Revenue per room	$165	$0	$0	$0	$0	$14,382,360	$16,673,097	$19,328,689	$22,407,248	
Total Revenue w/ Occupancy		$0	$0	$0	$0	$9,348,534	$10,837,513	$12,563,648	$14,564,711	
Estimated Net Profit	10%	$0	$0	$0	$0	$934,853	$1,083,751	$1,256,365	$1,456,471	
Hotel Employment	1 per room	0	0	0	0	130	130	130	130	
Average Salaries	$33,000	$0	$0	$0	$0	$39,404	$45,680	$52,955	$61,390	
Total Salaries		$0	$0	$0	$0	$5,122,484	$5,938,363	$6,884,191	$7,980,664	
Economic Impact (Multiplier Effects)										
Direct Spending		$0	$0	$0	$0	$9,348,534	$10,837,513	$12,563,648	$14,564,711	$188,437,289
Indirect Spending	0.329	$0	$0	$0	$0	$3,075,668	$3,565,542	$4,133,440	$4,791,790	$61,995,868
Induced Spending	0.428	$0	$0	$0	$0	$4,001,173	$4,638,456	$5,377,241	$6,233,696	$80,651,160
Total Spending		$0	$0	$0	$0	$16,425,374	$19,041,510	$22,074,329	$25,590,198	$331,084,317
Increased Earnings	0.698	$0	$0	$0	$0	$6,525,277	$7,564,584	$8,769,426	$10,166,168	$131,529,228
Employment	17.54	0	0	0	0	164	190	220	255	255
Fiscal Impact (Tax Revenues)										
State Tax Revenues										
State Sales and Use Tax	6.00%	$0	$0	$0	$0	$560,912	$650,251	$753,819	$873,883	$11,306,237
Induced Spending	50% Taxable	$0	$0	$0	$0	$120,035	$139,154	$161,317	$187,011	$2,419,535
State Individual Income Tax	4.20%	$0	$0	$0	$0	$274,062	$317,713	$368,316	$426,979	$5,524,228
State Corporate income and LLE Tax	0.095% or 0.75%	$0	$0	$0	$0	$7,011	$8,128	$9,423	$10,924	$141,328
Total State Tax Revenues		$0	$0	$0	$0	$962,020	$1,115,245	$1,292,875	$1,498,796	$19,391,328
Local Tax Revenues										
Local Occupational License Tax	2.25%	$0	$0	$0	$0	$115,256	$133,613	$154,894	$179,565	$2,323,199
Total Local Tax Revenues		$0	$0	$0	$0	$115,256	$133,613	$154,894	$179,565	$2,323,199
Total Tax Revenues		$0	$0	$0	$0	$1,077,276	$1,248,858	$1,447,769	$1,678,361	$21,714,527

Impact of Restaurants

Figure 8-9 conceptually illustrates the flows of annual impact of the restaurant space, as well as the multipliers and tax rates utilized for the impact calculations. Spending by diners will ripple throughout the economy and is subject to state sales and use tax. Revenue received by the restaurants is subject to state corporate income tax. Restaurant employment is subject to state individual income tax and local occupational license tax. Lease payments made by the restaurants create income that may be subject to state corporate income tax. Finally, the buildings themselves are subject to property taxes.

Figure 8-9

Retail and Restaurant
Conceptual Diagram of Potential Annual Economic and Fiscal Impact

Sources of Impact	Economic and Fiscal Impact	Rate
→ Spending by shoppers or patrons on food, beverage, and/or other purchases	→ Ripple (or Multiplier) Effects	
	Indirect Spending	0.329
	Induced Spending	0.428
	Increased Earnings	0.698
	Increased Employment	17.54
	State Sales and Use tax	6.00%
→ Gross Revenues and/or Net Profit	→ State Corporate Income and LLE tax	0.095% or 0.75%*
→ Employment	→ State Individual Income tax	4.2%
	Local Occupational License Tax	2.25%
→ Lease Payments	→ State Corporate income and LLE Tax	0.095% or 0.75%*
→ Property Value	→ State Property tax	$0.00124
	Local Property tax	$0.00209

* Tax is 0.095% of gross revenue or 0.75% of net income.

Figure 8-9 shows the estimated economic and fiscal impact of the restaurant space, annually and in a 20-year total.

Figure 8-9

Red Mile Mixed-Use Development Restaurant Estimates of Annual Economic and Fiscal Impact	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Sources of Impact										
Vacancy Rate		15%	15%	10%	10%	5%	5%	5%	5%	
Total Sales per SF	$340	$7,358,402	$20,062,468	$35,818,192	$65,508,259	$67,473,507	$78,220,288	$90,678,751	$105,121,526	
Total Sales w/ Occupancy		$6,254,642	$17,053,098	$32,236,373	$58,957,433	$64,099,832	$74,309,273	$86,144,814	$99,865,449	
Estimated Net Profit	10%	$625,464	$1,705,310	$3,223,637	$5,895,743	$6,409,983	$7,430,927	$8,614,481	$9,986,545	
Restaurant Employment	400 sq ft per employee	43	115	211	374	395	395	395	395	
Average Salaries	$28,000	$29,705	$30,596	$31,514	$32,460	$33,433	$38,759	$44,932	$52,088	
Total Salaries		$1,287,720	$3,510,932	$6,636,900	$12,138,295	$13,197,024	$15,298,968	$17,735,697	$20,560,534	
Lease Payments		$275,940	$752,343	$1,422,193	$2,601,063	$2,827,934	$3,278,350	$3,800,506	$4,405,829	
Gross Income		$340,965	$929,631	$1,757,331	$3,214,001	$3,494,333	$4,050,890	$4,696,092	$5,444,058	
Net Income of Lease		$216,321	$589,793	$1,150,607	$2,104,357	$2,351,400	$2,725,916	$3,160,084	$3,663,404	
Economic Impact (Multiplier Effects)										
Direct Spending		$6,254,642	$17,053,098	$32,236,373	$33,203,464	$34,199,568	$39,646,673	$45,961,360	$53,281,813	$778,104,215
Indirect Spending	0.329	$2,057,777	$5,610,469	$10,605,767	$10,923,940	$11,251,658	$13,043,755	$15,121,287	$17,529,716	$255,996,287
Induced Spending	0.428	$2,676,987	$7,298,726	$13,797,168	$14,211,083	$14,637,415	$16,968,776	$19,671,462	$22,804,616	$333,028,604
Total Spending		$10,989,406	$29,962,292	$56,639,308	$58,338,487	$60,088,641	$69,659,204	$80,754,109	$93,616,145	$1,367,129,106
Increased Earnings	0.698	$4,365,740	$11,903,062	$22,500,988	$23,176,018	$23,871,299	$27,673,378	$32,081,029	$37,190,705	$543,116,742
Employment	17.54	110	299	565	582	600	695	806	935	935
Fiscal Impact (Tax Revenues)										
State Tax Revenues										
State Sales and Use Tax	6.00%	$375,279	$1,023,186	$1,934,182	$1,992,208	$2,051,974	$2,378,800	$2,757,682	$3,196,909	$46,686,253
Induced Spending	50% Taxable	$80,310	$218,962	$413,915	$426,332	$439,122	$509,063	$590,144	$684,138	$9,990,858
State Individual Income Tax	4.20%	$183,361	$499,929	$945,042	$973,393	$1,002,595	$1,162,282	$1,347,403	$1,562,010	$22,810,903
State Corporate income and LLE Tax	0.095% or 0.75%	$6,313	$17,213	$32,807	$60,001	$65,710	$76,176	$88,309	$102,375	$1,440,850
Total State Tax Revenues		$645,263	$1,759,290	$3,325,946	$3,451,934	$3,559,401	$4,126,322	$4,783,538	$5,545,432	$80,928,865
Local Tax Revenues										
Local Occupational License Tax	2.25%	$28,974	$78,996	$149,330	$273,112	$296,933	$344,227	$399,053	$462,612	$6,515,656
Total Local Tax Revenues		$28,974	$78,996	$149,330	$273,112	$296,933	$344,227	$399,053	$462,612	$6,515,656
Total Tax Revenues		$674,236	$1,838,285	$3,475,276	$3,725,045	$3,856,335	$4,470,549	$5,182,591	$6,008,044	$87,444,520

Impact of Retail

Figure 8-10 conceptually illustrates the flows of annual impact of the leasable retail space, as well as the multipliers and tax rates utilized for the impact calculations. Spending by shoppers will ripple throughout the economy and is subject to state sales and use tax. Revenues received by the retail stores are subject to state corporate income tax. Retail employment is subject to state individual income tax and local occupational license tax. Lease payments made by the retail stores create income that may be subject to state corporate income tax. Finally, the buildings themselves are subject to property taxes.

Figure 8-10

Retail and Restaurant
Conceptual Diagram of Potential Annual Economic and Fiscal Impact

Sources of Impact	Economic and Fiscal Impact	Rate
→ Spending by shoppers or patrons on food, beverage, and/or other purchases	→ Ripple (or Multiplier) Effects	
	Indirect Spending	0.329
	Induced Spending	0.428
	Increased Earnings	0.698
	Increased Employment	17.54
	State Sales and Use tax	6.00%
→ Gross Revenues and/or Net Profit	→ State Corporate Income and LLE tax	0.095% or 0.75%*
→ Employment	→ State Individual Income tax	4.2%
	Local Occupational License Tax	2.25%
→ Lease Payments	→ State Corporate income and LLE Tax	0.095% or 0.75%*
→ Property Value	→ State Property tax	$0.00124
	Local Property tax	$0.00209

* Tax is 0.095% of gross revenue or 0.75% of net income.

Figure 8-11 shows the estimated economic and fiscal impact of the retail space, annually and in a 20-year total.

Figure 8-11

Red Mile Mixed-Use Development
Retail
Estimates of Annual Economic and Fiscal Impact

	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Sources of Impact										
Vacancy Rate		15%	15%	10%	10%	5%	5%	5%	5%	
Total Sales per SF	$250	$3,607,060	$9,834,543	$17,557,937	$32,111,892	$33,075,249	$38,343,278	$44,450,368	$51,530,160	
Total Sales w/ Occupancy		$3,066,001	$8,359,362	$15,802,144	$28,900,703	$31,421,486	$36,426,114	$42,227,850	$48,953,652	
Estimated Net Profit	10%	$306,600	$835,936	$1,580,214	$2,890,070	$3,142,149	$3,642,611	$4,222,785	$4,895,365	
Retail Employment	400 sq ft per employee	29	77	140	249	263	263	263	263	
Average Salaries	$25,000	$26,523	$27,318	$28,138	$28,982	$29,851	$34,606	$40,118	$46,507	
Total Salaries		$766,500	$2,089,840	$3,950,536	$7,225,176	$7,855,372	$9,106,529	$10,556,962	$12,238,413	
Lease Payments		$183,960	$501,562	$948,129	$1,734,042	$1,885,289	$2,185,567	$2,533,671	$2,937,219	
Gross Income		$227,310	$619,754	$1,171,554	$2,142,667	$2,329,556	$2,700,593	$3,130,728	$3,629,372	
Net Income of Lease		$144,214	$393,195	$767,071	$1,402,904	$1,567,600	$1,817,278	$2,106,723	$2,442,269	
Economic Impact (Multiplier Effects)										
Direct Spending		$3,066,001	$8,359,362	$15,802,144	$28,900,703	$31,421,486	$36,426,114	$42,227,850	$48,953,652	$689,487,376
Indirect Spending	0.329	$1,008,714	$2,750,230	$5,198,905	$9,508,331	$10,337,669	$11,984,192	$13,892,963	$16,105,751	$226,841,347
Induced Spending	0.428	$1,312,248	$3,577,807	$6,763,318	$12,369,501	$13,448,396	$15,590,377	$18,073,520	$20,952,163	$295,100,597
Total Spending		$5,386,964	$14,687,398	$27,764,366	$50,778,535	$55,207,551	$64,000,683	$74,194,332	$86,011,566	$1,211,429,320
Increased Earnings	0.698	$2,140,069	$5,834,834	$11,029,896	$20,172,690	$21,932,197	$25,425,428	$29,475,039	$34,169,649	$481,262,189
Employment	17.54	54	147	277	507	551	639	741	859	859
Fiscal Impact (Tax Revenues)										
State Tax Revenues										
State Sales and Use Tax	6.00%	$183,960	$501,562	$948,129	$1,734,042	$1,885,289	$2,185,567	$2,533,671	$2,937,219	$41,369,243
Induced Spending	50% Taxable	$39,367	$107,334	$202,900	$371,085	$403,452	$467,711	$542,206	$628,565	$8,853,018
State Individual Income Tax	4.20%	$89,883	$245,063	$463,256	$847,253	$921,152	$1,067,868	$1,237,952	$1,435,125	$20,213,012
State Corporate income and LLE Tax	0.095% or 0.75%	$3,381	$9,218	$17,605	$32,197	$35,323	$40,949	$47,471	$55,032	$774,405
Total State Tax Revenues		$316,592	$863,177	$1,631,888	$2,984,577	$3,245,216	$3,762,095	$4,361,300	$5,055,941	$71,209,678
Local Tax Revenues										
Local Occupational License Tax	2.25%	$17,246	$47,021	$88,887	$162,566	$176,746	$204,897	$237,532	$275,364	$3,878,366
Total Local Tax Revenues		$17,246	$47,021	$88,887	$162,566	$176,746	$204,897	$237,532	$275,364	$3,878,366
Total Tax Revenues		$333,838	$910,199	$1,720,775	$3,147,144	$3,421,962	$3,966,992	$4,598,831	$5,331,306	$75,088,044

Office Impact

Figure 8-12 conceptually illustrates the flows of annual impact of the leasable office space, as well as the multipliers and tax rates utilized for the impact calculations. Spending by office employees will ripple throughout the economy and is subject to state sales and use tax. Revenues received by the restaurants and retail stores are subject to state corporate income tax. Office employment is subject to state individual income tax and local occupational license tax. Lease payments made by the businesses occupying the office space create income that may be subject to state corporate income tax. Finally, the buildings themselves are subject to property taxes.

Figure 8-12

Office
Conceptual Diagram of Potential Annual Economic and Fiscal Impact

Sources of Impact	Economic and Fiscal Impact	Rate
→ Spending by office employees on lunch	→ Ripple (or Multiplier) Effects	
	Indirect Spending	0.329
	Induced Spending	0.428
	Increased Earnings	0.698
	Increased Employment	17.54
	State Sales and Use tax	6.00%
→ Gross Revenues and/or Net Profit	→ State Corporate Income and LLE tax	0.095% or 0.75%*
→ Office Employment	→ State Individual Income tax	4.2%
	Local Occupational License Tax	2.25%
→ Lease Payments	→ State Corporate Income and LLE tax	0.095% or 0.75%*
→ Property Value	→ State Property tax	$0.00124
	Local Property tax	$0.00209

* Tax is 0.095% of gross revenue or 0.75% of net income.

Figure 8-13 shows the estimated economic and fiscal impact of the retail space, annually and in a 20-year total.

Figure 8-13

Red Mile Mixed-Use Development
Office
Estimates of Annual Economic and Fiscal Impact

	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Sources of Impact										
Vacancy Rate		100%	100%	15%	10%	5%	5%	5%	5%	
Office Employment	325 sq ft per employee	0	0	63	66	70	70	70	70	
Estimated Spending Per Employee	$8	$0	$0	$2,207	$2,273	$2,341	$2,714	$3,146	$3,647	
Total Spending by Employees				$138,511	$151,059	$164,234	$190,393	$220,717	$255,872	
Average Salaries	$50,000	$0	$0	$53,045	$54,636	$56,275	$65,239	$75,629	$87,675	
Total Salaries		$0	$0	$3,329,594	$3,631,216	$3,947,939	$4,576,743	$5,305,699	$6,150,760	
Estimated Net Profit	10%	$0	$0	$332,959	$363,122	$394,794	$457,674	$530,570	$615,076	
Lease Payments		$0	$0	$413,287	$450,726	$490,039	$3,976,627	$4,610,001	$5,344,254	
Gross Income		$0	$0	$489,787	$531,726	$575,539	$4,575,127	$5,208,501	$5,942,754	
Net Income of Lease		$0	$0	$334,216	$371,488	$410,494	$4,383,795	$4,986,695	$5,685,620	
Economic Impact (Multiplier Effects)										
Direct Spending		$0	$0	$138,511	$151,059	$164,234	$190,393	$220,717	$255,872	$3,600,020
Indirect Spending	0.329	$0	$0	$45,570	$49,698	$54,033	$62,639	$72,616	$84,182	$1,184,407
Induced Spending	0.428	$0	$0	$59,283	$64,653	$70,292	$81,488	$94,467	$109,513	$1,540,809
Total Spending		$0	$0	$243,364	$265,410	$288,560	$334,520	$387,800	$449,566	$6,325,235
Increased Earnings	0.698	0	0	$96,681	$105,439	$114,636	$132,894	$154,061	$178,598	$2,512,814
Employment	17.54	0	0	2	3	3	3	4	4	4
Fiscal Impact (Tax Revenues)										
State Tax Revenues										
State Sales and Use Tax	6.00%	$0	$0	$8,311	$9,064	$9,854	$11,424	$13,243	$15,352	$216,001
Induced Spending	50% Taxable	$0	$0	$1,778	$1,940	$2,109	$2,445	$2,834	$3,285	$46,224
State Individual Income Tax	4.20%	$0	$0	$143,904	$156,940	$170,628	$197,805	$229,310	$265,833	$3,740,174
State Corporate income and LLE Tax	0.095% or 0.75%	$0	$0	$5,004	$5,510	$6,040	$36,311	$41,379	$47,255	$609,744
Total State Tax Revenues		$0	$0	$158,997	$173,452	$188,631	$247,984	$286,766	$331,726	$4,612,143
Local Tax Revenues										
Local Occupational License Tax	2.25%	$0	$0	$77,091	$84,075	$91,408	$105,967	$122,845	$142,411	$2,003,664
Total Local Tax Revenues		$0	$0	$77,091	$84,075	$91,408	$105,967	$122,845	$142,411	$2,003,664
Total Tax Revenues		$0	$0	$236,088	$257,527	$280,039	$353,951	$409,611	$474,137	$6,615,807

Residential Impact

Figure 8-14 conceptually illustrates the flows of annual impact of the leasable residential apartment space. The lease payments create income that may be subject to state corporate income tax. The salaries of property management and maintenance employees are subject to state individual income tax and local occupational license tax. The apartment buildings are also subject to property taxes.

Figure 8-14

Residential Conceptual Diagram of Potential Annual Economic and Fiscal Impact				
	Sources of Impact		Economic and Fiscal Impact	Rate
→	Management/Employment	→	State Individual Income tax	4.2%
			Local Occupational License Tax	2.25%
→	Lease Payments	→	State Corporate income and LLE Tax	0.095% or 0.75%*
→	Property Value	→	State Property tax	$0.00124
			Local Property tax	$0.00209

* Tax is 0.095% of gross revenue or 0.75% of net income.

Figure 8-15 shows the estimated economic and fiscal impact of the residential apartment space, annually and in a 20-year total.

Figure 8-15

Red Mile Mixed-Use Development
Residential
Estimates of Annual Economic and Fiscal Impact

	Rate/ Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Sources of Impact										
Vacancy Rate		15%	10%	5%	10%	5%	5%	5%	5%	
Management		$29,160	$30,035	$30,936	$71,280	$167,400	$194,062	$224,972	$260,804	
Personnel		$14,580	$14,580	$14,580	$14,580	$14,580	$16,902	$19,594	$22,715	
Total Salaries		$43,740	$44,615	$45,516	$85,860	$181,980	$210,965	$244,566	$283,519	
Lease Payments		$779,125	$849,705	$923,818	$2,343,774	$3,332,266	$3,863,009	$4,478,286	$5,191,561	
Net Income of Lease		$547,060	$608,892	$674,104	$1,767,594	$1,958,191	$2,270,080	$2,631,644	$3,050,797	
Economic Impact (Multiplier Effects)										
Direct Spending		$779,125	$849,705	$923,818	$2,343,774	$3,332,266	$3,863,009	$4,478,286	$5,191,561	$61,832,592
Indirect Spending	0.329	$256,332	$279,553	$303,936	$771,102	$1,096,315	$1,270,930	$1,473,356	$1,708,024	$20,342,923
Induced Spending	0.428	$333,465	$363,674	$395,394	$1,003,135	$1,426,210	$1,653,368	$1,916,707	$2,221,988	$26,464,349
Total Spending		$1,368,923	$1,492,931	$1,623,148	$4,118,011	$5,854,791	$6,787,307	$7,868,349	$9,121,573	$108,639,864
Increased Earnings	0.698	$543,829	$593,094	$644,825	$1,635,954	$2,325,921	$2,696,380	$3,125,844	$3,623,710	$43,159,149
Employment	17.54	14	15	16	41	58	68	79	91	91
Fiscal Impact (Tax Revenues)										
State Tax Revenues										
State Sales and Use Tax	6.00%	$0	$0	$0	$0	$0	$0	$0	$0	$0
Induced Spending	50% Taxable	$10,004	$10,910	$11,862	$30,094	$42,786	$49,601	$57,501	$66,660	$793,930
State Individual Income Tax	4.20%	$22,841	$24,910	$27,083	$68,710	$97,689	$113,248	$131,285	$152,196	$1,812,684
State Corporate income and LLE Tax	0.095% or 0.75%	$4,103	$4,567	$5,056	$13,257	$14,686	$17,026	$19,737	$22,881	$277,919
Total State Tax Revenues		$36,948	$40,387	$44,000	$112,061	$155,161	$179,875	$208,524	$241,736	$2,884,534
Local Tax Revenues										
Local Occupational License Tax	2.25%	$984	$1,004	$1,024	$1,932	$4,095	$4,747	$5,503	$6,379	$74,905
Total Local Tax Revenues		$984	$1,004	$1,024	$1,932	$4,095	$4,747	$5,503	$6,379	$74,905
Total Tax Revenues		$37,932	$41,391	$45,024	$113,993	$159,256	$184,621	$214,027	$248,116	$2,959,439

Summary of Annual Impact

Figure 8-16 summarizes the estimated annual economic and fiscal impact at Year 5, shown by specific project components and total combined tax revenues for the entire project.

Figure 8-16

Red Mile Mixed-Use Development
Year 5
Estimates of Annual Economic and Fiscal Impact

	Entertainment	Retail	Restaurant	Office	Hotel	Residential	Total in Year 5
Economic Impact (Multiplier Effects)							
Direct Spending	$22,289,971	$31,421,486	$34,199,568	$164,234	$9,348,534	$3,332,266	$100,756,059
Indirect Spending	$7,333,401	$10,337,669	$11,251,658	$54,033	$3,075,668	$1,096,315	$33,148,744
Induced Spending	$9,540,108	$13,448,396	$14,637,415	$70,292	$4,001,173	$1,426,210	$43,123,593
Total Spending	$39,163,479	$55,207,551	$60,088,641	$288,560	$16,425,374	$5,854,791	$177,028,397
Increased Earnings	$15,558,400	$21,932,197	$23,871,299	$114,636	$6,525,277	$2,325,921	$70,327,730
Employment	391	551	600	3	164	58	1,767
Fiscal Impact (Tax Revenues)							
State Tax Revenues							
State Sales and Use Tax	$1,337,398	$1,885,289	$2,051,974	$9,854	$560,912	$0	$5,845,428
Induced Spending	$286,203	$403,452	$439,122	$2,109	$120,035	$42,786	$1,293,708
State Individual Income Tax	$653,453	$921,152	$1,002,595	$170,628	$274,062	$97,689	$3,119,578
State Corporate Income and LLE Tax	$16,717	$35,323	$65,710	$6,040	$7,011	$14,686	$145,488
Total State Tax Revenues	$2,293,772	$3,245,216	$3,559,401	$188,631	$962,020	$155,161	**$10,404,202**
Local Tax Revenues							
Local Occupational License Tax	$127,581	$176,746	$296,933	$91,408	$115,256	$4,095	$812,018
Total Local Tax Revenues	$127,581	$176,746	$296,933	$91,408	$115,256	$4,095	$812,018
Total Tax Revenues	$2,421,353	$3,421,962	$3,856,335	$280,039	$1,077,276	$159,256	**$11,216,220**

As shown in Figure 8-16 various activities occurring within the Project are estimated to generate significant economic and fiscal impact annually. In Year 5, the first year after project completion, such impact is estimated to include $177 million of total spending, $70.3 million of increased earnings, support for 1,767 jobs in the area, and $11.2 million of state and local tax revenues.

Figure 8-17 summarizes the total economic and fiscal impact in the 20-year period immediately following the completion of Phase 1, and is shown by specific project components and total combined tax revenues for the entire project.

Figure 8-17

Red Mile Mixed-Use Development
20-Year Total
Estimates of Annual Economic and Fiscal Impact

	Entertainment	Retail	Restaurant	Office	Hotel	Residential	20-Year Total
Economic Impact (Multiplier Effects)							
Direct Spending	$449,296,305	$689,487,376	$778,104,215	$3,600,020	$188,437,289	$61,832,592	$2,170,757,797
Indirect Spending	$147,818,484	$226,841,347	$255,996,287	$1,184,407	$61,995,868	$20,342,923	$714,179,315
Induced Spending	$192,298,818	$295,100,597	$333,028,604	$1,540,809	$80,651,160	$26,464,349	$929,084,337
Total Spending	$789,413,607	$1,211,429,320	$1,367,129,106	$6,325,235	$331,084,317	$108,639,864	$3,814,021,449
Increased Earnings	$313,608,821	$481,262,189	$543,116,742	$2,512,814	$131,529,228	$43,159,149	$1,515,188,942
Employment	609	859	935	4	255	91	2,753
Fiscal Impact (Tax Revenues)							
State Tax Revenues							
State Sales and Use Tax	$26,957,778	$41,369,243	$46,686,253	$216,001	$11,306,237	$0	$126,535,512
Induced Spending	$5,768,965	$8,853,018	$9,990,858	$46,224	$2,419,535	$793,930	$27,872,530
State Individual Income Tax	$13,171,570	$20,213,012	$22,810,903	$3,740,174	$5,524,228	$1,812,684	$67,272,571
State Corporate Income and LLE Tax	$336,972	$774,405	$1,440,850	$609,744	$141,328	$277,919	$3,581,219
Total State Tax Revenues	$46,235,286	$71,209,678	$80,928,865	$4,612,143	$19,391,328	$2,884,534	**$225,261,833**
Local Tax Revenues							
Local Occupational License Tax	$2,571,630	$3,878,366	$6,515,656	$2,003,664	$2,323,199	$74,905	$17,367,421
Total Local Tax Revenues	$2,571,630	$3,878,366	$6,515,656	$2,003,664	$2,323,199	$74,905	$17,367,421
Total Tax Revenues	$48,806,916	$75,088,044	$87,444,520	$6,615,807	$21,714,527	$2,959,439	**$242,629,254**

Figure 8-18

Red Mile Mixed-Use Development Incremental Tax Revenues Generated for Project		Total	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2021 Year 10	2026 Year 15	2031 Year 20	20-Year Total
Estimated Tax Revenues from Project											
State Tax Revenues											
State Property Tax Revenues		$4,561,489	$169,759	$174,852	$180,097	$185,500	$191,065	$221,497	$256,776	$297,674	$4,561,489
State Sales and Use Tax Revenues			$1,524,748	$2,890,622	$3,735,314	$5,845,428	$6,020,790	$6,979,746	$8,091,439	$9,380,195	$135,356,469
State Individual Income Tax			$769,902	$1,579,283	$2,046,295	$3,119,578	$3,213,165	$3,724,939	$4,318,226	$5,006,007	$72,282,452
State Corporate Income and LLE Tax			$30,998	$60,471	$110,965	$145,488	$149,853	$173,721	$201,390	$233,466	$3,368,494
Total State Tax Revenues		$215,568,904	$2,495,407	$4,705,228	$6,072,671	$9,295,994	$9,574,874	$11,099,903	$12,867,830	$14,917,342	$215,568,904
Local Tax Revenues											
Local Property Tax Revenues		$7,688,316	$286,126	$294,710	$303,551	$312,658	$322,037	$373,330	$432,791	$501,724	$7,688,316
Local Occupational License Tax			$127,002	$316,333	$521,685	$812,018	$836,379	$969,592	$1,124,023	$1,303,051	$18,635,820
Total Local Tax Revenues		$26,324,136	$413,128	$611,043	$825,236	$1,124,676	$1,158,416	$1,342,922	$1,556,814	$1,804,774	$26,324,136
Total Tax Revenues		**$241,893,040**	$2,908,534	$5,316,270	$6,897,907	$10,420,670	$10,733,290	$12,442,825	$14,424,645	$16,722,117	**$241,893,040**
"As-Is" Tax Revenues											
State Tax Revenues											
State Property Tax Revenues		$194,132	$7,225	$7,442	$7,665	$7,895	$8,132	$9,427	$10,928	$12,669	$194,132
State Sales and Use Tax Revenues		$348,820	$12,982	$13,371	$13,772	$14,185	$14,611	$16,938	$19,636	$22,763	$348,820
State Individual Income Tax		$1,704,287	$63,426	$65,329	$67,289	$69,308	$71,387	$82,757	$95,938	$111,218	$1,704,287
State Corporate Income and LLE Tax			$1,133	$1,167	$1,202	$1,238	$1,275	$1,478	$1,713	$1,986	$30,434
Total State "As Is" Tax Revenues		$2,277,673	$84,765	$87,308	$89,927	$92,625	$95,404	$110,599	$128,215	$148,636	$2,277,673
Local Tax Revenues											
Local Property Tax Revenues		$327,206	$12,177	$12,543	$12,919	$13,306	$13,706	$15,889	$18,419	$21,353	$327,206
Local Occupational License Tax		$913,011	$33,978	$34,998	$36,048	$37,129	$38,243	$44,334	$51,395	$59,581	$913,011
Total Local "As Is" Tax Revenues		$1,240,217	$46,156	$47,540	$48,966	$50,435	$51,948	$60,223	$69,814	$80,934	$1,240,217
Total "As-Is" Tax Revenues		$3,517,890	$130,921	$134,848	$138,894	$143,061	$147,352	$170,822	$198,029	$229,570	$3,517,890
Estimated Incremental Tax Revenues		**$238,375,150**	$2,777,613	$5,181,422	$6,759,013	$10,277,610	$10,585,938	$12,272,003	$14,226,615	$16,492,546	**$238,375,150**
(-) Retained by State	at 20%	$42,658,246	$482,128	$923,584	$1,196,549	$1,840,674	$1,895,894	$2,197,861	$2,547,923	$2,953,741	$42,658,246
(-) Retained by Local	at 20%	$5,016,784	$73,394	$112,700	$155,254	$214,848	$221,294	$256,540	$297,400	$344,768	$5,016,784
Net Incr. Tax Rev. Available from Project		**$190,700,120**	$2,222,091	$4,145,138	$5,407,210	$8,222,088	$8,468,750	$9,817,603	$11,381,292	$13,194,037	**$190,700,120**
Incr. Tax Rev. Available for State TIF Program	at 80%	$170,632,985	$1,928,513	$3,694,336	$4,786,195	$7,362,695	$7,583,576	$8,791,443	$10,191,692	$11,814,965	$170,632,985
Incr. Tax Rev. Available for Local Participation	at 80%	$20,067,135	$293,578	$450,802	$621,016	$859,392	$885,174	$1,026,159	$1,189,600	$1,379,072	$20,067,135

Figure 8-18 shows the fiscal impact of the project and the projected TIF revenues that are a result of the development's activity in the 20-year period following TIF activation, which is anticipated to occur in 2012 upon completion of Phase 2.

IX. "NET-NEW" ECONOMIC AND FISCAL IMPACTS

Economic impact analysis often differentiates between "net new spending" and "transfer spending." Net new spending is spending that occurs in a given area that normally would not have.

"Net new" spending is most commonly seen as spending by visitors, and represents the amount of "new dollars" that flow into the respective economies as a result of their spending within the local economy. For example, patrons and shoppers who come from nearby cities bring new dollars to Lexington, and patrons and shoppers who come from other states bring new dollars to Lexington and the Commonwealth.

"Net new" also represents the amount of spending by local residents and visitors that will be recaptured within a city. For example, if there were no Red Mile Mixed-Use Development project, residents might travel away from Lexington and spend money elsewhere. The Project creates a more appealing option for entertainment in the community that encourages residents to spend money in the local economy that normally would have been saved for vacations and trips out of state. The Project will also entice visitors from out of state on unrelated business to stay in town longer, spending money that they normally would not have spent within Lexington, or the State. This adds to the amount of "net new" dollars spent within the Commonwealth.

In strict economic terms, "transfer spending" is spending that would have occurred elsewhere in the economy, had the new development not been built. For example, one who shops at the Project may transfer income from one sector of the city's economy to another, and therefore is not creating new dollars in the city economy. This is often referred to as cannibalization, or the "transfer" of business from one venue to another in the same area. This spending should not be, and is not included in the calculation of "net new" spending.

In the absence of actual customer surveys, which reveal where shoppers originate, the origin of customers is generally estimated based on the size and location of the study area. Given the size of Lexington, it can be reasonably expected that a large portion of the customers are non-Lexington residents and some from out of state; thus a large portion of spending in the Red Mile Mixed-Use Development project is net new to both Lexington and the Commonwealth.

The "net new" numbers are measured as a percentage of the overall impact of the development. That is to say, a percentage of the measured impact of a specific component of the Project is considered to be "net new." The percentage used to calculate "net new" activity varies depending on the nature of the particular component of the Project.

This Project, overall, is anticipated to generate more "net new" economic activity than would usually be expected of your average retail store, restaurant, or other business. The size, quality, and especially the location of the Project will have a significant positive effect on the amount of spending that is net new to the Commonwealth. This style of development is not currently seen in downtown Lexington, and the fusion of a remodeled and modernized harness racing venue with a hotel, shopping, dining, and entertainment will attract a large number of visitors from out of state. The Project will attract an important number of businesses and residents to Kentucky by adding to the revitalization of downtown Lexington, making it a much more enticing place to live, work, and travel. People in the community will be encouraged to get out and spend money that they normally would not have, or that they would have spent out of state. This will create a significant increase in the velocity of money that is spent in Kentucky.

Figure 9-1 includes the "net new" fiscal impact to Kentucky in Year 5 and Figure 9-2 shows the 20-Year total. Based on the analysis, approximately $5.7 million of state and local tax revenues are net new to the State in Year 5, and $122.6 million over the first 20 years of the project. Figure 9-3 illustrates only the net new incremental tax revenues generated over the 20-year period following anticipated TIF activation. As the figure shows, over the course of these 20 years, the Project is anticipated to generate $125.4 million in net new tax revenue to the Commonwealth and $16.1 million for Lexington, for a total estimated net new fiscal impact of $141.5 million. After subtracting the "as-is" tax revenues, the estimated net new incremental tax revenue is $137.9 million.

These impacts are a result of "new dollars" that are brought in and spent throughout Kentucky that would not have been spent within the State otherwise. This could be a result of visitor spending and spending by current residents that would not have occurred without the development of this Project.

Figure 9-1

Red Mile Mixed-Use Development Year 5 Estimates of Annual Economic and Fiscal Impact	Entertainment	Retail	Restaurant	Office	Hotel	Residential	Total in Year 5
Economic Impact (Multiplier Effects)							
Direct Spending	$22,289,971	$31,421,486	$34,199,568	$164,234	$9,348,534	$3,332,266	$100,756,059
Indirect Spending	$7,333,401	$10,337,669	$11,251,658	$54,033	$3,075,668	$1,096,315	$33,148,744
Induced Spending	$9,540,108	$13,448,396	$14,637,415	$70,292	$4,001,173	$1,426,210	$43,123,593
Total Spending	$39,163,479	$55,207,551	$60,088,641	$288,560	$16,425,374	$5,854,791	$177,028,397
Increased Earnings	$15,558,400	$21,932,197	$23,871,299	$114,636	$6,525,277	$2,325,921	$70,327,730
Employment	391	551	600	3	164	58	1,767
Fiscal Impact (Tax Revenues)							
State Tax Revenues							
State Sales and Use Tax	$1,337,398	$1,885,289	$2,051,974	$9,854	$560,912	$0	$5,845,428
Induced Spending	$286,203	$403,452	$439,122	$2,109	$120,035	$42,786	$1,293,708
State Individual Income Tax	$653,453	$921,152	$1,002,595	$170,628	$274,062	$97,689	$3,119,578
State Corporate Income and LLE Tax	$16,717	$35,323	$65,710	$6,040	$7,011	$14,686	$145,488
Total State Tax Revenues	$2,293,772	$3,245,216	$3,559,401	$188,631	$962,020	$155,161	**$10,404,202**
Percentage Net New	75%	50%	50%	35%	60%	15%	
State Net New	$1,720,329	$1,622,608	$1,779,701	$66,021	$577,212	$23,274	**$5,789,145**
Local Tax Revenues							
Local Occupational License Tax	$127,581	$176,746	$296,933	$91,408	$115,256	$4,095	$812,018
Total Local Tax Revenues	$127,581	$176,746	$296,933	$91,408	$115,256	$4,095	$812,018
Percentage Net New	75%	50%	50%	35%	60%	15%	
Local Net New	$95,686	$88,373	$148,467	$31,993	$69,154	$614	**$434,286**
Total Tax Revenues	$2,421,353	$3,421,962	$3,856,335	$280,039	$1,077,276	$159,256	**$11,216,220**
Total Net New	$1,816,014	$1,710,981	$1,928,167	$98,013	$646,366	$23,888	**$6,223,430**

Figure 9-2

Red Mile Mixed-Use Development
20-Year Total
Estimates of Annual Economic and Fiscal Impact

	Entertainment	Retail	Restaurant	Office	Hotel	Residential	20-Year Total
Economic Impact (Multiplier Effects)							
Direct Spending	$449,296,305	$689,487,376	$778,104,215	$3,600,020	$188,437,289	$61,832,592	$2,170,757,797
Indirect Spending	$147,818,484	$226,841,347	$255,996,287	$1,184,407	$61,995,868	$20,342,923	$714,179,315
Induced Spending	$192,298,818	$295,100,597	$333,028,604	$1,540,809	$80,651,160	$26,464,349	$929,084,337
Total Spending	$789,413,607	$1,211,429,320	$1,367,129,106	$6,325,235	$331,084,317	$108,639,864	$3,814,021,449
Increased Earnings	$313,608,821	$481,262,189	$543,116,742	$2,512,814	$131,529,228	$43,159,149	$1,515,188,942
Employment	609	859	935	4	255	91	2,753
Fiscal Impact (Tax Revenues)							
State Tax Revenues							
State Sales and Use Tax	$26,957,778	$41,369,243	$46,686,253	$216,001	$11,306,237	$0	$126,535,512
Induced Spending	$5,768,965	$8,853,018	$9,990,858	$46,224	$2,419,535	$793,930	$27,872,530
State Individual Income Tax	$13,171,570	$20,213,012	$22,810,903	$3,740,174	$5,524,228	$1,812,684	$67,272,571
State Corporate income and LLE Tax	$336,972	$774,405	$1,440,850	$609,744	$141,328	$277,919	$3,581,219
Total State Tax Revenues	$46,235,286	$71,209,678	$80,928,865	$4,612,143	$19,391,328	$2,884,534	$225,261,833
Local Tax Revenues							
Local Occupational License Tax	$2,571,630	$3,878,366	$6,515,656	$2,003,664	$2,323,199	$74,905	$17,367,421
Total Local Tax Revenues	$2,571,630	$3,878,366	$6,515,656	$2,003,664	$2,323,199	$74,905	$17,367,421
Total Tax Revenues	$48,806,916	$75,088,044	$87,444,520	$6,615,807	$21,714,527	$2,959,439	$242,629,254
Percentage Net New	75%	50%	50%	35%	60%	15%	
Total Net New	$36,605,187	$37,544,022	$43,722,260	$2,315,533	$13,028,716	$443,916	**$133,659,634**

Figure 9-3

Red Mile Mixed-Use Development Net New Incremental Tax Revenues Generated for Project		Total	2012 Year 1	2013 Year 2	2014 Year 3	2015 Year 4	2016 Year 5	2021 Year 10	2026 Year 15	2031 Year 20	20-Year Total
Estimated Tax Revenues from Project											
State Tax Revenues											
State Property Tax Revenues		$4,561,489	$169,759	$174,852	$180,097	$185,500	$191,065	$221,497	$256,776	$297,674	$4,561,489
State Sales and Use Tax Revenues			$762,374	$1,444,064	$1,866,297	$3,311,676	$3,411,027	$3,954,315	$4,584,135	$5,314,269	$76,140,074
On Induced Spending			$164,785	$310,809	$403,902	$715,117	$736,570	$853,887	$989,889	$1,147,552	$16,441,570
State Individual Income Tax			$376,232	$758,577	$975,558	$1,690,773	$1,741,496	$2,018,872	$2,340,425	$2,713,195	$38,904,276
State Corporate Income and LLE Tax			$13,901	$27,715	$50,016	$71,579	$73,726	$85,469	$99,081	$114,863	$1,649,295
Total State Tax Revenues		$136,379,412	$169,759	$2,716,018	$3,475,870	$5,974,645	$6,153,884	$7,134,039	$8,270,306	$9,587,552	$136,379,412
Local Tax Revenues											
Local Property Tax Revenues		$7,688,316	$286,126	$294,710	$303,551	$312,658	$322,037	$373,330	$432,791	$501,724	$7,688,316
Local Occupational License Tax			$63,156	$146,244	$247,555	$434,286	$447,314	$518,560	$601,153	$696,901	$9,907,698
Total Local Tax Revenues		$17,596,014	$349,282	$440,954	$551,106	$746,943	$769,352	$891,889	$1,033,944	$1,198,625	$17,596,014
Total Tax Revenues		**$153,975,425**	$519,041	$3,156,972	$4,026,977	$6,721,588	$6,923,236	$8,025,928	$9,304,250	$10,786,176	**$153,975,425**
"As-Is" Tax Revenues											
State Tax Revenues											
State Property Tax Revenues		$194,132	$7,225	$7,442	$7,665	$7,895	$8,132	$9,427	$10,928	$12,669	$194,132
State Sales and Use Tax Revenues		$348,820	$12,982	$13,371	$13,772	$14,185	$14,611	$16,938	$19,636	$22,763	$348,820
State Individual Income Tax		$1,704,287	$63,426	$65,329	$67,289	$69,308	$71,387	$82,757	$95,938	$111,218	$1,704,287
State Corporate Income and LLE Tax			$1,133	$1,167	$1,202	$1,238	$1,275	$1,478	$1,713	$1,986	$30,434
Total State "As Is" Tax Revenues		$2,277,673	$84,765	$87,308	$89,927	$92,625	$95,404	$110,599	$128,215	$148,636	$2,277,673
Local Tax Revenues											
Local Property Tax Revenues		$327,206	$12,177	$12,543	$12,919	$13,306	$13,706	$15,889	$18,419	$21,353	$327,206
Local Occupational License Tax		$913,011	$33,978	$34,998	$36,048	$37,129	$38,243	$44,334	$51,395	$59,581	$913,011
Total Local "As Is" Tax Revenues		$1,240,217	$46,156	$47,540	$48,966	$50,435	$51,948	$60,223	$69,814	$80,934	$1,240,217
Total "As-Is" Tax Revenues		$3,517,890	$130,921	$134,848	$138,894	$143,061	$147,352	$170,822	$198,029	$229,570	$3,517,890
Estimated Incremental Tax Revenues		**$150,457,535**	$388,121	$3,022,123	$3,888,083	$6,578,528	$6,775,884	$7,855,106	$9,106,221	$10,556,606	**$150,457,535**
(-) Retained by State	at 20%	$26,820,348	$16,999	$525,742	$677,189	$1,176,404	$1,211,696	$1,404,688	$1,628,418	$1,887,783	$26,820,348
(-) Retained by Local	at 20%	$3,271,159	$60,625	$78,683	$100,428	$139,302	$143,481	$166,333	$192,826	$223,538	$3,271,159
Net Incr. Tax Rev. Available from Project		**$120,366,028**	$310,497	$2,417,699	$3,110,466	$5,262,822	$5,420,707	$6,284,085	$7,284,977	$8,445,285	**$120,366,028**
Incr. Tax Rev. Available for State TIF Program	at 80%	$107,281,391	$67,995	$2,102,968	$2,708,754	$4,705,616	$4,846,784	$5,618,751	$6,513,673	$7,551,132	$107,281,391
Incr. Tax Rev. Available for Local Participation	at 80%	$13,084,637	$242,501	$314,731	$401,712	$557,206	$573,922	$665,333	$771,304	$894,152	$13,084,637

X. CONCLUSION

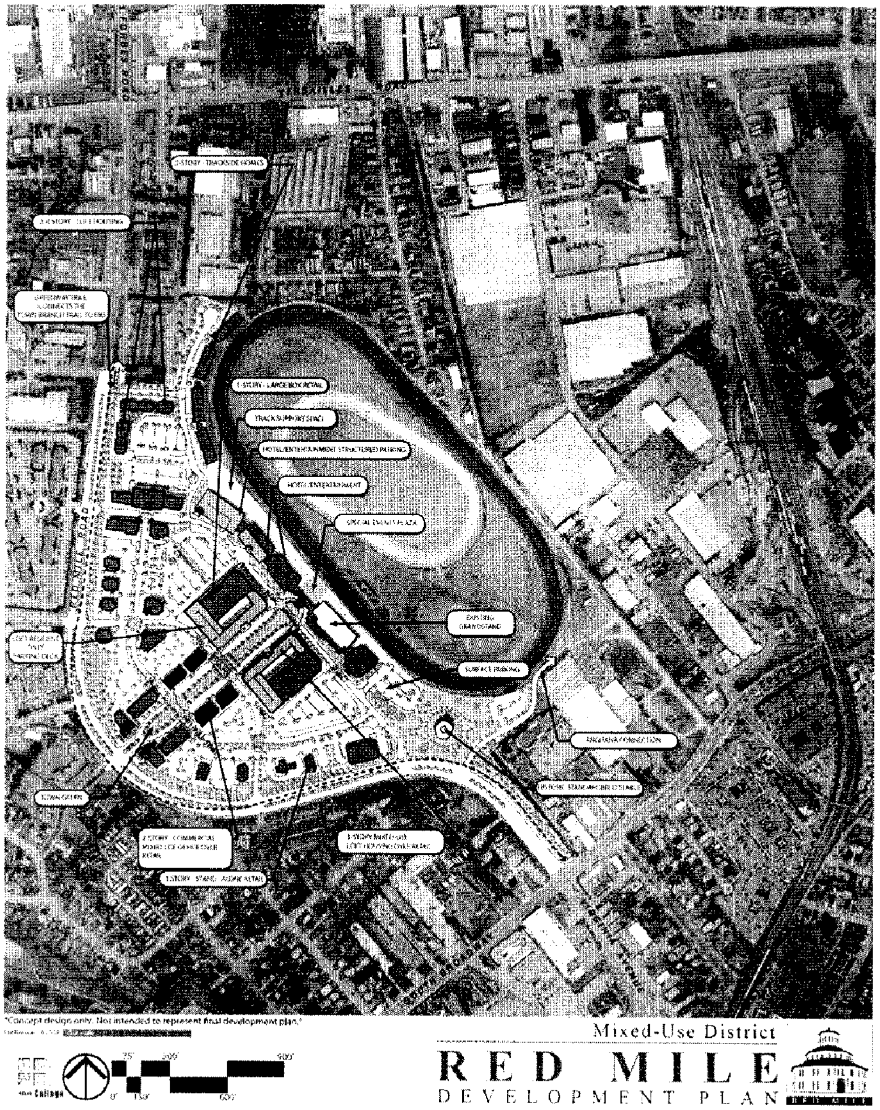
It is important to understand that only the construction costs categorized as "public infrastructure" can be financed through the TIF program. The estimated cost of the TIF eligible public infrastructure is approximately $54 million.

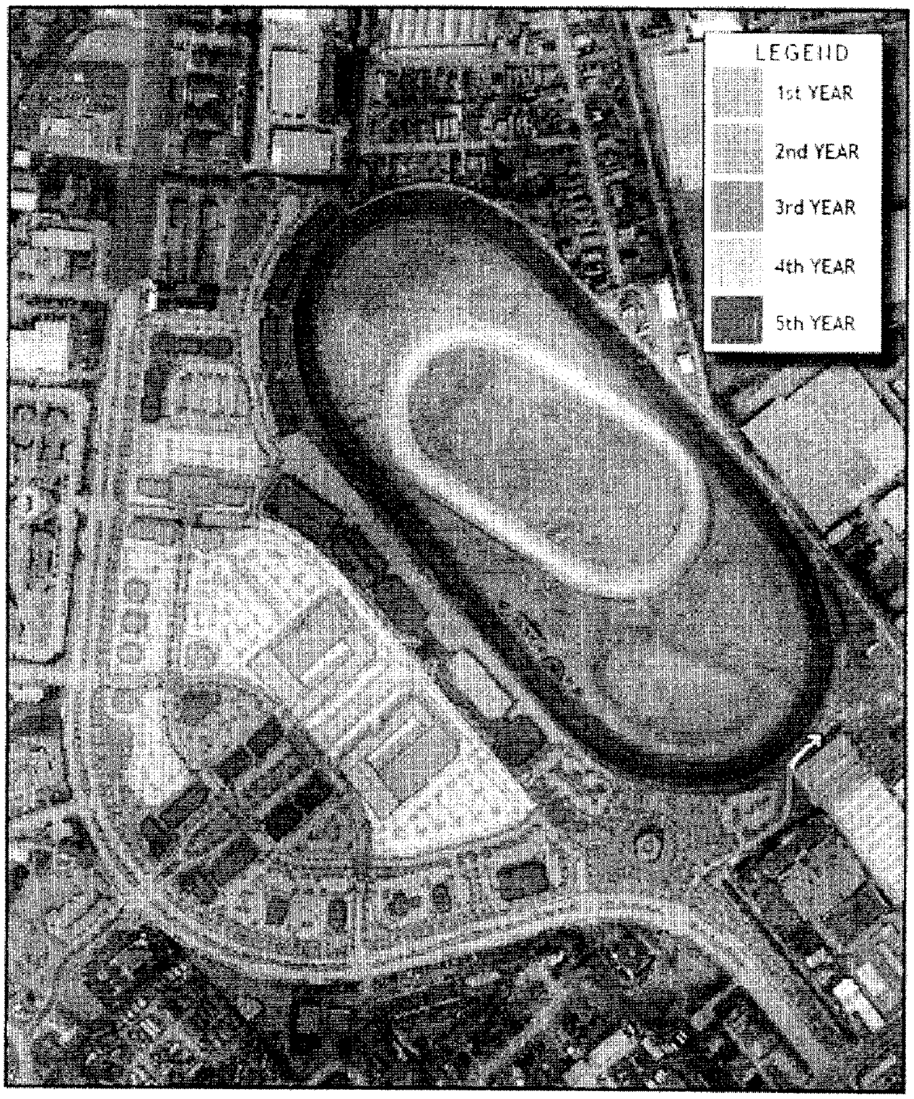
We estimate that up to approximately $190.5 million will be available over 20 years through TIF to cover costs that are available for public infrastructure development. The net present value of this $190.5 million is dependent upon many variables in the tax-exempt financing/bonding market.

However, the $190.5 million is much greater than the amount of taxes created on this property without the Project. Furthermore, our analysis shows that the "net new" amount of taxes from this Project will include $125.4 million in net new tax revenue to the Commonwealth and $16.1 million for the city of Lexington, for a total estimated net new fiscal impact of $141.5 million.

After subtracting the baseline "as-is" tax revenues, the estimated net new incremental tax revenue is $137.9 million. This amount far exceeds the estimated $54 million in TIF recoverable public infrastructure costs. As a result, the Project represents an enormous benefit to the city of Lexington and the Commonwealth of Kentucky.

Appendix A – Development Plans


"Concept design only. Not intended to represent final development plan."
Mixed-Use District
RED MILE
DEVELOPMENT PLAN


LEGEND
1st YEAR
2nd YEAR
3rd YEAR
4th YEAR
5th YEAR

Appendix B – Summary of Projections

Red Mile Mixed-Use Development 20-Year Restaurant Operations		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Income										
Vacancy Rate		15%	15%	10%	10%	5%	5%	5%	5%	
Occupancy Rate		85%	85%	90%	90%	95%	95%	95%	95%	
Leased Space		17,340	45,900	84,240	149,580	157,890	157,890	157,890	157,890	
Rent/SF		$15.91	$16.39	$16.88	$17.39	$17.91	$20.76	$24.07	$27.90	
Revenues										
Rental Income		$275,940	$752,343	$1,422,193	$2,601,063	$2,827,934	$3,278,350	$3,800,506	$4,405,829	$62,053,864
Reimbursement income										
Common Area Maintenance and Insurance		$47,685	$130,012	$245,768	$449,488	$488,693	$566,529	$656,763	$761,368	$10,723,482
Taxes		$17,340	$47,277	$89,370	$163,450	$177,707	$206,011	$238,823	$276,861	$3,899,448
Subtotal Reimb. Income		$65,025	$177,289	$335,138	$612,938	$666,400	$772,540	$895,585	$1,038,229	$14,622,930
Total Revenues		$340,965	$929,631	$1,757,331	$3,214,001	$3,494,333	$4,050,890	$4,696,092	$5,444,058	$76,676,793
Expenses										
Reimbursable Expenses										
Common Area Maintenance and Insurance	$2.75	$56,100	$152,955	$273,076	$499,431	$514,414	$596,347	$691,329	$801,440	$11,350,539
Taxes	$1.00	$20,400	$55,620	$99,300	$181,611	$187,060	$216,853	$251,392	$291,433	$4,127,469
Subtotal Reimb. Expenses		$76,500	$208,575	$372,376	$681,042	$701,473	$813,200	$942,722	$1,092,873	$15,478,008
Non-Reimbursable Expenses										
General & Administrative	2.00%	$408	$1,112	$1,986	$3,632	$3,741	$4,337	$5,028	$5,829	$82,549
Marketing & Promotion	$0.50	$10,200	$27,810	$49,650	$90,806	$93,530	$108,427	$125,696	$145,716	$2,063,734
TI/ Leasing Commission Reserve	$1.50	$30,600	$83,430	$148,950	$272,417	$280,589	$325,280	$377,089	$437,149	$6,191,203
Reserve for Replacement	$0.30	$6,120	$16,686	$29,790	$54,483	$56,118	$65,056	$75,418	$87,430	$1,238,241
Management Fee	4.00%	$816	$2,225	$3,972	$7,264	$7,482	$8,674	$10,056	$11,657	$165,099
Subtotal Non-Reimbursable Expenses		$48,144	$131,263	$234,349	$428,602	$441,461	$511,774	$593,286	$687,781	$9,740,827
Total Expenses		$124,644	$339,838	$606,724	$1,109,645	$1,142,934	$1,324,974	$1,536,008	$1,780,654	$25,218,835
Net Operating Income (in $000's)		$216,321	$589,793	$1,150,607	$2,104,357	$2,351,400	$2,725,916	$3,160,084	$3,663,404	$51,457,958

Red Mile Mixed-Use Development
20-Year Retail Operations

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Income										
Vacancy Rate		15%	15%	10%	10%	5%	5%	5%	5%	
Occupancy Rate		85%	85%	90%	90%	95%	95%	95%	95%	
Leased Space		11,560	30,600	56,160	99,720	105,260	105,260	105,260	105,260	
Rent/SF		$15.91	$16.39	$16.88	$17.39	$17.91	$20.76	$24.07	$27.90	
Revenues										
Rental Income		$183,960	$501,562	$948,129	$1,734,042	$1,885,289	$2,185,567	$2,533,671	$2,937,219	$41,369,243
Reimbursement income										
Common Area Maintenance and Insurance		$31,790	$86,675	$163,845	$299,659	$325,795	$377,686	$437,842	$507,579	$7,148,988
Taxes		$11,560	$31,518	$59,580	$108,967	$118,471	$137,340	$159,215	$184,574	$2,599,632
Subtotal Reimb. Income		$43,350	$118,193	$223,426	$408,625	$444,266	$515,027	$597,057	$692,153	$9,748,620
Total Revenues		$227,310	$619,754	$1,171,554	$2,142,667	$2,329,556	$2,700,593	$3,130,728	$3,629,372	$51,117,862
Expenses										
Reimbursable Expenses										
Common Area Maintenance and Insurance	$2.75	$37,400	$101,970	$182,050	$332,954	$342,943	$397,564	$460,886	$534,293	$7,567,026
Taxes	$1.00	$13,600	$37,080	$66,200	$121,074	$124,706	$144,569	$167,595	$194,288	$2,751,646
Subtotal Reimb. Expenses		$51,000	$139,050	$248,251	$454,028	$467,649	$542,133	$628,481	$728,582	$10,318,672
Non-Reimbursable Expenses										
General & Administrative	2.00%	$272	$742	$1,324	$2,421	$2,494	$2,891	$3,352	$3,886	$55,033
Marketing & Promotion	$0.50	$6,800	$18,540	$33,100	$60,537	$62,353	$72,284	$83,797	$97,144	$1,375,823
TI/ Leasing Commission Reserve	$1.50	$20,400	$55,620	$99,300	$181,611	$187,060	$216,853	$251,392	$291,433	$4,127,469
Reserve for Replacement	$0.30	$4,080	$11,124	$19,860	$36,322	$37,412	$43,371	$50,278	$58,287	$825,494
Management Fee	4.00%	$544	$1,483	$2,648	$4,843	$4,988	$5,783	$6,704	$7,772	$110,066
Subtotal Non-Reimbursable Expenses		$32,096	$87,509	$156,232	$285,735	$294,307	$341,183	$395,524	$458,521	$6,493,884
Total Expenses		$83,096	$226,559	$404,483	$739,763	$761,956	$883,316	$1,024,005	$1,187,103	$16,812,557
Net Operating Income (in $000's)		$144,214	$393,195	$767,071	$1,402,904	$1,567,600	$1,817,278	$2,106,723	$2,442,269	$34,305,306

Red Mile Mixed-Use Development
20-Year Office Operations

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Income										
Vacancy Rate		100%	100%	15%	10%	5%	5%	5%	5%	
Occupancy Rate		0%	0%	85%	90%	95%	95%	95%	95%	
Leased Space		0	0	20,400	21,600	22,800	159,600	159,600	159,600	
Rent/SF		$19.10	$19.67	$20.26	$20.87	$21.49	$24.92	$28.88	$33.49	
Revenues										
Rental Income		$0	$0	$413,287	$450,726	$490,039	$3,976,627	$4,610,001	$5,344,254	$67,067,393
Reimbursement income										
Common Area Maintenance and Insurance		$0	$0	$56,100	$59,400	$62,700	$438,900	$438,900	$438,900	$6,761,700
Taxes		$0	$0	$20,400	$21,600	$22,800	$159,600	$159,600	$159,600	$2,458,800
Subtotal Reimb. Income		$0	$0	$76,500	$81,000	$85,500	$598,500	$598,500	$598,500	$9,220,500
Total Revenues		$0	$0	$489,787	$531,726	$575,539	$4,575,127	$5,208,501	$5,942,754	$76,287,893
Expenses										
Reimbursable Expenses										
Common Area Maintenance and Insurance	$2.75	$0	$0	$70,019	$72,120	$74,284	$86,115	$99,831	$115,731	$1,639,465
Taxes	$1.00	$0	$0	$25,462	$26,225	$27,012	$31,315	$36,302	$42,084	$596,169
Subtotal Reimb. Expenses		$0	$0	$95,481	$98,345	$101,296	$117,430	$136,133	$157,816	$2,235,634
Non-Reimbursable Expenses										
General & Administrative	2.00%	$0	$0	$509	$525	$540	$626	$726	$842	$11,923
Marketing & Promotion	$0.50	$0	$0	$12,731	$13,113	$13,506	$15,657	$18,151	$21,042	$298,084
TI/ Leasing Commission Reserve	$1.50	$0	$0	$38,192	$39,338	$40,518	$46,972	$54,453	$63,126	$894,253
Reserve for Replacement	$0.30	$0	$0	$7,638	$7,868	$8,104	$9,394	$10,891	$12,625	$178,851
Management Fee	4.00%	$0	$0	$1,018	$1,049	$1,080	$1,253	$1,452	$1,683	$23,847
Subtotal Non-Reimbursable Expenses		$0	$0	$60,089	$61,892	$63,749	$73,902	$85,673	$99,319	$1,406,959
Total Expenses		$0	$0	$155,570	$160,237	$165,045	$191,332	$221,806	$257,134	$3,642,593
Net Operating Income (in $000's)		$0	$0	$334,216	$371,488	$410,494	$4,383,795	$4,986,695	$5,685,620	$72,645,300

Red Mile Mixed-Use Development
20-Year Residential Operations

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total
Income										
Vacancy Rate		15%	10%	5%	10%	5%	5%	5%	5%	
Occupancy Rate		85%	90%	95%	90%	95%	95%	95%	95%	
Leased Units		60	60	60	156	204	204	204	204	
Average Rent/ Unit		$1,273	$1,311	$1,351	$1,391	$1,433	$1,661	$1,926	$2,232	
Total Revenue		$779,125	$849,705	$923,818	$2,343,774	$3,332,266	$3,863,009	$4,478,286	$5,191,561	$72,064,504
Expenses										
Administrative	0.36	$14,580	$15,017	$15,468	$35,640	$83,700	$97,031	$112,486	$130,402	$1,767,836
Management Fee	0.72	$29,160	$30,035	$30,936	$71,280	$167,400	$194,062	$224,972	$260,804	$3,535,673
Advertising & Promotions	0.24	$9,720	$10,012	$10,312	$23,760	$55,800	$64,687	$74,991	$86,935	$1,178,558
Maintenance	0.6	$24,300	$25,029	$25,780	$59,400	$139,500	$161,719	$187,476	$217,336	$2,946,394
Personnel	1.44	$58,320	$60,070	$61,872	$142,560	$334,800	$388,125	$449,943	$521,607	$7,071,345
Insurance	0.36	$14,580	$15,017	$15,468	$35,640	$83,700	$97,031	$112,486	$130,402	$1,767,836
Utilities	1.8	$61,965	$65,610	$69,255	$160,380	$397,575	$460,898	$534,308	$619,409	$8,371,082
Reserve	0.48	$19,440	$20,023	$20,624	$47,520	$111,600	$129,375	$149,981	$173,869	$2,357,115
Total Operating Expenses		$232,065	$240,813	$249,714	$576,180	$1,374,075	$1,592,930	$1,846,642	$2,140,764	$28,995,839
Net Operating Income		$547,060	$608,892	$674,104	$1,767,594	$1,958,191	$2,270,080	$2,631,644	$3,050,797	$43,068,665

Appendix C – Salary Research

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indeed
one search. all jobs.

racetrack employee | 40507 | Find Salaries | Find Jobs

racetrack employee Salaries in Lexington, KY 40507

What	Where
racetrack employee	40507

Add Comparison

Search Job Titles Only | View Salary

Average Salary of Jobs Matching Your Search

racetrack employee in Lexington, KY 40507 — $29,000

in USD as of Oct 28, 2009 — 35k — 70k — 105k

Average racetrack employee salaries for job postings in Lexington, KY 40507 are 10% lower than average racetrack employee salaries for job postings nationwide.

- Email to a friend
- Post on Your Blog/Website

Sample Salaries

- Big Companies Pay More?
- Bachelor's, Master's, Ph.D.
- Web 2.0 AJAX Salaries
- Blog for a Living?
- VC-backed?
- Danger Pay
- Nurse Job Qualifications
- Need to Relocate?
- Dragnet, SVU or CSI?

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one search. all jobs.

retail sales worker | 40507 | Find Salaries | Find Jobs

retail sales worker Salaries in Lexington, KY 40507

What	Where
retail sales worker	40507

Add Comparison

Search Job Titles Only | View Salary

Average Salary of Jobs Matching Your Search

retail sales worker in Lexington, KY 40507 — $25,000

in USD as of Oct 28, 2009 — 45k — 90k — 135k

Average retail sales worker salaries for job postings in Lexington, KY 40507 are 11% lower than average retail sales worker salaries for job postings nationwide.

- Email to a friend
- Post on Your Blog/Website

Sample Salaries

- Big Companies Pay More?
- Bachelor's, Master's, Ph.D.
- Web 2.0 AJAX Salaries
- Blog for a Living?
- VC-backed?
- Danger Pay
- Nurse Job Qualifications
- Need to Relocate?
- Dragnet, SVU or CSI?

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one search. all jobs.

restaurant worker | 40507 | Find Salaries | Find Jobs

restaurant worker Salaries in Lexington, KY 40507

What	Where
restaurant worker	40507

Add Comparison

Search Job Titles Only | View Salary

Average Salary of Jobs Matching Your Search

restaurant worker in Lexington, KY 40507 — $28,000

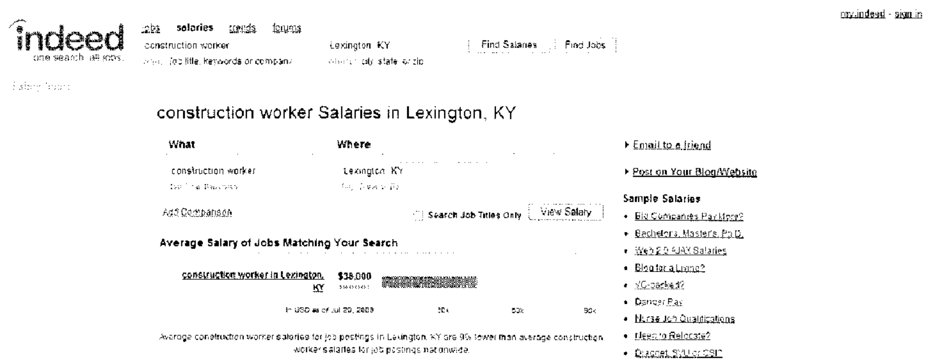
in USD as of Oct 28, 2009 — 45k — 90k — 135k

Average restaurant worker salaries for job postings in Lexington, KY 40507 are 11% lower than average restaurant worker salaries for job postings nationwide.

- Email to a friend
- Post on Your Blog/Website

Sample Salaries

- Big Companies Pay More?
- Bachelor's, Master's, Ph.D.
- Web 2.0 AJAX Salaries
- Blog for a Living?
- VC-backed?
- Danger Pay
- Nurse Job Qualifications
- Need to Relocate?
- Dragnet, SVU or CSI?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construction worker
Lexington, KY
Find Salaries
Find Jobs
construction worker Salaries in Lexington, KY
What
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construction worker
Lexington, KY
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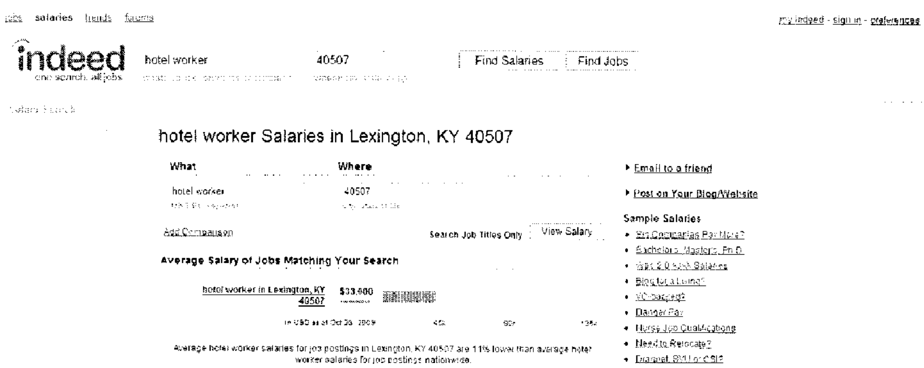
Search Job Titles Only
View Salary
Average Salary of Jobs Matching Your Search
construction worker in Lexington, KY
$38,000
30k
60k
90k
Average construction worker salaries for job postings in Lexington, KY are 9% lower than average construction worker salaries for job postings nationwide.
Email to a friend
Post on Your Blog/Website
Sample Salaries
Danger Pay
Nurse Job Qualifications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hotel worker
40507
Find Salaries
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hotel worker Salaries in Lexington, KY 40507
What
Where
hotel worker
40507
Add Comparison
Search Job Titles Only
View Salary
Average Salary of Jobs Matching Your Search
hotel worker in Lexington, KY 40507
$33,000
Average hotel worker salaries for job postings in Lexington, KY 40507 are 11% lower than average hotel worker salaries for job postings nationwide.
Email to a friend
Post on Your Blog/Website
Sample Salaries
Danger Pay
Need to Relocate?

Appendix D - Commonwealth Economics' Organization

Commonwealth Economics, LLC

Commonwealth Economics is a leader in developing the following types of reports and analysis for clients in the public and private sector: economic impact analysis, market analysis, fiscal analysis, and feasibility studies. Commonwealth Economics' has helped over twenty companies and municipalities analyze the potential benefits of TIF.

Commonwealth Economics has helped clients successfully obtain over $750 million in federal, state and local incentives. We have specialized knowledge, experience, and proven processes to help clients take full advantage of available credits and ensure compliance. As Secretary of Finance, John R. Farris helped draft the State's new TIF law. We are experts in tax increment financing (TIF), economic impact analysis, and federal loan and tax credit programs.

John Farris

John R. Farris is the Founder and President of Commonwealth Economics. He began his career as an economist at the Center for Economics Research at the Research Triangle Institute. Mr. Farris continued his professional career as a senior economics consultant with the World Bank and the International Finance Corporation. From 2006 - 2007, Mr. Farris served as Secretary of the Finance and Administration Cabinet for the Commonwealth of Kentucky, where he oversaw the collection, investment and distribution of over $8 billion dollars in annual tax revenue. Currently, Mr. Farris also serves as a Professor of Economics and Finance at Centre College in Danville, Kentucky.

Mr. Farris received a full-tuition fellowship to study economics and finance at the Woodrow Wilson School at Princeton University, where he was awarded a Master's Degree in 1999. Before attending Princeton, Mr. Farris studied economics and set-theoretical logic at Centre College from which he graduated, Phi Beta Kappa, attaining a Bachelor of Science degree in Economics and Philosophy in 1995. Mr. Farris is also a Series 65 Licensed Registered Investment Advisor.

**STATEMENT OF COMPLIANCE WITH COMPREHENSIVE PLAN
PROPOSED RED MILE MIXED-USE DEVELOPMENT AREA**

BACKGROUND

An application has been made to create a "Blighted Urban Mixed-Use Redevelopment Area" Tax Increment Financing ("TIF") District as permitted under state statutes. This TIF District creation process provides a mechanism for financing improvements within the district, utilizing future increases in tax revenues as the mechanism for paying for the improvements.

As applied locally, the statutory process requires that the Urban County Council review and hold a public hearing on the proposed TIF District. If approved at the local level, the project is submitted to, and reviewed by, a series of state-level agencies. If approved, the Commonwealth of Kentucky and the LFUCG will enter into a formal agreement and implement the District.

PLANNING COMMISSION ROLE

The state statutes provide for review of the proposed plan for the TIF District by the Planning Commission. As part of the list of materials and documents that comprise the "development plan" for the TIF District, the statute requires that the local Planning Commission certify that it has reviewed the plan for compliance with the community's adopted Comprehensive Plan.

PROPOSED DISTRICT - AREA

The proposed District for review has been titled the "Red Mile Mixed-Use Development" Area.

The boundary area of the District, which contains approximately 83 acres, includes a portion of the Red Mile property (all but the harness racing track, the Tattersalls facility and the stables near South Broadway). It is located on the east side of Red Mile Road and encompasses two parcels and a portion of a third (i.e., 780, 790 and a portion of 1200 Red Mile Road). The right-of way of Red Mile Road from South Broadway to Versailles Road, including the intersections at those two streets, are also within the TIF District boundary. The grandstand and the Stable of Memories will remain and will be a part of the overall redevelopment of the site, sharing parking with the Red Mile; but the Stable of Memories is not to be included in the TIF District.

The exact boundary of the District is shown on the attached Exhibit A.

PROPOSED DISTRICT - ELIGIBLE IMPROVEMENTS

The proposed projects to be eligible for funding through the TIF District are:

- Streetscape Improvements - sidewalk, curb/gutter and greenway along Red Mile Road; Town Green streetscape, to include sidewalks, curbs and gutter; landscaping and lighting (site and parking areas)
- Storm and Sanitary Sewer Improvements - repairs and construction, both on and off site; new hydrants; water main extensions
- Utility Modification/Relocation and Burial - underground gas and electric; underground telephone and cable television
- New Parking - structures and surface spaces
- Town Green Park
- Off-Site Intersection Improvements - to include both the South Broadway and Versailles Road intersections at Red Mile Road
- Connection to Angliana Avenue
- Widening of Red Mile Road from Horsemans Lane to Versailles Road intersection
- Building Demolition, Grading and Land Preparation for sidewalks, landscaping, fencing and other public improvements; Erosion and Sediment Control
- Installation of Bus Shelters

This list represents the scope of potential public improvement projects. Final project approval is subject to the approval of the Urban County Council.

Private development/improvements are to include:

- Residential Units (Condos & Apartments)
- Mixed-Use Office/Retail
- Mixed-Use Residential/Retail
- Hotel/Entertainment Venues

COMPREHENSIVE PLAN

Many adopted elements of the *2007 Comprehensive Plan* speak directly to the types of improvements in the area that are within the scope of this TIF District. The Mission Statement of the Comprehensive Plan, as well as the "Vision for Lexington-Fayette County," supplies the basis for land use decisions and development, including urban design. The Mission of Lexington's planning efforts is to provide a "vision for physical development that will allow Lexington to grow and prosper, promoting economic development and viable job development," while preserving its quality of life, historic character and amenities, and other elements that make it a desirable place to live and work.

As part of the "vision" for Lexington's land use patterns and urban design, the Comprehensive Plan lays out several themes. Six of those themes are particularly applicable to the Red Mile TIF District Development Plan:

- *Promoting the myriad components that strengthen the viability of downtown, including professional and commercial uses, cultural and recreational activities, and new and existing housing.*

- *Implementing infill and redevelopment strategies that expand residential and commercial opportunities; are appropriate in character and design; and complement and reinforce the fabric of the neighborhood.*

- *Enabling the creation, growth and retention of jobs that promote a strong, progressive and diversified urban and rural economy.*

- *Developing a green infrastructure system with open space, facilities and amenities that serve all citizens and help create a sense of community.*

- *Preserving, protecting and maintaining existing residential neighborhoods in a manner that ensures stability and the highest quality of life for all residents.*

- *Providing infrastructure improvements to fully serve existing developments, to accommodate current growth, to plan for long-term future urban needs, and to enhance the high quality of life in Lexington.*

The Comprehensive Plan contains a total of twenty-one (21) Goals, each of which has Objectives to facilitate their implementation. Several Goals and Objectives of the adopted Plan are directly supported by the proposed improvements:

<u>Goal 1</u>: Provide planning processes which enable widespread citizen participation and benefit Lexington-Fayette County.

Relevant Objectives:

A. *Provide an ethically sound decision-making environment for planning and zoning; ensure that the planning process is open and accessible, efficient and effective.*

B. *Encourage active citizen participation in planning processes from all segments of the community.*

C. *Use all available technology to enable dissemination of public information and enhance opportunities for citizen participation; consider alternative formats for public input and communication to ensure a well-informed public.*

D. *Work with citizen-based neighborhood organizations that encourage and enable neighborhood self-management and improvement.*

<u>Goal 2</u>: Promote regional planning and coordination throughout the inner Bluegrass Region.

Relevant Objectives:

E. *Study a diverse range of transportation improvements to meet long-range, inter-county transportation needs, linking transportation proposals with growth management controls to ensure efficient traffic movement and responsible planning.*

F. Encourage intergovernmental regional planning processes for the development of parks, green space, view sheds, and greenways, including bikeway opportunities.

G. Pursue greater planning, cooperation, and coordination with entities of state and federal government to ensure that governmental land uses not subject to local zoning control do not unduly burden Urban County Government infrastructure or adversely impact land uses in the general vicinity.

Goal 3: ***Promote land uses that are sensitive to the natural and built environment.***

Relevant Objectives:

B. Promote design quality, compatibility, and preservation of existing significant structures and areas.

E. Preserve, protect, and maintain soils, existing trees, tree stands, and other plant life; natural drainage ways, creeks, and springs; and environmentally sensitive areas such as sinkholes and steep slopes from severe intrusion, alteration, or destruction during urban development.

G. Ensure that the appropriate facilities and structures are used to accommodate surface drainage in a manner that recognizes their effects on underground drainage and are consistent with the desire to improve water quality.

Goal 4: ***Develop and implement a greenspace system that preserves the urban and rural identity of Fayette County and provides a framework for regional and local planning.***

Relevant Objectives:

D. Preserve, protect, and enhance the greenspace elements that give the Bluegrass Region its unique identity, including biologically diverse natural areas, scenic vistas and corridors, places of historic and cultural significance, environmentally sensitive areas, geologic hazard areas, and riparian areas.

F. Preserve, protect, and enhance the character of significant transportation corridors throughout Fayette County, providing for appropriate open space, setbacks, and landscaping as well as multi-purpose transportation needs.

Goal 5: ***Protect and preserve Fayette County's significant historic and cultural heritage.***

Relevant Objectives:

B. Preserve, protect and enhance the natural and cultural landscape that gives the Bluegrass Region its unique identity and image.

C. *Encourage protection of significant historic resources and archeological sites by documenting and/or designating historic districts and historic landmarks.*

D. *Encourage renovation, restoration development, and maintenance of historic residential and commercial structures.*

E. *Encourage the retention, protection and compatible adaptive reuse of historic resources, sites and structures.*

H. *Encourage inter-governmental cooperation among the various units of the Urban County Government in dealing with the protection and maintenance of both private and public sites and structures.*

Although the Red Mile is not within the Rural Service Area, two of the Objectives of Goal 6 are relevant to the proposed project:

G. *Preserve adequate land for the equine industry; protect equine operations from encroachment; and promote future equine industry growth in the region.*

H. *Support and encourage existing horse breeding and racing operations and encourage expanded capital investment and new farm development as tools for local and international investment and economic development.*

Goal 7, in and of itself, does not specifically relate to the proposed project; however, five of its Objectives are clearly relevant:

C. *Support appropriate maintenance, development, redevelopment, and rehabilitation of housing and public facilities in accordance with the Comprehensive Plan.*

E. *Encourage new development to be compact and contiguous.*

H. *Promote established employment areas at locations where public facilities are adequate for the anticipated uses, which are accessible to arterials and employees, which are appropriate for the uses, and which create balanced opportunities at various locations in Lexington-Fayette County.*

I. *Create balanced employment opportunities and higher intensity residential and non-residential uses that are compatible with existing developed areas.*

J. *Assure that development maximizes efficient use of existing adequate essential facilities or occurs only where essential facilities are planned and programmed to reasonably coincide with the occurrence of development.*

Goal 8 and eleven of its Objectives directly relate to and support the proposed projects:

***Goal 8**: Create strategies that enable and encourage appropriate infill and redevelopment of established developments and neighborhoods.*

Relevant Objectives:

B. Continue to review and revise the existing Zoning Ordinance and Subdivision Regulations on an ongoing basis to ensure they are conducive to infill and redevelopment, including streamlining the development review process.

C. Identify infill and redevelopment areas where infrastructure improvement efforts should be targeted.

D. Create and implement urban development incentives for infill and redevelopment for established developed areas that are within the defined Infill and Redevelopment Area and at appropriate locations outside the area.

E. Encourage the rehabilitation and adaptive reuse of all existing underutilized buildings to the greatest extent feasible.

F. Create strategies for new neighborhood centers and businesses that are compatible with and support existing residential areas.

G. Revitalize and enhance existing neighborhood centers and businesses.

H. Ensure that infill and redevelopment projects are compatible with and complementary to existing development.

J. Ensure that necessary infrastructure improvements accompany all infill and redevelopment projects.

K. Rehabilitate, maintain, and improve existing infrastructure that supports infill and redevelopment, particularly in underserved areas and projects targeted for affordable housing.

L. Encourage infill and redevelopment in locations where adequate urban services and infrastructure are in place or planned.

M. Support neighborhood planning processes that encourage active neighborhood participation and involvement in infill and redevelopment activities.

Goal 10 and eight of its Objectives are clearly relevant to the proposed redevelopment of the property:

***Goal 10**: Preserve, promote and enhance those aspects of the natural, built and cultural environment that encourage tourism.*

Relevant Objectives:

A. *Recognize various types of tourism as significant and desirable components of the local economy and encourage the preservation of the cultural, historic, ecological, and agricultural resources upon which they are based.*

B. *Encourage and promote the vital role of the equine industry and its related industries in tourism and tourism development.*

D. *Identify, protect and encourage the development of appropriate attractions and supporting uses that promote and enhance tourism and tourism development.*

E. *Identify, protect and enhance Fayette County's role in regional tourism.*

F. *Promote and enhance facilities and activities in and around the Downtown area necessary to support and attract tourism.*

G. *Promote and enhance existing tourist attractions, including interpretive and public information facilities, historic markers, and similar systems.*

H. *Identify and provide for the future location of anticipated or desired potential major cultural and tourism-related uses.*

K. *Protect and enhance urban scenic corridors.*

Goal 11 and ten of its Objectives are also clearly relevant:

***Goal 11:* Provide diverse business and employment opportunities for Lexington-Fayette County.**

Relevant Objectives:

C. *Encourage retention and expansion of existing local industries and businesses.*

D. *Attract new job-creating capital investment to Lexington and the region.*

E. *Devote economic development resources equitably, assisting existing firms as well as attracting new ones.*

G. *Encourage employment opportunities that lead to full and equal employment for all citizens, including Lexington's poor.*

I. *Provide essential employment areas that are compatible with residential neighborhoods and Lexington-Fayette County as a whole.*

J. *Encourage revitalization and/or reuse of underutilized employment centers.*

K. *Identify long-range strategies for economic development that reflect the comparative advantage of Lexington and the region.*

L. *Allow greater flexibility within commercial, office, warehouse and industrial areas within the Urban Service Area and Rural Activity Centers where these uses will not conflict with residential and agricultural uses.*

M. *Encourage economic development that will provide residents with economic opportunities that sustain adequate income and generate sufficient public revenue for equitable and adequate services and facilities.*

P. *Encourage diverse modes and routes of transportation opportunities between employment sites and residential concentrations.*

Although the Red Mile is not within Downtown, by virtue of its proximity; and in conjunction with the planned improvements that will physically connect to new and proposed developments along Angliana Avenue, it could be considered as an extension of Downtown. The north/east side of Angliana Avenue is within the designated Downtown Master Plan Area; therefore, once the Showprop Development is completed (part of which is located within the DTMP Area), along with the proposed improvements and connection to/from the Red Mile property, Goal 12 and several of its Objectives are related to, and are supported by, the improvements that are proposed.

***Goal 12*: Ensure the desirability, diversity, and vitality of downtown.**

Relevant Objectives:

A. *Support the adoption and implementation of a downtown master plan as an element of the Comprehensive Plan.*

B. *Build upon the strengths of existing businesses and solicit new uses and activities, including residential development that will improve the vitality of downtown for commerce, culture, entertainment, and neighborhoods.*

E. *Promote sufficient hotel, retail, and office space within the downtown area to meet a significant percentage of the overall needs of the County.*

F. *Promote and enhance downtown as a desirable housing center through the reuse of existing structures, mixed use development, and/or higher density development.*

G. *Preserve and protect the historic and cultural resources of the downtown area.*

H. *Foster public-private efforts to maintain, rehabilitate, and redevelop downtown.*

I. *Recognize and preserve significant architectural features and encourage new construction to be compatible with these significant features.*

J. *Implement creative efforts to enable more housing in the downtown area; encourage the creation of more downtown residential uses through new* *construction, restoration, adaptive reuse, and redevelopment that are compatible with surrounding land uses and design.*

L. *Develop more efficient and safer pedestrian and vehicular access to and within the downtown area from all directions to more effectively promote its use as a regional attraction.*

M. *Enhance existing downtown open spaces and improve pedestrian connections.*

Goal 13 and seven of its Objectives clearly relate to the proposed projects:

<u>Goal 13</u>: Provide housing opportunities to meet the needs of all citizens.

Relevant Objectives:

A. *Offer sufficient choice of decent and safe housing for citizens of all income levels in all areas of Lexington.*

C. *Provide for a wide range of lifestyles and economic opportunities for all residents, including the elderly, and do so in a manner which is affordable and cost effective.*

F. *Provide land for residential uses of all types in sufficient amount and locations within the Urban Service Area to adequately meet the projected population growth of Fayette County.*

H. *Encourage a variety of residential densities that respect the character of existing neighborhoods and developments, and are consistent with adopted plans.*

I. *Encourage infill housing opportunities where compatible with existing areas and where services and infrastructure problems will not be exacerbated.*

K. *Create incentives at employment centers throughout the Urban Service Area that encourage people to live near their work.*

M. *Incorporate principles from the <u>Expansion Area Master Plan</u> throughout the Urban Service Area, including expanding incentives to promote the creative development of affordable housing consistent with the character of existing neighborhoods.*

Goal 14 and all nine of its Objectives are also clearly relevant to what is proposed:

<u>Goal 14</u>: Establish and promote well-designed communities that provide appropriate services to multi-neighborhood areas and encourage community interaction.

A. *Establish incentives and/or regulatory requirements that are designed to promote better integration of a variety of housing types in close proximity.*

B. *Identify, plan, and locate community mixed-use centers as concentrations of mixed land uses that are compatible with surrounding areas at key locations with access to a diverse range of transportation facilities.*

C. *Establish design and location criteria to promote the compatibility of existing and proposed community mixed-use centers with their surroundings.*

D. *Improve the quality and level of essential public and community facilities and services, especially public transportation, to serve multi-neighborhood communities.*

E. *Evaluate public and community facilities in each community area and prioritize capital improvements to enhance each community.*

F. *Encourage new residential developments to exceed minimum threshold densities.*

G. *Promote utility-efficient facility, structure, and site design in public and private developments.*

H. *Re-evaluate the definitions of and criteria for various scales of retail areas and shopping centers, with particular emphasis on creating standards for small-scale mixed-use and appropriate neighborhood scale developments.*

I. *Develop communities and neighborhoods that are self-sustaining by enabling a range of services and activities, such as employment centers, neighborhood commercial centers, mixed residential types, schools, community centers, recreation and leisure, and worship.*

Goal 15 and nine of its Objectives clearly relate to the proposed projects:

***Goal 15*: Preserve, protect, and enhance the character and quality of existing neighborhoods.**

A. *Retain the character, identity, and appearance of vital, successful residential and nonresidential areas.*

B. *Develop strategies to maintain, preserve, and revitalize existing neighborhoods.*

C. *Develop, adopt, and periodically review Small Area Plans as tools to address neighborhood and community enhancement issues; develop Small Area Plans in a systematic manner, ensuring that they are thoughtful and inclusive, with broad neighborhood participation.*

E. *Plan for and promote infill and redevelopment that is appropriate in character, density, and design and serves to reinforce the fabric of the neighborhood.*

F. *Plan for the establishment of retail uses with a neighborhood focus and character, providing opportunities for employment and essential services closer to residents, including but not limited to corner groceries, dry cleaners, delicatessens, and barbershops.*

H. *Encourage innovative design, planning, and development solutions that are consistent with neighborhood needs and character.*

J. *Continue to work with universities and neighborhoods to address common concerns.*

K. *Promote human-scale, bicycle and pedestrian-friendly neighborhoods.*

N. *Review existing land use and zoning and amend the zoning map as necessary to protect neighborhoods, to encourage appropriate density and character development, and to implement the recommendations of the Comprehensive Plan.*

Goal 16 and six of its Objectives are clearly relevant and are supported by the proposed projects:

<u>Goal 16</u>: Promote well-designed new development that creates and enhances neighborhoods and communities.

A. *Develop residential blocks or patterns that provide a well-organized and complete system of vehicular, pedestrian and bicycle-friendly facilities, and have human scale architectural or urban design features and community focus of common areas.*

B. *Encourage creative neighborhood design with interconnecting street systems and a sense of community.*

D. *Encourage medium- and high-density residential and higher intensity nonresidential uses that respect the character of existing neighborhoods and developments and are compatible with proposed development areas.*

E. *Plan locations of residential and commercial land uses carefully to provide appropriately sized and designed facilities that are compatible with and best serve their surrounding neighborhoods.*

G. *Ensure the development and improvement of essential public and community facilities and services in residential and nonresidential areas.*

I. *Coordinate and reconcile the need to design neighborhoods to be walkable and pedestrian-friendly with the safe and efficient provision of urban services such as refuse collection and fire protection.*

Goal 18 and seven of its Objectives are clearly relevant to the proposed projects, especially those related to sanitary and storm sewer repair/maintenance:

***Goal 18**: Provide and maintain essential public services and facilities.*

Relevant Objectives:

- A. *Ensure public services and facilities are adequate and equitably distributed.*

- B. *Plan and program land acquisition and the installation of all essential public facilities, including but not limited to roadway needs, to reasonably coincide with the occurrence of development.*

- C. *Maintain existing infrastructure and levels of service, and establish standards for timely maintenance, repair, and replacement needed for expansion.*

- D. *Balance capital improvement expenditures between existing and new developments.*

- E. *Make adequate the essential public facilities serving existing neighborhoods, under-utilized employment centers, and economic development sites to more fully realize the potential of these areas.*

- I. *Provide sanitary sewer service to the entire Urban Service Area through public and private cooperative efforts in financing, easement acquisition, and construction as detailed in the LFUCG 201 Facilities Plan Update.*

- J. *Upgrade existing sanitary and storm sewer systems and facilities and add new facilities as needed.*

Goal 19 and eight of its Objectives are also clearly relevant:

__Goal 19__: Provide and maintain a comprehensive transportation system.

Relevant Objectives:

- A. *Use the transportation and land use planning and development process to continuously monitor, update, and implement the Transportation Plan and to coordinate all aspects with other Comprehensive Plan elements.*

- B. *Encourage a more efficient and interconnected system of streets and highways and promote traffic patterns that provide alternatives to corridor travel.*

- F. *Comply with all applicable federal accessibility regulations.*

- G. *Provide a balanced and coordinated multi-modal transportation system; encourage the use of all viable modes of transportation.*

- H. *Promote integrated land use and transportation planning.*

I. Encourage and enhance mass transit development and use, including such related infrastructure as transfer facilities, bus shelters, street graphics and pull-off and acceleration lanes.

J. Encourage and enhance alternatives to motorized modes of transportation, including biking and walking.

N. Enhance the visual character of all major transportation routes.

Goal 20 and six of its Objectives clearly relate to the proposed projects as well:

***Goal 20**: Provide and maintain a range of community facilities and services.*

Relevant Objectives:

B. Promote local and regional cultural facilities and activities.

H. Coordinate public facility development with other public and private agencies.

J. Assess the impact of new development or redevelopment on community facilities.

K. Use the Comprehensive Parks and Recreation Master Plan and the Comprehensive Plan elements during the land development process to secure adequate passive and active recreation land and facilities to meet the needs of local neighborhoods and Fayette County as a whole.

Q. Provide street lights in the Urban Service Area to improve safety.

S. Provide all residents, including residents living downtown and in existing neighborhoods, with safe and convenient parks for recreation.

Not only does the Goals and Objectives section of the Comprehensive Plan support the proposed project, the Land Use Element of the Plan supports many aspects of the project as well. Goal 12, Objective "A" (above) notes that there was a Downtown Master Planning project conducted as a part of the Comprehensive Plan update process. As stated previously, although not within Downtown, the Red Mile is just beyond an area mapped as part of the Downtown Master Plan Area: the north/east side of Angliana Avenue, which is immediately to the east of the Red Mile track, is within the boundary of the approved Downtown Master Plan (DTMP) and provides the southern/western edge of the DTMP area. When the proposed Red Mile project is completed, there will be a direct connection to Angliana Avenue and the developments that have recently been approved by the Planning Commission, including the Showprop development on Angliana, a portion of which is actually within the Downtown Master Plan area. Therefore, once redeveloped, by virtue of the connection proposed between the Red Mile and the Showprop development, as well as a pedestrian connection being considered as part of a "Safe by Design" study between Downtown and the Red Mile, the entire area will be an extension of Downtown and will provide a logical southern/western boundary for the downtown area.

Although noted in the Comprehensive Plan as subject to further review and discussion as part of the Downtown Master Plan, there are several key principles of the Downtown Plan Element embodied in the proposed project:

- Increase residential development
- Invest in a pedestrian network
- Maximize density in vacant sites
- Celebrate urban entrances
- Change land use

The 2007 Comprehensive Plan recommendation for the Red Mile property is Semi-Public Facilities (SP) land use. The Plan states that the property "should be reviewed through a Small Area Plan, with strong consideration for high-density residential and mixed use." The Red Mile Development Plan, which provides the basis for this TIF application, is the result of a 5-month process (spring and summer of 2009) that consisted of a series of public meetings (many of which were held at the Red Mile) with a "working group" of area residents, representatives of the Red Mile Property (consultants, attorneys and engineers), Planning Commission members and Division of Planning staff. Those meetings, which provided the cornerstone of that 5-month process, fleshed out concerns and issues that should (and will) be addressed as part of the redevelopment of the property, and provided ideas as to what might be desirable (as well as undesirable) uses for the property. One Goal and several Objectives of the Comprehensive Plan were embodied in the working group process: Goal 1 and four of its Objectives (A through D); Goal 8, Objective M; and Goal 15, Objectives C and J, all of which address and relate to involvement of the public in the planning process for Lexington-Fayette County. The level of work and involvement experienced in that 5-month process was a perfect example of the intent expressed in these Goals and Objectives and was a true demonstration of Comprehensive Plan implementation.

The Red Mile Development Plan was developed as an alternative to a more formalized Small Area Plan, which was a recommendation of the 2007 Comprehensive Plan. Even so, it accomplishes (both in intent and in actuality) what a Small Area Plan is designed to do, which is to study and discuss options for land use, and determine the best use of the land to serve the needs of the community. The final product (i.e., the 30+ page document known as the Red Mile Development Plan), which recommended a zone change to MU-3 to accommodate the mix of uses proposed, all of which are shown on the "development plan" submitted with this application, is in compliance with and supports the recommendations of the 2007 Comprehensive Plan. It is also in compliance with and supports several Goals and Objectives, and is consistent with previous plans, including the 1990 South Broadway Corridor Plan, which was adopted as part of the 1988 and the 2001 Comprehensive Plans.

CONCLUSION

As part of its certification of compliance with the Comprehensive Plan, any recommendation(s) regarding re-zoning, text amendments or other changes needed to accommodate the proposed TIF Development Plan are to be included. No text amendments are needed, as a change to the MU-3 zone was recently approved by the

Urban County Council (specifically with this project in mind) that allows the uses proposed once the Red Mile property is re-zoned to MU-3 (Mixed-Use Community). Those changes are now a part of the Zoning Ordinance. A request for re-zoning of the property from A-U (Agricultural Urban), B-4 (Wholesale and Warehouse Business) and R-1C (Single Family Residential) was recently heard by the Planning Commission (November 19), and was recommended for approval to the Urban County Council, who will make the final decision on the change to MU-3 in the near future. The corollary development plan was also recommended for approval and was recently certified so that the zone change could be forwarded on to the Council.

There are two known environmental issues related to the properties within the TIF development area, one of which is a cave and the other a possible sinkhole. Both are in areas not proposed for development as part of the mixed use project. When a final development plan is submitted for Planning Commission approval, the two features will need to be clearly delineated as "no development" areas. Because there is known karst topography in the area, if any other issues are discovered during the development process, which includes land preparation, appropriate mitigation must be provided. With regard to compliance with the Comprehensive Plan, Goal 3 and its Objectives provide the framework or basis for the environmental stewardship required by the Plan as it relates to development within Fayette County. Goal 3, which is to *"Promote land uses that are sensitive to the natural and built environment,"* contains four Objectives that are relevant:

> D. *Protect or promote proper use and maintenance of natural areas and resources and their biodiversity.*
>
> E. *Preserve, protect and maintain soils, existing trees, tree stands and other plant life; natural drainage ways, creeks and springs; and environmentally sensitive areas such as sinkholes and steep slopes from severe intrusion, alteration or destruction during urban development.*
>
> F. *Use available natural and built resource inventories and environmental impact analyses to help determine land use plans.*
>
> G. *Ensure that the appropriate facilities and structures are used to accommodate surface drainage in a manner that recognizes their effects on underground drainage and are consistent with the desire to improve water quality.*

To ensure that the Goals and Objectives of the Comprehensive Plan are met with regard to any type of mitigation or improvements that may be needed, the natural environment should be respected and even enhanced during this process inasmuch as possible.

Perhaps the most relevant supporting language with regard to the projects that are proposed as part of the TIF District is contained in the "Downtown" section of the Land Use Element. The following statements seem to embody the full scope and vision of the projects to be undertaken:

> *"The need for a vibrant, dynamic, and growing downtown area continues to be one of the most important elements of the overall growth management strategy of the 2007 Comprehensive Plan. ... Since the adoption of the 2001 Plan Update,*

extensive efforts have been undertaken to enhance recent trends and development activity that bode well for a major renaissance of Lexington's downtown area."

"Recent trends in development activity have shown that downtown is an attractive place to live. This residential component of downtown is viewed as key to downtown's future as downtown and the immediate vicinity are inherently attractive to both younger and older residents due to diversity, walkability, entertainment, proximity to major universities and many other factors. A number of recent projects are underway, which will add additional living space to downtown, often in a mixed-use development."

The creation of this TIF District and the implementation of the proposed projects fit this vision and will help to implement the cited Goals and Objectives of the Comprehensive Plan.

CERTIFICATION OF COMPLIANCE

The Lexington-Fayette County Planning Commission finds that the proposed Red Mile Mixed-Use Development Plan for the proposed TIF District is hereby certified as being in compliance with the adopted 2007 Comprehensive Plan Update for Lexington and Fayette County, and adopts this report as its official statement to be included as a part of the development plan as it is forwarded to the Lexington-Fayette Urban County Council for consideration.

Adopted and Approved by the Lexington-Fayette Urban County Planning Commission on 12-10-09, 2009.

Frank Penn, Jr., Chair

Christopher D. King, Secretary

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QUALIFYING PUBLIC INFRASTRUCTURE COMPONENTS

Figure 5-1 describes the public infrastructure costs that are included in project costs. These estimated costs for public infrastructure qualify for financial support through the TIF program. The public infrastructure costs total $54 million.

Figure 5-1

Red Mile Mixed-Use Development **Approved Public Infrastructure Costs**	
General Conditon	$150,000
Demolition	$350,000
Clearing and Grubbing	$162,500
Erosion and Sediment Control	$424,200
Land Development	$6,060,000
Curb and Gutter	$1,500,000
Sidewalk	$660,000
Road Work	$2,202,400
Parking Lots	$3,701,900
Sanitary Sewers	$1,913,580
Waterlines	$1,416,719
Storm Sewers	$4,112,466
Street Light	$180,000
Electric, Gas, Telephone, and Cable Conduits	$195,000
Town Green Park	$1,300,000
Town Green Streetscape	$2,080,000
Intersections With Red Mile Road	$1,095,000
Greenway Along Red Mile	$2,300,000
Intersection Improvement South Broadway	$968,750
Intersection Improvement Versailles Road	$475,000
Angliana Connection	$308,750
Red Mile Widening from Horseman Lane to Versailles Road Intersection	$2,402,690
Red Mile Greenway & Utility Relocations	$700,000
Parking Structures	$7,440,000
A/E, Legal Services & Other Soft Cost (15%)	$5,938,558
15%Contingency	$5,938,558
Total	**$53,976,071**

CERTIFICATION

The undersigned, Susan Lamb, Clerk of Council of the Lexington-Fayette Urban County Government, hereby certifies as follows:

1. The foregoing Ordinance No. 47-2010 was introduced in writing and read to the Council of the Lexington-Fayette Urban County Government at regular or special meetings thereof held on the 11th day of March, 2010, and the 25th day of March, 2010, at which quorums were present; and said Ordinance was enacted by the LFUCG Council upon the affirmative vote of at least a majority of a quorum thereof, at the meeting thereof on the 25th day o March, 2010, with the vote of each member of the LFUCG Council entered upon the official record of such meeting; and

2. After passage and adoption of the foregoing Ordinance by the LFUCG Council, it was submitted to the Mayor of the LFUCG who affixed his signature thereto within ten (10) days after the submission thereof to him; and

3. The foregoing Ordinance was published on the 1st day of April, 2010, in the a newspaper qualified pursuant to the provisions of Chapter 424 of the Kentucky Revised Statutes, as amended, to publish summaries of ordinances of the Lexington-Fayette Urban County Government.

Susan Lamb

Susan Lamb, Clerk of Council

CERTIFICATE

I do hereby certify that the title to this enactment contains an accurate synopsis of the contents thereof and may be used to satisfy the reading and publication requirements of law.

Taft Stettinius & Hollister LLP

By: James Parsons

James E. Parsons
Attorney At Law

ADMINISTRATIVE REVIEW FORM

Request for Council Action

See Reverse for Instructions

Log No. 103-10

I. DIRECTORS AND / OR COMMISSIONERS (Summary of Action Requested)

Ordinance and participation agreement establishing Tax increment financed development area, Authorizing creation of a tax increment fund for redevelopment and authorizing necessary actions. - Red Mile

Budgetary Implications: ____Yes ____No   Advance Document Review: _____Law _____Risk Mgmt

If 'Yes', provide the following information. Prepare and attach a Budget Amendment if necessary.

Fully Budgeted ____   Partially Budgeted ____   Not Budgeted ____

ACCOUNT NUMBER   THIS FY IMPACT $ N/A   ANNUAL IMPACT $

PROJECT ____   ACTIVITY ____   BUDGET REFERENCE ____

Director's Signature / Date   Commissioner's Signature / 3-2-10 Date

SAM

II. RECEIVED AND LOGGED FOR SENIOR ADVISOR OF MANAGEMENT (SAM)

Received By / 03/02/10 Date

III. ADMINISTRATIVE SERVICES REVIEW

Review By	Initials / Date	Approve	Disapprove	Comments
Department of Law	DJG, 3/3	✓		
Division of Budgeting	LM, 3/3	✓		

Schedule No.____ B-102 No. Ø ____ Acct. No. ____

Project ____ Activity ____ Budget Reference ____

Fiscal Year ____ Annual Impact $____ Current Balance $____

Review By	Initials / Date	Approve	Disapprove	Comments
Division of Human Resources	DHT, 3/4/10			
Division of Community Development	3/4	✓		
Department of Finance & Administration	3/4/10			

IV. POST REVIEW ACTION TAKEN

_____Forward to SAM _____Hold _____ Return to Commissioner or Director

V. SAM'S REVIEW

✓ New Business Item ✓ Approve _____Disapprove _____Hold and Reenter (Date) _____

_____Pull Permanently Return to: _____

Senior Advisor of Management / 3-4-10 Date

VI. WORK SESSION ACTION TAKEN

✓ To Meeting Docket (Send to Law Dept)   _____Receive as Information Only

_____Refer to: _____   ) To Council _____Committee

_____Other: _____   Council Administrator / 3-9-10 Date

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103-10

Lexington-Fayette Urban County Government

Jim Newberry, Mayor

TO: Mayor Jim Newberry
Urban County Council

FROM: Joe Kelly
Senior Advisor for Management

DATE: March 2, 2010

SUBJECT: Red Mile Tax Increment Finance Development Project

On December 1, 2009, The Lexington Trots Breeders Association, LLC (LTBA) made formal application (copy attached) to Mayor Newberry and the Lexington-Fayette Urban County Council for creation of an economic development area to be known as the *Red Mile Mixed Use Development Area*. LTBA's application is in accordance with Kentucky's Mixed Use Tax Increment Financing (TIF) statutes. If the Red Mile project is approved by the Council application will be made to the Kentucky Economic Development Financing Authority for use of incremental state tax revenue (produced by the Red Mile Project) to pay for certain infrastructure costs required for a successful project. The total investment in the Red Mile Project is expected to be approximately One Hundred Eighty-Seven million dollars ($187,000,000).

LTBA has fulfilled all requirements for a successful application. The statutorily required public hearing was conducted by the Council on February 11, 2010.

We request Council approve the enabling ordinance and draft participation agreement which will allow Mayor Newberry to forward a completed application package to the State for their consideration. Should the State give preliminary approval to the project, LTBA has agreed to pay for the State required independent consultant report and all state administrative fees.

2 Attachments
1. Proposed Ordinance
2. Red Mile Application

Lexington-Fayette Government Center
200 East Main Street • Lexington, Kentucky 40507 • (859) 258-3100 • FAX (859) 258-3194
mayor@lfucg.com

JACKSON KELLY
ATTORNEYS AT LAW PLLC
175 EAST MAIN STREET • P.O. BOX 2150 • LEXINGTON, KENTUCKY 40588-9945 • TELEPHONE: 859-255-9500 • TELECOPIER: 859-281-6478
www.jacksonkelly.com

December 1, 2009

Honorable Mayor and Council Members
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, Kentucky 40507

Ladies and Gentlemen:

On behalf of The Lexington Trots Breeders Association, LLC ("LTBA"), we are requesting that the Lexington-Fayette Urban County Government ("LFUCG") participate with LTBA or its assignee in the Red Mile Mixed-Use Development ("Project") through the use of tax increment financing for the public infrastructure portion of the Project.

The Project

The Project will be located between Red Mile Road and the Red Mile Racetrack just off South Broadway on the edge of downtown Lexington. It is proposed to cover approximately 68 acres of property and add over 450,000 square feet of buildings and three separate parking structures. The Project will be a mixed-use development with entertainment areas, a hotel, offices, retail, restaurants, residential apartments, parking structures, and a greenway trail and town green park. LTBA has retained Urban Collage and Vision Engineering to prepare the development plan for the Project. Stan Harvey of Urban Collage will present an overview of the plan during your work session today.

Private Development Components

The private portions of the Project consist of the following components:

- Trackside Entertainment – A remodeled 1,900 seat grandstand and entertainment area at the racetrack, which will cover approximately 47,500 square feet and contain luxury boxes, additional grandstand seating, new dining options, and a new special events plaza.
- Hotel – A trackside hotel with approximately 200 rooms that connects to the track's new entertainment and grandstand areas.
- Retail and Restaurant – Approximately 277,000 square feet of net leasable space that will be available for various retail and restaurant establishments.
- Office – Approximately 24,000 square feet of leasable office space.

- Residential – Over 295,000 square feet of residential apartment space that will provide 204 units in nine separate buildings spread throughout the property, including two located directly above retail space in the heart of the Project.

Public Infrastructure Components

The public infrastructure needs in the Project's footprint are significant and are of critical importance to the redevelopment of this location. In its current state, the site is not suited for residential or commercial use. The site faces several infrastructure issues that will prevent the area from becoming successful and experiencing economic growth without the assistance of the local and state governments. These include:

- Utilities – A vast expansion of sanitary sewer lines, storm sewer lines, water service lines, and utility conduits, including electric, gas, telephone and cable, to accommodate the large increase in utility usage that the Project will require.

- Ways – The creation of new internal roads and an expansive walkway system to handle the increased vehicular and pedestrian traffic this development will draw.

- Parking – Open grade parking will provide 1,768 parking spots, while the three proposed parking structures will add an additional 164, 104 and 104 spots respectively.

- Red Mile Road – Improvements at Red Mile Road's intersections with both South Broadway and Versailles Road and a widening of Red Mile Road to improve the flow of traffic, both vehicular and pedestrian, that will result from this Project.

- Storm Water Management – The traditional storm water management plan to control detention and post development water quality consists of surface detention located at the lowest point on-site.

In addition, the Project, as proposed, includes the following infrastructure components that will increase the appeal of the area to visitors, make the area more pedestrian friendly, and provide a unique system for managing storm water:

- Town Green Park – A length of green space, trees and water décor that runs from the Project's main entrance to the remodeled racetrack's entrance.

- Greenway Trail – A trail, which is lined with trees and various landscaping, that runs along Red Mile Road and connects the Town Branch Trail to the University of Kentucky.

- Underground Storm Water Facilities – Underground storm water facilities will be constructed at various locations on-site to enhance infiltration and groundwater recharge while maximizing the site's open spaces and usages. Each of these underground storm water facilities will include sump volume to store the portion of storm water runoff generated from the site and will use a solar pump system to pump runoff to irrigate the open spaces and greenway areas.

Phasing and Costs

The Project is expected to be completed in five years. Phasing will be spaced out over the five years with various aspects of the Project coming on line in each year. The first phase is expected to be completed in 2011, and each subsequent phase is expected to be completed about one year later.

The total construction cost of the Project is estimated to be about $187 million. The private portions of the Project are expected to have a cost of $133 million, and the public infrastructure cost is estimated to be nearly $54 million.

Economic and Fiscal Impact Analysis

LTBA has retained Commonwealth Economics, LLC to perform an economic and fiscal impact analysis of the Project. A copy of that analysis accompanies this letter. John Farris of Commonwealth Economics will be available at your work session to answer any questions you may have about the analysis.

Based on research and analysis documented in the report, the Project is estimated to have a significant economic and fiscal impact to the local economy.

- Baseline Tax Revenue – The current site would generate an estimated $119,811 in "as-is" baseline tax revenue through its 2009 property valuation and the related state and local property taxes along with other applicable taxes annually, with $77,572 going to the state, and $42,239 going to the local government.

- Economic and Fiscal Impact – Its construction is estimated to generate a one-time impact that includes over $132 million of total spending, $79.7 million of direct construction earnings, support for 2,565 jobs, and $5 million of state and local tax revenues. Upon project opening and in the first year of stabilization, annual economic and fiscal impact is estimated to include $177 million of total spending, $70.3 million of increased earnings, support for 1,767 jobs, and $11.2 million of state and local tax revenues.

- Incremental Revenues – In a 20-year period, which begins upon TIF activation, the Red Mile Mixed-Use Development Project is estimated to generate a total of about $241.8 million of state and local tax revenues. By contrast, if the site remains "as-is", tax revenues are estimated to amount to $3.5 million in the same period. As a result, incremental tax revenues are estimated to amount to $238.4 million. After 20 percent is retained, such amount translates to an estimated $190.7 million of cash available for the State's TIF program and an estimated $20.1 million for local participation.

- Public Infrastructure Costs – It is important to understand that only the costs associated with "public infrastructure" are eligible to be paid for through the TIP program. The estimated cost of the TIF eligible public infrastructure is approximately $54 million. We estimate that up to approximately $190.7 million will be available over 20 years through TIF to cover costs that are related to public infrastructure development.

- "Net New" Benefit – This $190.7 million is much greater than the amount of taxes created on this property without the Project. Furthermore, our analysis shows that the "net new" amount of taxes from this Project will include $136.4 million in net new tax revenue to the Commonwealth and $17.6 million for the City of Lexington, for a total estimated net new fiscal impact of $154 million.

After subtracting the baseline "as-is" tax revenues that would be displaced from the existing site by the proposed Project, the estimated net new incremental tax revenue is $150.5 million. This amount far exceeds the estimated $54 million in TIF recoverable public infrastructure costs. As a result, the Project represents an enormous benefit to the City of Lexington and the Commonwealth of Kentucky.

Public Purposes of Project

The Red Mile Mixed-Use Development project is exactly the type of development that Lexington's downtown area needs to continue to attract professionals and their businesses to the Commonwealth. It will provide entertainment of multiple varieties including a great amount of green space, shopping, dining, and a world-class harness racing destination. The Project will fill a void in the downtown area which will make everyday shopping more convenient for those living in both the apartments constructed as part of the project and the thousands of people already living in the very nearby area. This development combines a variety of businesses with a unique and exciting environment that is necessary in order to revitalize and reinvigorate downtown Lexington. This, along with similar developments, will create a more "livable" downtown Lexington. This will draw new businesses and residents from outside of the Commonwealth by creating an attractive and exciting downtown environment, providing a very practical living option for young professionals and students, and offering premier harness racing facilities.

As described in the economic and fiscal impact analysis of the Project, the development of this area in Lexington is estimated to increase property values by $154 million, increase employment opportunities by 2,565 jobs during construction and 1,767 jobs after opening, and increase economic activity by over $100 million a year in the Lexington-Fayette Urban County. These results have been determined by the General Assembly to serve a public purpose.

Need for Local and State Participation

The high cost of the expansive infrastructure improvements required at this location will call for significant financial assistance from both the local and state governments. It is highly unlikely that this site will be redeveloped without government assistance in absorbing the high public infrastructure costs.

This Project qualifies for tax increment financing ("TIF") under the "mixed-use" status. TIF is a form of economic incentive, which uses the increase in local and state tax revenues generated on a development footprint (the increment) to finance certain public infrastructure components of the project. The estimated cost of the TIF eligible public infrastructure is approximately $54 million. The TIF program cannot be used to finance the private development components of the Project.

Request for LFUCG Participation

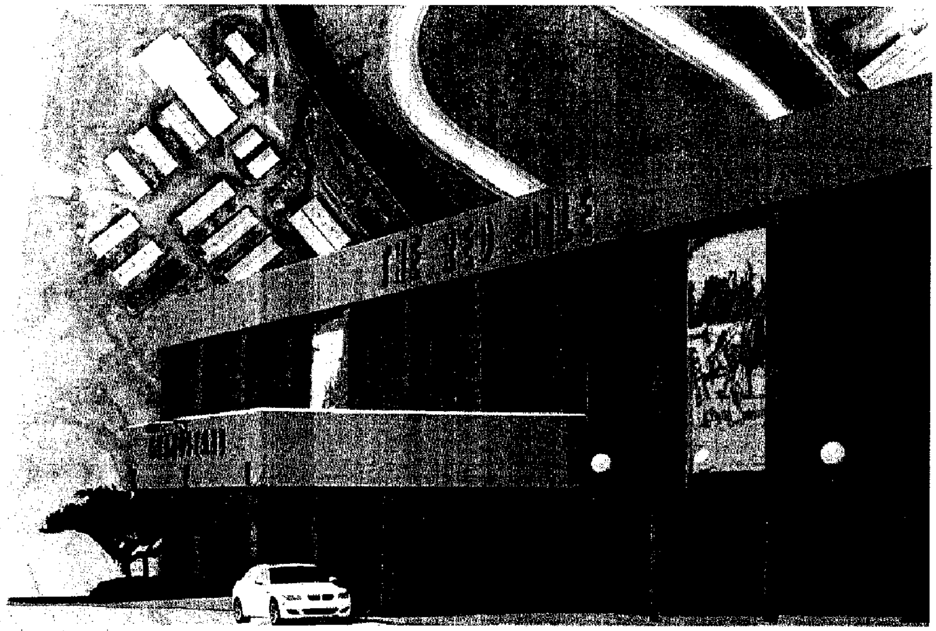
LTBA requests that the LFUCG participate in the Red Mile Mixed-Use Development by designating the Project as a development area, adopting the development plan for the Project, providing funding for public infrastructure components of the Project through a local TIF, and requesting the Commonwealth of Kentucky to provide additional funding for the public infrastructure components of the Project through a state TIF.

Respectfully submitted,

Jackson Kelly PLLC

By: ______________________

Jeffrey J. Yost

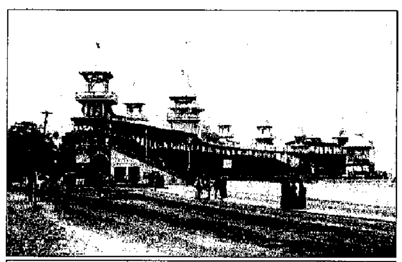


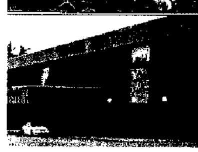
RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Background

- 132 acres
- Opened on September 28, 1875
- Known widely for its fast red clay, one-mile track.
- The Red Mile is the second oldest harness racetrack in the country.
- The Red Mile has hosted a wide variety of community events over the years.

PRESENTATION
FOR
DECEMBER 1, 2009
WORK SESSION

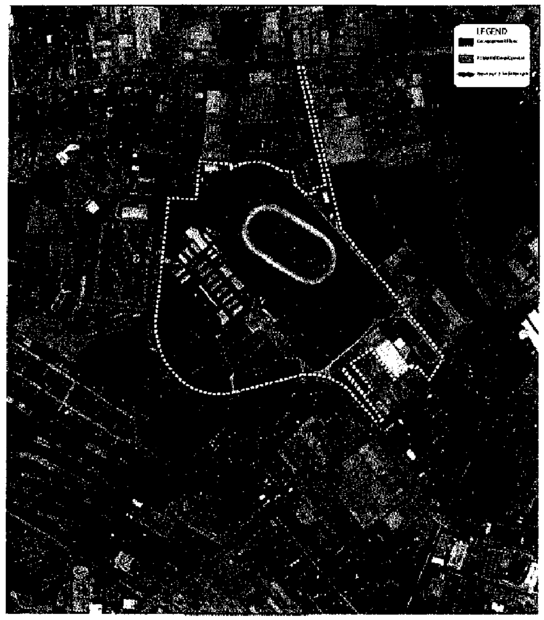




RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Surrounding Development

- The red illustrates plans reviewed by the City recently.
- All of the red spaces are residential developments- the majority of them are high-density student housing developments.
- The yellow illustrates potential long-term development opportunities in the area.



National Examples

- The Lexington 2007 Comprehensive Plan states "This property should be reviewed through a Small Area Plan, with strong consideration for high-density residential and mixed-use."

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

National Examples

Gulfstream Park –

Miami, FL

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

National Examples

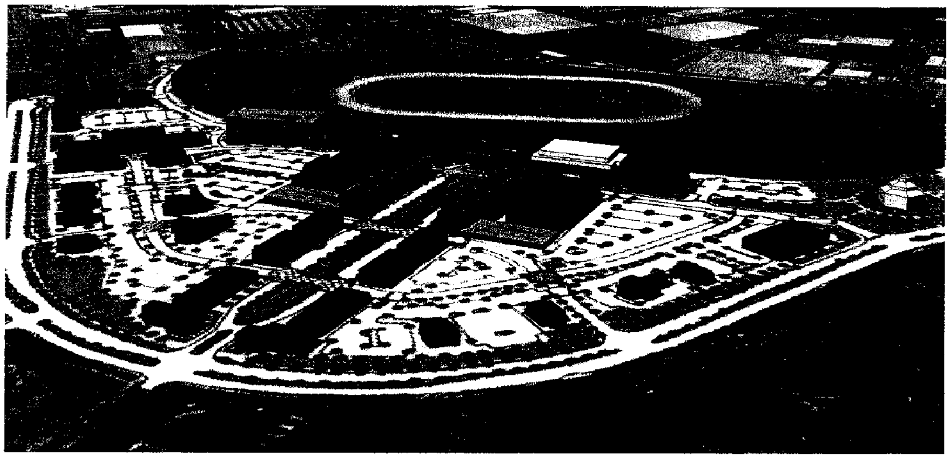
By using key components of these national trends The Red Mile could become a vibrant district that not only improves Lexington and surrounding communities as a whole, but also provides a means to make The Red Mile Racetrack a self-sustaining business.

Key Components of National Examples

- walkability
- new central town green
- green/sustainable building techniques
- mix of uses
- shared parking on a district-wide level
- new greenway trail connections
- small block sizes
- regional entertainment destination focus
- focus on landscaping
- multi-story development in key locations
- architectural standards

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Site Summary



RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Site Summary

The proposed development includes:

- A remodeled and expanded grandstand and new entertainment area
- A 200-room hotel
- 24,000 square feet of leasable office space
- Approximately 277,000 square feet of leasable mixed-use space for retail, restaurants and stores
- Over 200 residential units
- Three parking structures and over 2000 total parking spaces
- A greenway trail
- Town green park

TOTAL DEVELOPMENT COST OF OVER $190 Million

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Red Mile Greenway

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Red Mile Greenway

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Mixed-Use Town Green

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Mixed-Use Town Green

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

S. Broadway Intersection

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

S. Broadway Intersection

RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

Process Background

- **Working Group Meeting #1**

  4.21.2009

  Discussed existing conditions and outlined working group process.

- **Working Group Meeting #2**

  5.12.2009

  Discussed initial concept ideas as well as national development examples.

- **Working Group Meeting #3**

  6.09.09

  Presented development concept refinements, reviewed Goals & Principles and received feedback on potential site character for Red Mile.

- **Public Meeting**

  6.30.09

  Briefed about the process and the project and presented the development concepts, Goals & Principles and received feedback on the Red Mile Development Plan.

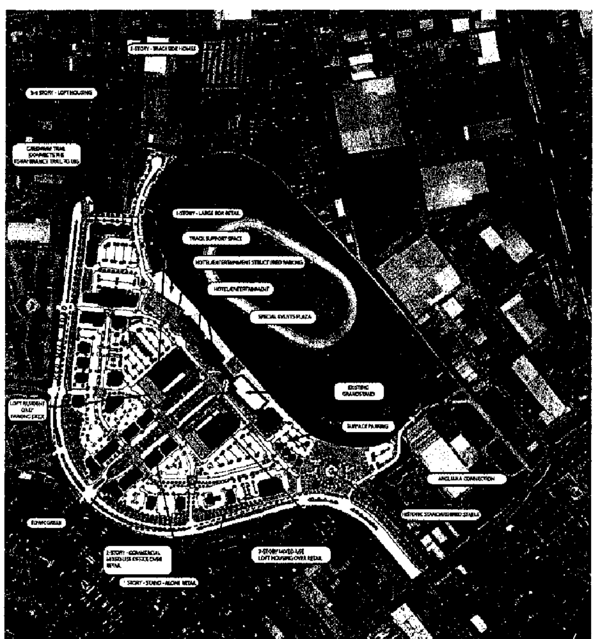
- **Working Group Meeting #4**

  8.11.09

  Presented the revised concepts and the report to obtain final consensus of the group.

Site Concept

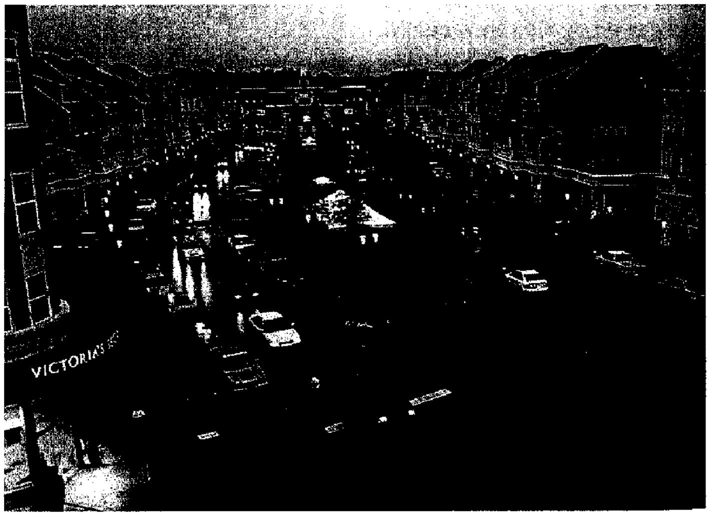
- **Mixed-Use Residential, Commercial & Office Space**
- **Trackside Condos & Apartments**
- **Town Green**
- **Red Mile Greenway Path**
- **Entertainment Venues**
- **New Retail**



National Examples

Birkdale Village –

Charlotte, NC

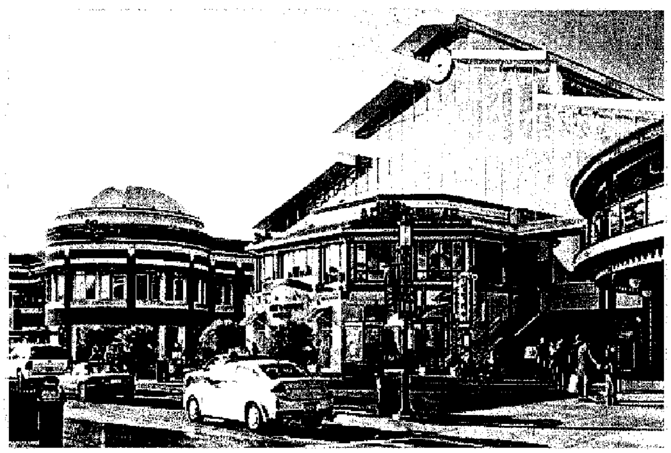


RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

National Examples

Easton Town Center –

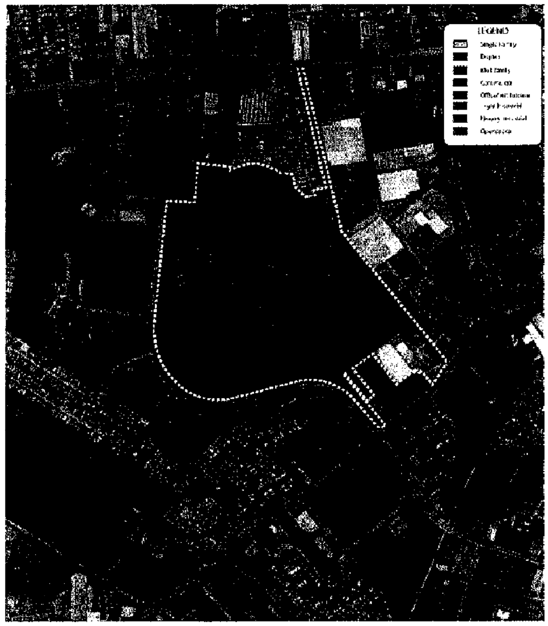
Columbus, OH



RED MILE DEVELOPMENT PLAN (Dec 01, 2009)

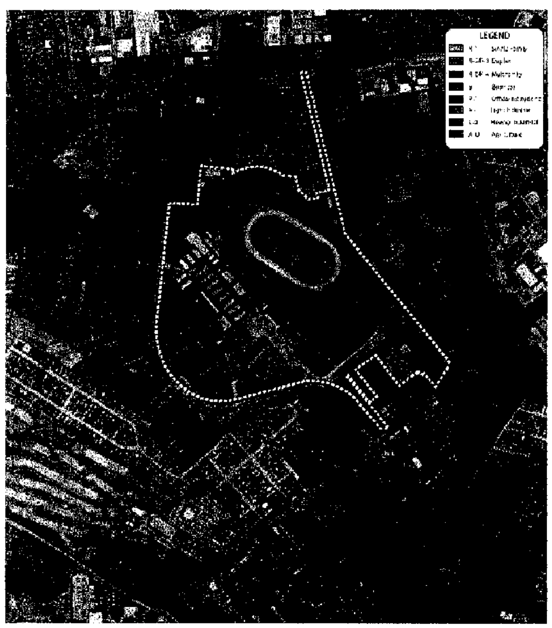
Land Use

- Major land uses in the area are high density multi-family and industrial.
- There is a lack of public open space inside the area.
- The Red Mile property is surrounded by multifamily, office space, and sporadic commercial developments.



Zoning

- Red Mile property is zoned A-U (Agricultural Use)
- Surrounding areas zoned for medium-high density residential, business, and industrial uses.
- Mixed-use zoning districts are receiving increasing interest by the City.



Taft/

Taft Stettinius & Hollister LLP
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Cincinnati / Cleveland / Columbus / Dayton / Indianapolis / Northern Kentucky / Phoenix / Beijing

JAMES E. PARSONS
513.357.9661
parsonsj@taftlaw.com

March 19, 2010

Ms. Susan Lamb
Clerk of Council
Lexington Fayette Urban County Government
200 E. Main St.
Lexington, KY 40507

Re: Red Mile Development Ordinance and Local Participation Agreement

Dear Susan:

Please find enclosed the Red Mile Development Ordinance and the Local Participation Agreement. The Development Plan, which is also an Exhibit to the Ordinance, was previously sent to you.

Should you have questions regarding this matter, please contact me.

Sincerely yours,

James E. Parsons

JEP:sw
Enclosure
Cc: David Barberie (w/encl.)

11714576.1

O 47-2010

RESOLUTION NO. TIF-I-10-03

A RESOLUTION OF THE KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY ("KEDFA") DIRECTING KEDFA STAFF TO REVIEW THE APPLICATION SUBMITTED BY THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT ("AGENCY") FOR STATE PARTICIPATION IN AND THE PLEDGE OF INCREMENTAL STATE TAX REVENUES TO THE RED MILE MIXED-USE REDEVELOPMENT TAX INCREMENT FINANCING PROJECT ESTBLAISHED BY THE AGENCY; AUTHROIZING THE ENGAGEMENT OF A QUALIFIED INDEPENDENT OUTSIDE CONSULTANT OR FINANCIAL ADVISOR TO EVALUATE THE NET POSITIVE ECONOMIC IMPACT OF THE PROJECT TO THE COMMONWEALTH; AND AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT RELATING TO THE EVALUATION OF THE AGENCY'S APPLICATION.

WHEREAS, KEDFA has been created and established as a public body, corporate and politic, under KRS Section 154.20-010 and has all the powers, duties and responsibilities delegated to it by law and is empowered by KRS 154.30-030 to review and approve applications for the Commonwealth's participation in tax increment financing programs and to pledge all, or a portion of, the incremental state tax revenues attributable to Mixed-Use Redevelopment in Blighted Urban Areas projects that are approved pursuant to KRS 154.30-060; and

WHEREAS, the Agency has established a development area pursuant to KRS 65.7053 and has submitted an application to the Authority pursuant to KRS 154.30-030 seeking state participation in the development of a 80 acre Mixed-Use Redevelopment project designated as the Red Mile Mixed-Use Redevelopment Tax Increment Financing Project, which will involve the acquisition, installation, construction, or reconstruction of public infrastructure, improvements to existing public infrastructure and land preparation, demolition and clearance in connection with the renovation of the historic Red Mile standardbred racing track, the development of a trackside hotel connected to the Red Mile, approximately 277,000 square feet of retail and restaurant space, 24,000 square feet of office space and 295,000 square feet of residential apartment space, which will attract new retail, residential, office, restaurant and hospitality business to a blighted urban area of downtown Lexington (the "Project"); and

WHEREAS, KEDFA is authorized by KRS 154.20-033 to enter into agreements to carry out and effectuate the purposes and provisions of the Commonwealth's Tax Increment Financing ("TIF") program, KRS 154 Subchapter 30, in order to encourage increased property values, increased employment opportunities, and increased economic activity in communities that contain blighted urban areas, and that but for the incentives offered through the Commonwealth's participation in tax increment financing projects, the opportunity for new jobs and increased economic activity within the development area would not exist within the Commonwealth; and

WHEREAS, the Agency has submitted to KEDFA an application for the Commonwealth's participation in the Project as authorized pursuant to KRS 154 Subchapter 30 (the "Application"), which, among other matters, represents that:

(i) the Project includes at least two "qualified uses," which include: retail, residential, office, restaurant or hospitality, and that these qualified uses will comprise at least 20% of the total finished square footage of the proposed Project or will represent 20% of the total capital investment in the Project; and

(ii) the Project is located within the footprint of a development area established by the Agency pursuant to KRS 65.7049 and that the development area contains three or more of the conditions listed in KRS 65.7049(3); and

(iii) the development area is not reasonably expected to be developed without public assistance and that the public benefits of the development area justify the public costs proposed; and

(iv) the Project represents new economic activity within the Commonwealth; and

(v) the Project will result in capital investment between Twenty Million Dollars ($20,000,000) and Two Hundred Million Dollars ($200,000,000); and

(vi) the Project will not include any retail establishment that exceeds 20,000 square feet of finished square footage; and

(vii) the Project will include pedestrian amenities and public space; and

(viii) the Project will result in a net positive economic impact to the Commonwealth, taking into consideration any substantial adverse impact on existing Commonwealth businesses; and

WHEREAS, the Agency has entered into discussions with KEDFA with respect to the Commonwealth's participation in the granting of Incentives relating to the financing of the Project; and

WHEREAS, KEDFA has determined that the Agency's Application merits further review by KEDFA staff for conformity to the statutory and regulatory requirements applicable to a Mixed-Use Redevelopment Tax Increment Financing project and, provided that the Application is in conformity to the law, to the engagement of a qualified independent outside consultant or financial advisor to evaluate the net positive economic impact of the Project to the Commonwealth; and

WHEREAS, it is deemed necessary and advisable that an Agreement between KEDFA and the Agency be executed setting forth the agreements of the parties with respect to the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY, AS FOLLOWS:

Section 1: KEDFA acknowledges the Agency's application for the Commonwealth's participation in the Project and hereby directs KEDFA staff to conduct a review of the Application to determine whether it conforms to all statutory and regulatory requirements applicable to a Mixed-Use Redevelopment Tax Increment Financing Project.

Section 2: Provided that the Agency's Application is complete and in conformity with the law, as required by Section 1, KEDFA hereby authorizes and directs staff to engage the services of a qualified independent outside consultant or financial advisor for the purpose of conducting a review of all data attributable to the Project and to prepare a report that conforms to the requirements of KRS 154.30-030 and to make a determination as to whether the Project will produce a net positive economic impact to the Commonwealth.

Section 3: The Agreement by and between the Agency and KEDFA, substantially in the form and with the contents set forth in the Agreement attached hereto and incorporated herein by reference, is hereby approved and any one of the persons designated by KEDFA is hereby authorized and directed to execute and deliver said Agreement.

Section 5: This Resolution shall be in full force and effect from and after its adoption as provided by law.

Section 6: If any provision of this Resolution is determined to be invalid or unenforceable, that determination shall not affect any other provision, the remaining provisions of which shall be construed and enforced as if the invalid or unenforceable provision were not contained herein. That invalidity or unenforceability shall not affect the valid and enforceable application thereof, and each such provision shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

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INTRODUCED, SECONDED, READ AND ADOPTED AT A DULY CONVENED MEETING OF THE KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY, HELD ON THE 27TH DAY OF MAY, 2010.

Jean R. Hale, Chair
Kentucky Economic Development
Finance Authority

EXHIBIT A

MEMORANDUM OF AGREEMENT

TAX INCREMENT FINANCING PROJECT

This Memorandum of Agreement (the "Memorandum of Agreement") is made by and between the KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY ("KEDFA"), a public body, corporate and politic, created under Chapter 154 of the Kentucky Revised Statutes and the LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (the "Agency"), an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statues that serves as the merged government of the city of Lexington and Fayette County, Kentucky.

WITNESSETH:

WHEREAS, KEDFA has been created and established as a public body, corporate and politic, under KRS Section 154.20-010 and has all the powers, duties and responsibilities delegated to it by law and is empowered by KRS 154.30-030 to review and approve applications for the Commonwealth's participation in tax increment financing programs and to pledge all, or a portion of, the incremental state tax revenues attributable to Mixed-Use Redevelopment in Blighted Urban Areas projects that are approved pursuant to KRS 154.30-060; and

WHEREAS, the Agency has established a development area pursuant to KRS 65.7053 and has submitted an application to the Authority pursuant to KRS 154.30-030 seeking state participation in the development of a 80 acre Mixed-Use Redevelopment project designated as the Red Mile Mixed-Use Redevelopment Tax Increment Financing Project, which will involve the acquisition, installation, construction, or reconstruction of public infrastructure, improvements to existing public infrastructure and land preparation, demolition and clearance in connection with the renovation of the historic Red Mile standardbred racing track, the development of a trackside hotel connected to the Red Mile, approximately 277,000 square feet of retail and restaurant space, 24,000 square feet of office space and 295,000 square feet of residential apartment space, which will attract new retail, residential, office, restaurant and hospitality business to a blighted urban area of downtown Lexington (the "Project"); and

WHEREAS, KEDFA is authorized by KRS 154.20-033 to enter into agreements to carry out and effectuate the purposes and provisions of the Commonwealth's Tax Increment Financing ("TIF") program, KRS 154 Subchapter 30, in order to encourage increased property values, increased employment opportunities, and increased economic activity in communities that contain blighted urban areas, and that but for the incentives offered through the Commonwealth's participation in tax increment financing projects, the opportunity for new jobs and increased economic activity within the development area would not exist within the Commonwealth; and

WHEREAS, the Agency has submitted to KEDFA an application for the Commonwealth's participation in the Project as authorized pursuant to KRS 154 Subchapter 30 (the "Application"), which, among other matters, represents that:

(i) the Project includes at least two "qualified uses," which include: retail, residential, office, restaurant or hospitality, and that these qualified uses will comprise at least 20% of the total finished square footage of the proposed Project or will represent 20% of the total capital investment in the Project; and

(ii) the Project is located within the footprint of a development area established by the Agency pursuant to KRS 65.7049 and that the development area contains three or more of the conditions listed in KRS 65.7049(3); and

(iii) the development area is not reasonably expected to be developed without public assistance and that the public benefits of the development area justify the public costs proposed; and

(iv) the Project represents new economic activity within the Commonwealth; and

(v) the Project will result in capital investment between Twenty Million Dollars ($20,000,000) and Two Hundred Million Dollars ($200,000,000); and

(vi) the Project will not include any retail establishment that exceeds 20,000 square feet of finished square footage; and

(vii) the Project will include pedestrian amenities and public space; and

(viii) the Project will result in a net positive economic impact to the Commonwealth, taking into consideration any substantial adverse impact on existing Commonwealth businesses; and

WHEREAS, the Agency has entered into discussions with KEDFA with respect to the Commonwealth's participation in the granting of Incentives relating to the financing of the Project; and

WHEREAS, in reliance upon the information provided in the Application, KEDFA has adopted a resolution (the "Preliminary Resolution") on May 27, 2010, that: (i) acknowledges the submission of the Application by the Agency, (ii) directs KEDFA staff to conduct a review of the Application to determine if all statutory and regulatory requirements for a Mixed-Use Redevelopment project have been satisfied; and (iii) authorizes KEDFA to engage a qualified independent outside consultant or financial advisor to analyze data related to the Project and the development area and to prepare the report required by KRS 154.30-030, (iv) authorizes KEDFA to enter into this Agreement for the purpose of reviewing the Agency's Application and to evaluate the Projects projected net positive economic impact upon the Commonwealth, and (v) authorizes KEDFA, at the appropriate time, to enter into a Tax Incentive Agreement with the

Agency which contains such terms and conditions as KEDFA may deem advisable to permit the Agency to receive the state tax incentives for the support of public infrastructure costs (as defined by KRS 154.30-010(3)) and costs associated with land preparation, clearance and demolition.

NOW THEREFORE, in consideration of these premises and the terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. Ratification of Representations and Undertakings in the Application. The Agency ratifies and confirms each of its representations set forth in the Application. The Agency hereby commits that should any material representations set forth in the Application change as the development of the Project proceeds, the Agency will promptly notify KEDFA in writing describing the changes and will consult with KEDFA concerning whether the changes affect KEDFA's evaluation of the Application. Material changes include, but are not limited to: (i) the nature of the expected development within the development area; (ii) the amount of projected capital investment in the Project, (iii) any change in the data required to evaluate the net positive economic impact to the Commonwealth.

2. Undertakings of the Agency. The Agency hereby commits as a result of KEDFA's adoption of the Preliminary Resolution:

a. That the Agency shall cooperate with KEDFA staff to provide all data, reports, information, or documentation required to evaluate the Agency's Application;

b. That prior to the final approval of the Project and the execution of the completed Tax Incentive Agreement, the Agency will provide such additional information, reports and lists that are described or required by the Tax Incentive Agreement;

c. That it will pay all costs associated with the independent consultant's or financial advisor's report at the time that the cost is incurred.

d. That it will pay all reasonable and customary professional fees, including reasonable interim and final fees and expenses of counsel to KEDFA, related to the Application, this Memorandum of Agreement and the negotiation and preparation of all documentation relating to KEDFA's consideration and approval of the Project, including a Tax Incentive Agreement for the Project and KEDFA's final approval of the Project so that KEDFA will incur no liability whatsoever in respect of such services. The Agency will pay such fees within thirty (30) days of the submission to the Agency of statements therefor;

e. That it will take such further actions and adopt such further proceedings as may be reasonably required to implement the Agency's aforesaid undertakings as it and KEDFA may deem appropriate in pursuance thereof or as may be required by law;

f. That the Agency must be in compliance with all previous agreements between the Agency and KEDFA as a condition to KEDFA's authorization of the tax incentive agreement associated with this Project; and

g. That KEDFA shall monitor the tax incentive agreement at least annually, and the information reported by the Agency with regard to the Project after final approval of the Project shall be available for public disclosure.

3. Undertakings on the Part of KEDFA. Subject to due compliance with all requirements of law, the obtaining of all necessary consents and approvals required by law, and the happening of all acts, conditions and things required precedent to the execution of a Tax Incentive Agreement, KEDFA agrees that:

a. KEDFA will, at the necessary time and provided that the Agency's Application is approved in accordance with KRS Chapter 154.30, authorize the execution of a tax incentive agreement pursuant to the terms of KRS 154 Subchapter 30 as then in force, relating to the pledge of the incremental state tax revenues authorized by KRS Chapter 154.30 in an amount not to exceed the amount determined by KEDFA for the support of approved public infrastructure costs and costs associated with land preparation, demolition and clearance; and

b. Provided that the Application complies with all statutory and regulatory requirements, KEDFA shall hire a qualified independent outside consultant or financial advisor to analyze the data related to the Project and the development area and to prepare the report required by KRS 154.30-030; and

c. KEDFA will undertake such proceedings, take such actions and authorize the execution of such further documents as KEDFA may deem necessary or acceptable to carry out the terms of the Tax Incentive Agreement with the Agency pursuant to KRS 154 Subchapter 30.

4. <u>General Provisions</u>.

a. In the event that the Project does not achieve final approval, the Agency agrees that it will reimburse KEDFA for all reasonable and necessary out-of-pocket expenses (including fees and expenses of counsel) which KEDFA may incur in the process of preparing for preliminary or final approval and the execution of the Tax Incentive Agreement, and the performance by KEDFA of its obligations hereunder shall thereupon terminate.

b. Only capital investment that occurs after the date of preliminary approval shall be eligible for determining the minimum capital investment requirements for Commonwealth participation in the Project.

c. This Memorandum of Agreement and the Preliminary Resolution approving this Memorandum of Agreement constitute the present intent of KEDFA to evaluate the Agency's Application and, if it is compliant with all statutory and regulatory requirements, to hire an independent outside consultant or financial advisor to evaluate the net positive economic impact to the Commonwealth.

d. If any term or provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction, the remaining provisions of this Memorandum of Agreement shall not be affected thereby, and the remaining provisions of this Memorandum of Agreement shall be valid and enforceable to the fullest extent permitted by applicable law.

e. The Commonwealth's pledge of incremental state tax revenues for the support of approved public infrastructure costs or the cost of land preparation, clearance or demolition may be established, raised or reduced.

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IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement by their duly authorized officers as of the 27th day of May, 2010.

KENTUCKY ECONOMIC DEVELOPMENT
FINANCE AUTHORITY

By: Katie Smith

Title: Deputy Commissioner

LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT

By: Jim Newberry

Title: Mayor

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