

ORDINANCE NO. 30-2016

AN ORDINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT MAKING CERTAIN FINDINGS CONCERNING AND ESTABLISHING A DEVELOPMENT AREA FOR ECONOMIC DEVELOPMENT PURPOSES WITHIN LEXINGTON-FAYETTE URBAN COUNTY TO BE KNOWN AS THE THISTLE STATION DEVELOPMENT AREA; APPROVING A LOCAL PARTICIPATION AGREEMENT BETWEEN LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AND THE DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT ESTABLISHING AN INCREMENTAL TAX SPECIAL FUND FOR PAYMENT OF ADMINISTRATIVE COSTS, APPROVED PUBLIC INFRASTRUCTURE COSTS, AND REDEVELOPMENT ASSISTANCE; DESIGNATING THE DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AS THE AGENCY RESPONSIBLE FOR OVERSIGHT, ADMINISTRATION, AND IMPLEMENTATION OF THE DEVELOPMENT AREA; APPROVING A MASTER DEVELOPMENT AGREEMENT BETWEEN THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, THE URBAN COUNTY GOVERNMENT'S DEPARTMENT OF FINANCE, AND THISTLE HOLDINGS, LLC; AND AUTHORIZING THE MAYOR AND OTHER OFFICIALS TO TAKE SUCH OTHER APPROPRIATE ACTIONS AS ARE NECESSARY OR REQUIRED IN CONNECTION WITH THE ESTABLISHMENT OF THE DEVELOPMENT AREA.

WHEREAS, the Lexington-Fayette Urban County Government, an Urban County Government organized pursuant to Chapter 67A of the Kentucky Revised Statutes (the "LFUCG") by virtue of the laws of the Commonwealth of Kentucky (the "State"), Kentucky Revised Statutes, specifically Sections 65.7041 to 65.7083, as may be amended (the "Act"), is authorized to, among other things, (1) establish a development area to encourage reinvestment in and development and reuse of areas of the LFUCG, (2) enter into agreements in connection with the establishment and development of a development area, (3) establish a special fund for deposit of incremental revenues resulting from the development of a development area, and (4) designate an agency to oversee, administer and implement projects within a development area; and

WHEREAS, the LFUCG desires to establish a "development area" as defined in the Act to encourage reinvestment and development within such development area and to pledge a portion of the "incremental revenues" as defined in the Act generated from the development of such development area to the payment of redevelopment assistance, approved public infrastructure costs, land preparation, and/or financing costs within such development area; and

WHEREAS, the LFUCG has identified a contiguous tract of previously developed land consisting of not more than three square miles within the LFUCG, specifically described in Exhibit A hereto, that is in need of being redeveloped and which is not reasonably expected to be developed without public assistance; and

WHEREAS, Thistle Holdings, LLC (the "Developer") has proposed the development of a mixed-use project within the Development Area that meets the definition of a "Project" as defined in KRS 65.7041 to 65.7083 and KRS 154.30-010 to KRS 154.30-090; and

WHEREAS, the LFUCG has determined to establish the Development Area as a development area pursuant to the Act to encourage investment and development within the Development Area; and

WHEREAS, the LFUCG has agreed to support and encourage development within the Development Area by pledging certain Incremental Revenues (hereinafter defined) to pay for Redevelopment Assistance, Land Preparation, and Public Infrastructure Costs (hereinafter defined), under a Local Participation Agreement (hereinafter defined); and

WHEREAS, the LFUCG has prepared and presented a "Development Plan", as defined KRS 65.7041 TO 65.7083 and KRS 154.30-101 to 154.30-090, for the consideration and adoption of the LFUCG proposing the redevelopment of the Development Area; and

WHEREAS, the LFUCG pursuant to the Act held a public hearing on August 27, 2015 after giving proper notice concerning the LFUCG's intention to consider the adoption of the Development Plan; and

WHEREAS, the adoption of the Development Plan and the establishment of the Development Area are for a public purpose and that the establishment and creation of the Development Area within the LFUCG is for the benefit and welfare of the LFUCG's citizens; and

WHEREAS, the LFUCG and the Developer have agreed to the terms of a Local Participation Agreement and a Master Development Agreement; and

WHEREAS, the LFUCG deems it necessary to enact this Ordinance in accordance with the Act and for the purposes set forth and described herein and in the Act.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AS FOLLOWS:

SECTION 1. Definitions.

1.1. The capitalized terms set forth below when used herein shall have the following meanings.

“Act” means Kentucky Revised Statutes, Sections 65.7041 to 65.7083 and KRS 154.30-010 to KRS 154.30-090.

"Agency" means the Department of Finance of the LFUCG.

“Commonwealth Project or Program” means the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues as provided in the Act.

“Developer” means Thistle Holdings, LLC.

“Development Area” means a contiguous geographic area of previously developed land, located within the geographical boundaries of the LFUCG, which is created for economic development purposes by this Ordinance in which one (1) or more Projects are proposed to be located and consisting of less than 3 square miles, as more specifically described in Exhibit A attached hereto, to be known as the “Thistle Station Development Area”.

“Development Plan” means the Tax Increment Financing Development Plan for the Thistle Station Development Area attached as Exhibit C.

“Establishment Date” means the date that the Development Area is established by this Ordinance.

“Incremental Revenues” means the amount of revenues received by the LFUCG with respect to the Development Area and the State with respect to the Footprint (as defined in the Act) by subtracting Old Revenues (as defined in the Local Participation Agreement) from New Revenues (as defined in the Local Participation Agreement) in a calendar year.

“KEDFA” means the Kentucky Economic Development Finance Authority.

“Local Participation Agreement” shall mean the Local Participation Agreement between the LFUCG, and the Agency, attached as Exhibit “B” hereto.

“The Thistle Station Project” or “Project” means a development to be constructed by the Developer, as more specifically described in the Development Plan, and expected to fulfill the criteria for a “Commonwealth Project” as defined herein.

“Pledged Revenues” means that portion of the Incremental Revenues which are pledged by the LFUCG or State, pursuant to the Local Participation Agreement or the Tax Incentive Agreement, to the pay for Redevelopment Assistance and Public Infrastructure Costs for the Development Area as set forth in the Local Participation Agreement and Tax Incentive Agreement.

“Public Infrastructure Costs” shall be those costs approved by LFUCG and KEDFA for reimbursement through the LFUCG and/or State Incremental Revenues set forth in the Local Participation Agreement and Tax Incentive Agreement.

“Redevelopment Assistance” shall have the meaning as provided in the Act.

“State” means the Commonwealth of Kentucky.

“Tax Incentive Agreement” shall mean the agreement entered into pursuant to KRS 154.30-010 to KRS 154.30-090 of the Act between the Kentucky Economic Development Finance Authority and the Agency, relating to the Development Area.

1.2. All capitalized terms used herein and not defined above or in the recitals to this Ordinance shall have the meaning as set forth in the Act, as of the effective date of this Ordinance.

SECTION 2. Findings and Determinations. In accordance with the Act, the LFUCG hereby makes the following findings and determinations with respect to the Development Area:

- (a) The Development Area consists of a contiguous tract of land that is no more than three (3) square miles. The actual size of the Development Area is 8.03 acres;
- (b) The Development Area is characterized by the following conditions that make it eligible for tax increment financing under KRS 65.7049(3):

1. A substantial loss of commercial activity has occurred within the Development Area, which has been in a state of decline over a period of many years. Commercial activity within the Development Area has been in a state of economic decline for years. In its present state, the Development Area includes vacant land and an unoccupied and deteriorating/collapsing structure that is completely unusable. In its present state, the Development Area is zoned as B-1 which will allow the area to be developed in a manner consistent with the surrounding areas.

2. More than fifty percent (50%) of the commercial structures are deteriorating or deteriorated. The commercial structure is deteriorated to the point it is no longer suitable for use as it does not protect inhabitants from the elements.

3. Public improvements and public infrastructure are inadequate. Currently, because of the lack of use, there is limited and inadequate public infrastructure within and connecting to the Development Area. Additionally, the change in composition and use of the area has created a need for public improvements that suit the planned uses not only within the Development Area but to service the areas surrounding the Development Area. The necessity of constructing the requisite public infrastructure creates a heavy financial burden for any potential developer of the Development Area, and will benefit the neighboring sites, as well.

4. There is a combination of factors that substantially impairs growth and economic development of the Development Area. A large part of this area was zoned and occupied for industrial and warehouse purposes, but those activities have declined over time because more modern industrial and warehouse businesses have different locational and square footage needs. Warehouse and industrial users now choose to locate near interstate highway interchanges because moving goods by rail is no longer the preferred transportation method for these types of businesses. Warehouse and industrial buildings have grown in size and require ample parking and drive aisles for tractor trailers. Over time these users select sites farther away from residential areas due to the often conflicting traffic patterns, noise and similar factors that present substantial difficulty in attracting new industrial and warehouse users to this small urban location so close to the downtown, existing residential neighborhoods and public parks. The property mix of uses is far more suitable for this site and is more likely to be developed, if the high cost of public infrastructure can be addressed.

5. There has been a substantial abandonment of the residential, commercial, or industrial structures within the Development Area. The Development Area consists almost completely of either vacant or public land or unoccupied and deteriorating structures.

- (c) 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 2014 was \$515,400. The LFUCG has previously established six other development areas pursuant to the Act, the Phoenix Park/Courthouse Development Area, the Red Mile Development Area, the Turfland Town Center Development Area, the 21C Lexington Development Area, the Summit Lexington Development Area, and the Midland Avenue Development Area. The combined taxable 2014 real property assessed valuation for those development areas is approximately \$57,205,400 and when combined with the real property assessed value for the proposed Development Area, the total taxable 2014 real property assessed value for all development areas established by the LFUCG will be approximately \$57,720,800. The total assessed value of taxable real property within Lexington for the calendar year 2014 is approximately \$25 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;
- (d) There are inadequate public improvements and infrastructure to support the development of the Development Area. Currently, because of the lack of use, there is limited and inadequate public infrastructure within and connecting to the Development Area. Additionally, the change in composition and use of the area has created a need for public improvements that suit the planned uses not only within the Development Area but to service the areas surrounding the Development Area. The necessity of constructing the requisite public infrastructure creates a heavy financial burden for any potential developer of the Development Area, and will benefit the neighboring sites, as well. The following are non-exclusive examples of public infrastructure needed to enable construction of the Project and growth in the Development Area:
1. Utilities – Expansion of sanitary sewer lines, storm sewer lines, water service lines, and utility conduits, including, without limitation, electric, gas, telephone and cable, to accommodate the change in utility usage that residential and commercial development of the Project will require.
 2. Site Prep, Demolition, and Environmental – The preparation of the site will require strategic demolition and removal of the deteriorating buildings and clean-up of the site. Additionally, the Development Area is expected to need some level of brownfield remediation from past industrial uses within the Development Area.
 3. Roadways, Pathways and Walkways – The creation of new entryways and traffic management, along with the creation of new pathways and walkways with landscaping and seating areas for pedestrians and bicyclists, including connection to the Legacy Trail, to allow for increased, vehicular, pedestrian and bicycle traffic that the Project and the further development of the surrounding area will generate. Additionally, the Project will include strategic security and safety measures in order to ensure the safety of its visitors, patrons, and residents who will enjoy the Project’s trails and open space.
 4. Parking – There currently exists a significant deficiency in the number of parking spots in the Development Area and at surrounding sites. The addition of over 200 residential units and nearly 20,000 square feet of commercial space will require the provision of additional parking spaces in order to prevent parking overflow from creating issues at surrounding properties and neighborhoods.

5. Railroad Safety and Sound Mitigation – The railroad’s location in an area that has become highly populated by students and residents, as opposed to its former industrial users, creates both safety and sound issues in a populated area. The Project is expected to include sufficient safety measures that also allow the trains passing through the area to avoid blowing their whistles and disturbing the residents, schools, and businesses in the area.

6. Landscaping – In order to minimize the Project’s impact to the surrounding residents and to increase the appeal of the area’s trails and seating areas, the Project plans include significant landscaping features, such as a tree canopy, in order to create a welcoming residential environment for both the Project and the nearby residents and businesses.

- (e) That the Development Area is not reasonably expected to be developed without public assistance. The LFUCG finds that the Development Area is not reasonably expected to be developed without public assistance. Despite its appealing location at the edge of Downtown Lexington, 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 site as an urban mixed-use development is at least \$2.7 million. Without public funding, including the critical pledge of State incremental revenues under the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues, as provided in the Act, the proposed Project within the Development Area would not be possible;
- (f) 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” to the Development Plan, (the “Report”), the public investment is expected to reach \$2.7 million, but the private investment within the Development Area is estimated to reach \$31.3 million. While the LFUCG will pledge one-hundred percent (100%) of new ad valorem property taxes from the general county and urban services categories to pay for the public projects proposed, it will generate significant new revenues from one-hundred (100%) of the other local ad valorem property taxes and occupational taxes generated from the Project.

The Project is expected to generate much more tax revenue than the current use of the property in the Development Area, which is only generating a small amount of property tax revenues. According to the Report, over a 20-year period, the Project is estimated to generate \$2.6 million of new state and local tax revenues. By contrast, if the site remains “as-is”, tax revenues are estimated to amount to only \$41,185 in the same, 20-year period. As a result, total incremental tax revenues generated over 20 years are estimated at \$2.6 million or an estimated \$970,485 million of cash available for State participation and an estimated \$1.6 million for local participation. When considering the local ad valorem property taxes that would not be used as a part of any incentive provided for herein, it is estimated that another \$6.4 million will accrue to the LFUCG over the 20-year period in school taxes, transit taxes, library taxes, etc. in addition to the taxes retained at the State level such as state income tax revenues and sales and use tax revenues, both during construction and during operations. As a result, the Project represents significant benefit to the LFUCG and the State.

It is proposed that the incremental revenues from the LFUCG and the State will be used primarily to fund the capital costs of the “approved public infrastructure” as defined by the Act, needed for the Project within the Development Area. The estimated cost of the approved public infrastructure needed for the Project is approximately \$2.7 million. It is estimated that approximately \$2.6 million in local and State applicable incremental revenues from the Project will be available over 20 years to pay for redevelopment assistance and approved public infrastructure costs needed for the Project; and

- (g) That the area immediately adjacent to the Development Area has not been subject to development through private investment.

SECTION 3. Establishment, Name, Boundaries. All that area described herein by Exhibit A attached hereto and made a part hereof, is located within the LFUCG and is hereby established and designated as the “Thistle Station Development Area.” At the time of the enactment of this Ordinance the Development Area is less than three (3) square miles.

SECTION 4. Establishment Date, Commencement Date, Termination date. The Establishment Date is the effective date of this Ordinance. The Commencement Date of the Development Area is the date of execution of the Local Participation Agreement and the Termination Date shall be exactly twenty (20) years subsequent to activation of the Development Area; provided, that if the Tax Incentive Agreement for the Project or a Local Participation Agreement relating to the Development Area has a Termination Date that is later than the Termination Date established in this Ordinance, the Termination Date for the Development Area shall be extended to the Termination Date of the Tax Incentive Agreement, or the Local Participation Agreement. However, the Termination Date for the Development Area shall in no event be more than forty (40) years from the Establishment Date.

SECTION 5. Adoption of Development Plan. The LFUCG hereby adopts the Development Plan, attached hereto as Exhibit C. The LFUCG Council hereby finds and determines that a public hearing was duly held on August 27, 2015 to solicit public comment on the Development Plan, following publication of notice thereof in accordance with Chapter 424 of the Kentucky Revised Statutes, as amended. It is hereby confirmed that a copy of the Development Plan was filed with the LFUCG Clerk of Council, the Office of the Mayor, and with the Office of the Fayette County Judge/Executive on August 17, 2015.

SECTION 6. Local Participation Agreement. The Mayor of the LFUCG, and the Commissioner of the Department of Finance on behalf of the Agency are hereby authorized and directed to execute, acknowledge and deliver on behalf of the LFUCG, and the Agency a Local Participation Agreement, a form of which is attached as Exhibit B and made a part hereof, between the LFUCG, and the Agency, authorizing the pledge of a portion of the Incremental Revenues of the LFUCG from the Development Area to the payment of Redevelopment Assistance, Public Infrastructure Costs and Land Preparation. The form of Local Participation Agreement to be signed by the Mayor on behalf of the LFUCG and by the Commissioner of the Department of Finance, on behalf of the Agency, shall be in substantially the form attached hereto, subject to further negotiations and changes therein that are not inconsistent with this Ordinance and not substantially adverse to the LFUCG. The approval of such changes by said officers, and that such changes are not substantially adverse to the LFUCG, shall be conclusively evidenced by the execution of such Local Participation Agreement by such officials.

SECTION 7. Master Development Agreement. The Mayor of the LFUCG and the Commissioner of the Department of Finance on behalf of the Agency are hereby authorized and directed to execute, acknowledge and deliver on behalf of the LFUCG and the Agency a Master Development Agreement, a form of which is attached as Exhibit D and made a part hereof, between the LFUCG, the Agency, and the Developer relating the development of the Project by the Developer. The form of Master Development Agreement to be signed by the Mayor on behalf of the LFUCG and by the Commissioner of the Department of Finance, on behalf of the Agency, shall be in substantially the form attached hereto, subject to further negotiations and changes therein that are not inconsistent with this Ordinance and not substantially adverse to the LFUCG. The approval of such changes by said officers, and that such changes are not substantially adverse to the LFUCG, shall be conclusively evidenced by the execution of such Master Development Agreement by such officials.

SECTION 8. Special Fund. There is hereby established a Special Fund of the LFUCG to be known as the Thistle Station Development Area Tax Increment Fund, into which the LFUCG covenants to deposit, and into which LFUCG officials are hereby authorized and directed to deposit all Pledged Revenues. The LFUCG's Agency shall maintain the Special Fund unencumbered except for the purposes set forth in Section 8 hereof. Funds deposited in the Special Fund shall be disbursed in accordance with the Act, this Ordinance, the Local Participation Agreement, Tax Incentive Agreement, Master Development Agreement, the Development Plan and related documents to pay for Project Costs, Redevelopment Assistance, Land Preparation, and Approved Public Infrastructure Costs within the Development Area.

SECTION 9. Use of Pledged Revenues. Pledged Revenues shall be deposited by the LFUCG into the Special Fund created under Section 7 hereof and shall be used solely to: (a) pay for Administrative Costs, Redevelopment Assistance, Land Preparation, and Approved Public Infrastructure Costs as those terms are defined in the Act, and as set forth in the Local Participation Agreement, as determined from time to time by the LFUCG in accordance with the Local Participation Agreement and the Development Plan; and (b) for such other purposes as may be determined by the LFUCG and that are appropriate and in compliance with the purposes set forth in this Ordinance, the Local Participation Agreement, the Tax Incentive Agreement, the Development Plan, Master Development Agreement and the Act, as the same may be amended from time to time.

SECTION 10. Authorization of Application to KEDFA. The Mayor and other officials of the LFUCG are hereby further authorized and directed to execute, acknowledge and deliver on behalf of the LFUCG one or more applications to KEDFA and related offices of the State in order to obtain Commonwealth Project status for the Project within the Development Area.

The governing body of the LFUCG shall be required to review and analyze the progress of the development activity in the Development Area on an annual basis. Such reports shall, at a minimum, include a review of the progress in meeting the stated goals of the Development Area. The Mayor and other officials of the LFUCG shall report to the governing body of the LFUCG during such reviews and shall, when necessary, invite developers to participate in the review process to report on the progress of their developments within the Development Area. The review and documentation supporting the review shall be forwarded to KEDFA in accordance with the Act.

SECTION 11. Designation of Oversight Agency. Pursuant to the Act, the LFUCG hereby designates the Department of Finance of the LFUCG as the agency (the "Agency") of the LFUCG for purposes of oversight, administration and review responsibility of this Development Area Ordinance, the Local Participation Agreement, the Master Development Agreement and the Development Area established hereby. The Agency shall act on behalf of the LFUCG in administering the Development Area, entering into Development Area agreements, and other related agreements, with respect to the development of the Development Area and the financing of Redevelopment Assistance, Land Preparation, and Public Infrastructure Costs therein. The Commissioner of the Department of Finance is hereby authorized and directed to execute the Local Participation Agreement on behalf of the Agency and to take other appropriate action to carry-out the terms of this ordinance and the Local Participation Agreement.

SECTION 12. That the Mayor and the Commissioner of Finance are hereby authorized to and directed to execute the Master Development Agreement, which is attached hereto and incorporated herein by reference as Exhibit D.

SECTION 13. Authorization of LFUCG Officials. The Mayor and other appropriate LFUCG officials, officers, employees and agents are hereby authorized to take all necessary actions to submit the necessary application and other documents to KEDFA and any other necessary entities to obtain the necessary approvals and to take all necessary actions as required by the KEDFA and other entities to meet all of the requirements of and qualify to participate in the Commonwealth Project Program as set forth in the Act, and to carry out the intent of this Ordinance, including being authorized to execute any Memorandum of Agreement and/or Tax Incentive Agreement between KEDFA and the LFUCG approving a pledge of State Incremental Revenues for the Project pursuant to the Act.

SECTION 14. Severability. The provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall for any reason be declared invalid, such declaration of invalidity shall not affect the validity of the remainder of this Ordinance.

SECTION 15. Repeal of Conflicting Orders and Ordinances. All prior resolutions, municipal orders or ordinances or parts of any resolution, municipal order or ordinance in conflict herewith are hereby repealed.

SECTION 16. Effective Date. This Ordinance shall be in full force and effect from and after its passage, attestation, recordation and publication of a summary hereof pursuant to KRS Chapter 424.

INTRODUCED, SECONDED AND GIVEN FIRST-READING APPROVAL AT A DULY CONVENED MEETING OF THE LFUCG COUNCIL, held on the 18 day of February, 2016.

GIVEN SECOND READING AND ADOPTED AT A DULY CONVENED MEETING OF THE LFUCG COUNCIL, held on the 3 day of March, 2016 and on the same occasion signed by the Mayor as evidence of his approval, attested by the LFUCG Clerk of Council, published and filed as required by law, and declared to be in full force and effect from and after its adoption and approval according to law.

Approved:

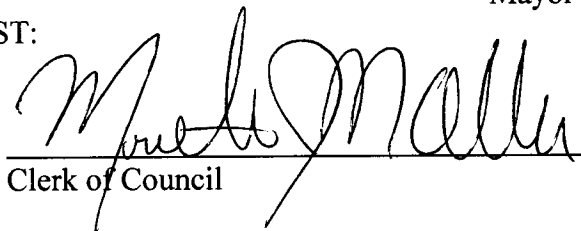
By: _____
Mayor



ATTEST:

By:

Clerk of Council



PUBLISHED: March 10, 2016-1t

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

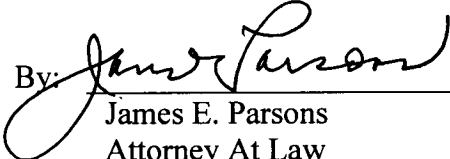
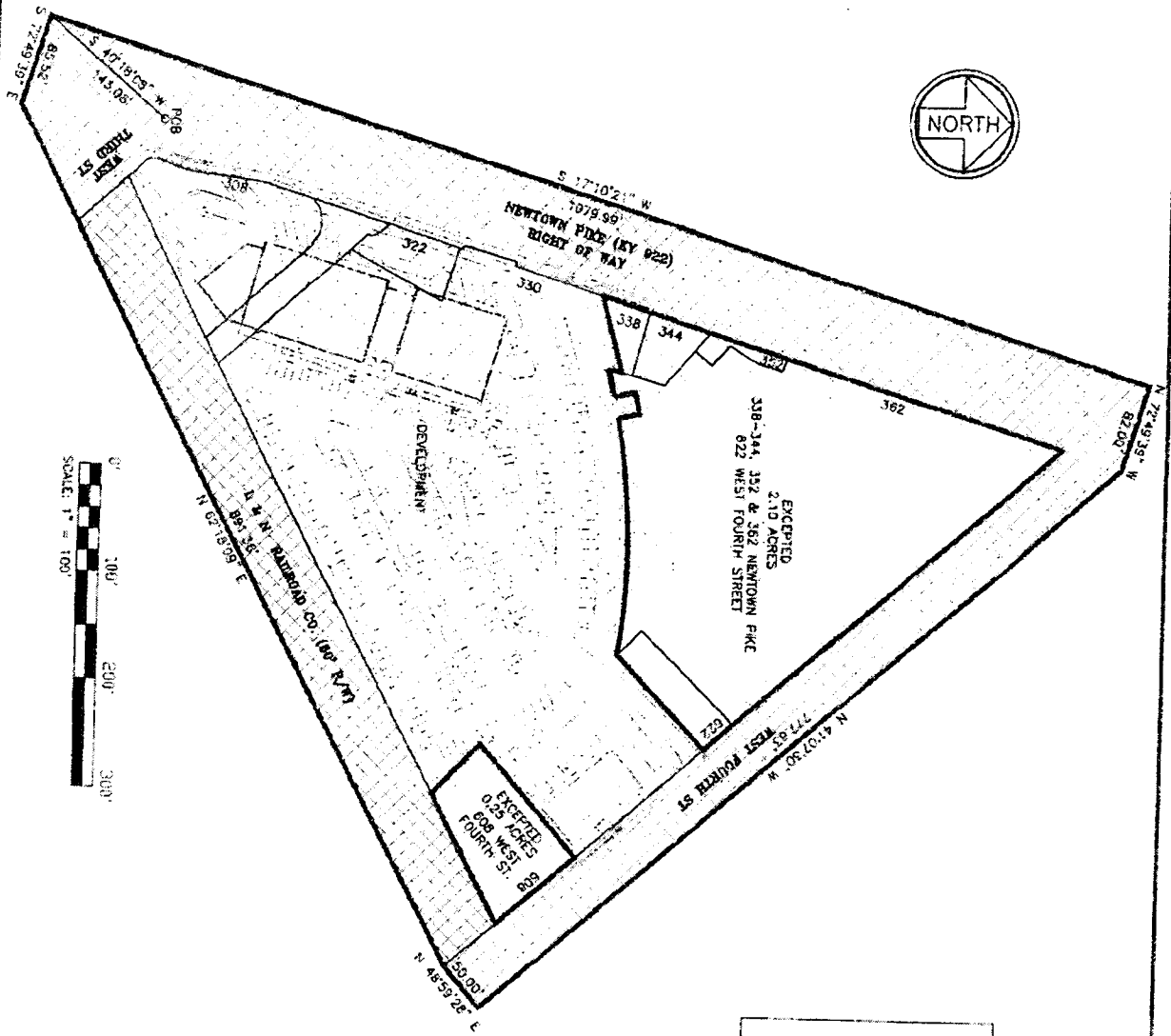
By: 
James E. Parsons
Attorney At Law

EXHIBIT A
DEVELOPMENT AREA DESCRIPTION
AND MAP

Exhibit A: Development Area Map and Description



LEGEND

BOUNDARY OF PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA.

PROPERTIES INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA
 NEWTOWN PIKE (KY 922), THIRD STREET & WEST FOURTH STREET
 RIGHT-OF-WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (337 ACRES)

LEXINGTON RAILROAD RIGHT OF WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (106 ACRES)

338-344, 352 & 362 NEWTOWN PIKE, 608 & 622 WEST FOURTH STREET ARE EXCLUDED FROM THE TAX INCREMENT FINANCING DEVELOPMENT AREA (235 ACRES)

DEVELOPMENT BOUNDARY

PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA

NEWTOWN PIKE, LEXINGTON, FAYETTE COUNTY KENTUCKY

LEGAL DESCRIPTION

**Proposed Tax Increment Finance Development Area
Newtown Pike, Lexington, Fayette County, Kentucky**

The following area description is intended for Tax Increment Financing Development Area purposes only and shall not be used for transfer or conveyance purposes. This description represents a compilation of documents and information of public record and in no way represents a survey by implication or actuality.

Being a triangular boundary of land located along Newtown Pike (State Route 922) within the City of Lexington, County of Fayette, Commonwealth of Kentucky and more particularly described as follows:

Beginning at a point on the western Right-Of-Way line of Newtown Pike (State Route 922), said point being South 40° 18' 08" West 143.08 feet from the calculated centerline intersection of said Newtown Pike and Third Street; thence crossing Newtown Pike for one (1) call:

1. South 72° 49' 39" East 85.52 feet to a point on the southern Right-Of-Way line of the L & N Railroad; thence with said L & N Railroad Right-Of-Way line for one (1) call:
2. North 62° 18' 09" East 891.36 feet to a point on the southern Right-Of-Way line of West Fourth Street, said point; thence crossing said West Fourth Street and continuing with L & N Railroad Right-Of-Way for one (1) call:
3. North 48° 59' 28" East 50.00 feet to a point on the northern Right-Of-Way line of said West Fourth Street, said point being South 83° 31' 21" East 33.24 feet from the calculated centerline intersection of West Fourth Street and the L & N Railroad; thence with said northern Right-Of-Way line for one (1) call:
4. North 41° 07' 30" West 777.63 feet to a point on the eastern Right-Of-Way line of said Newtown Pike; thence crossing Newtown Pike for one (1) call:
5. North 72° 49' 39" West 82.00 feet to a point on the western Right-Of-Way of said Newtown Pike, said point being North 60° 50' 49" West 56.99 feet from the calculated centerline intersection of said Newtown Pike and West Fourth Street; thence with the western Right-Of-Way Line of said New Town Pike for one call (1);
6. South 17° 10' 21" West 1079.99 feet to the Point of Beginning.

There is excepted from the above described Proposed Tax Increment Financing Development Area boundary that parcel conveyed to D & D Realty, LLC in Deed Book 2178, Page 453 of the Fayette County Clerk's records containing 1.89 Acres, that parcel conveyed to Bluegrass Cremation Services, LLC in Deed Book 2878, Page 453 containing 0.25 Acre, those parcels conveyed to Clarence Elliott Means Jr. Trust No. 2 in Deed Book 3261, Page 127 containing 0.11 Acre, that parcel conveyed to John Hutchinson and Ann Hutchinson containing 0.02 Acre and that parcel conveyed to Emerge Property, LLC in Deed Book 3199, Page 31 containing 0.083 Acre (acreages listed as determined by Fayette County PVA).

It is the intent of this proposed Tax Increment Financing Development Area boundary to include all the area encompassed on the northeast by the northern Right-Of-Way line of West Fourth Street, on the northwest by the western Right-Of-Way line of Newtown Pike (State Route 922) and on the southeast by

the southern Right-Of-Way line of the L & N railroad Right-Of-Way excluding exceptions listed above containing 10.38 Gross Acres, and 8.03 Net Acres.

Exhibit B: The Project

Project Description

The Thistle Station project is expected to include approximately:

- Apartments - A 16-story building will hold 202 apartment units at an average of about 1,000 leasable square feet
 - The 7th floor will include a full gym and swimming pool
- Restaurants/Retail - Apartment building will include street-level restaurants and retail covering an estimated 10,700 leasable square feet
- Outparcel Restaurants/Retail - A separate parcel will be developed for restaurant/retail use, and is estimated to include another 8,000 leasable square feet at 4,000 square feet per floor.

Its estimated construction costs include:

- Total construction cost of \$34 million
 - \$31.3 million in private costs
 - \$2.7 million in public costs

Exhibit C: Elements of Project to be Financed with Incremental Revenues

Thistle Station™ Public Infrastructure Expenditures	
Demolition, Site Clean-up	\$184,000
Environmental Remediation	\$140,000
Public Utilities Relocation	\$620,000
Utility and Right of Way Easements	\$42,000
Curbs and Sidewalks	\$115,000
Roads & Street Lighting	\$75,000
Parking	\$280,000
Transportation Facilities	\$28,000
Landscaping & Irrigation	\$220,000
Public Spaces & Parks	\$180,000
Security, Safety, Fencing, Site Lighting	\$380,000
Railroad Safety and Sound Mitigation	\$460,000
Total	\$2,724,000

**Exhibit D: Listing of Old Revenues Collected by LFUCG from Development Area
and Anticipated Incremental Revenues for LFUCG**

Thistle Station™
Incremental Ad Valorem Tax Revenue Estimates - All Local Real Estate Taxes

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Local Property Tax Revenues - After New Development									
County/General Service	\$242,799	\$10,500	\$10,658	\$10,817	\$10,980	\$11,144	\$12,006	\$13,933	\$242,799
Public Library	\$404,664	\$17,500	\$17,763	\$18,029	\$18,299	\$18,574	\$20,009	\$23,222	\$404,664
School	\$5,819,071	\$251,650	\$255,425	\$259,256	\$263,145	\$267,092	\$287,794	\$333,927	\$5,819,071
Extension Services	\$27,517	\$1,190	\$1,208	\$1,226	\$1,244	\$1,263	\$1,361	\$1,579	\$27,517
Soil & Water Conservation	\$4,047	\$175	\$178	\$180	\$183	\$186	\$200	\$232	\$4,047
Health Department	\$226,612	\$9,800	\$9,947	\$10,096	\$10,248	\$10,401	\$11,205	\$13,004	\$226,612
Leotran	\$485,597	\$21,000	\$21,315	\$21,635	\$21,959	\$22,289	\$24,011	\$27,866	\$485,597
Urban Services - Full	\$1,406,613	\$60,830	\$61,742	\$62,669	\$63,609	\$64,563	\$69,582	\$80,718	\$1,406,613
Total Local Property Tax Revenues	\$8,616,919	\$372,645	\$378,235	\$383,908	\$389,667	\$395,512	\$426,079	\$494,482	\$8,616,919
As-Is Local Property Tax Revenues - Without Development									
County/General Service	\$3,575	\$155	\$157	\$159	\$162	\$164	\$177	\$205	\$3,575
Public Library	\$5,959	\$258	\$262	\$265	\$269	\$274	\$295	\$342	\$5,959
School	\$85,690	\$3,706	\$3,761	\$3,818	\$3,875	\$3,933	\$4,237	\$4,917	\$85,690
Extension Services	\$405	\$18	\$18	\$18	\$18	\$19	\$20	\$23	\$405
Soil & Water Conservation	\$60	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$60
Health Department	\$3,337	\$144	\$146	\$149	\$151	\$153	\$165	\$191	\$3,337
Leotran	\$7,151	\$309	\$314	\$319	\$323	\$328	\$354	\$410	\$7,151
Urban Services - Full	\$20,713	\$996	\$999	\$993	\$997	\$991	\$1,024	\$1,189	\$20,713
Total Local "As-Is" Property Tax Revenues	\$126,890	\$5,487	\$5,570	\$5,653	\$5,738	\$5,824	\$6,274	\$7,282	\$126,890
Local Property Taxes Retained									
County/General Service	\$3,575	\$155	\$157	\$159	\$162	\$164	\$177	\$205	\$3,575
Public Library	\$404,664	\$17,500	\$17,763	\$18,029	\$18,299	\$18,574	\$20,009	\$23,222	\$404,664
School	\$5,819,071	\$251,650	\$255,425	\$259,256	\$263,145	\$267,092	\$287,794	\$333,927	\$5,819,071
Extension Services	\$27,517	\$1,190	\$1,208	\$1,226	\$1,244	\$1,263	\$1,361	\$1,579	\$27,517
Soil & Water Conservation	\$4,047	\$175	\$178	\$180	\$183	\$186	\$200	\$232	\$4,047
Health Department	\$226,612	\$9,800	\$9,947	\$10,096	\$10,248	\$10,401	\$11,205	\$13,004	\$226,612
Leotran	\$485,597	\$21,000	\$21,315	\$21,635	\$21,959	\$22,289	\$24,011	\$27,866	\$485,597
Urban Services	\$20,713	\$896	\$909	\$923	\$937	\$951	\$1,024	\$1,189	\$20,713
Total Local Taxes Retained	\$6,991,797	\$302,365	\$306,901	\$311,504	\$316,177	\$320,920	\$345,722	\$401,224	\$6,991,797
Local Incremental Property Taxes Available for TIF Participation									
County/General Service	\$239,223	\$10,345	\$10,501	\$10,658	\$10,818	\$10,980	\$11,829	\$13,728	\$239,223
Public Library	\$1,385,899	\$59,934	\$60,833	\$61,746	\$62,672	\$63,612	\$68,528	\$79,530	\$1,385,899
School	\$1,625,122	\$70,280	\$71,334	\$72,404	\$73,490	\$74,592	\$80,337	\$93,258	\$1,625,122
Extension Services									
Soil & Water Conservation									
Health Department									
Leotran									
Urban Services									
Total Local Taxes Contributed to TIF Reimbursement	\$3,249,244	\$130,559	\$132,669	\$134,800	\$136,950	\$139,122	\$149,687	\$172,516	\$3,249,244

EXHIBIT B
LOCAL PARTICIPATION AGREEMENT

LOCAL PARTICIPATION AGREEMENT
FOR
THE THISTLE STATION DEVELOPMENT AREA
BY AND BETWEEN
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
A Kentucky Urban County Government
AND
DEPARTMENT OF FINANCE FOR
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
FEBRUARY 1, 2016

Exhibit A – The Development Area, including legal description

Exhibit B – The Project, including an estimate of costs of construction, acquisition and development

Exhibit C – The Elements of the Project to be supported with Incremental Revenues

Exhibit D – Listing of Old Revenues Collected from Development Area and Anticipated Incremental Revenues for LFUCG

INDEX
TO
LOCAL PARTICIPATION AGREEMENT
DATED
February 1, 2016
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
AND
DEPARTMENT OF FINANCE FOR THE LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT

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LOCAL PARTICIPATION AGREEMENT
Thistle Station Development Area

THIS LOCAL PARTICIPATION AGREEMENT (this "Agreement") is made as of February 1, 2016 (the "Effective Date") by and between the LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, a Kentucky urban county government ("LFUCG"), and the DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (the "Agency"),(collectively, the "Parties");

RECITALS

WHEREAS, pursuant to the Act, as hereinafter defined, LFUCG has on the ____ day of _____, 2016, adopted Ordinance Number _____, (the "Development Area Ordinance"), whereby it established the Thistle Station Development Area (the "Development Area") for the purpose of promoting a mixed-use development of previously developed land; and

WHEREAS, the Council of LFUCG recognizes and determines individually that the real property that constitutes the Development Area has been and is currently characterized by vacant parcels, deteriorated structures and underutilized land, that continuation of the physical deterioration and inadequate infrastructure within the Development Area will discourage and interfere with LFUCG's growth policies to encourage the sensible development of land within the existing Urban Service Area, and that the acquisition, financing, construction and development of those improvements and buildings, as identified in Exhibit B herein (collectively, the "Project"), will contribute to the public welfare of the citizens of the Urban County, and the Commonwealth of Kentucky (the "State") and will thereby materially enhance the area and be in furtherance of the general health and welfare of the citizens of the Urban County and the State; and

WHEREAS, the Council of LFUCG recognizes and determines individually that the project is a mixed-use development which includes significant public infrastructure improvements; and

WHEREAS, the Parties recognize that the redevelopment of the Development Area, will not likely occur without a public-private partnership and financial assistance provided to the Project by LFUCG and the State; and

WHEREAS, the Parties desire to set forth the duties and responsibilities of the Parties with respect to the administration, financing and pledging of Incremental Revenues in support of the development of the Project within the Development Area; and

WHEREAS, pursuant to the Development Area Ordinance, the Council of LFUCG has authorized the Mayor to execute and enter into this Agreement with the Agency, and LFUCG desires to enter into this Agreement; and

WHEREAS, pursuant to the Development Area Ordinance, the Council of LFUCG has authorized the Commissioner of Finance to execute and enter into this Agreement with LFUCG and the Agency desires to enter into this Agreement; and

WHEREAS, pursuant to the Act (as hereinafter defined), LFUCG and the Agency desire to set forth their mutual agreements, understandings and obligations in this Local Participation Agreement, in order to facilitate development of the Project within the Development Area.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties hereto, and in consideration of the premises and the mutual covenants and undertakings contained herein, it is agreed and covenanted by and among the Parties hereto as follows:

SECTION I

Recitals

The Parties hereto agree that the above “recitals” or “recital clauses” are incorporated herein by reference as if fully restated herein and form a part of the agreement among the Parties hereto.

SECTION II

Definitions

For the purposes of this Agreement, the following words and phrases shall have the meanings assigned in this Section II, unless the context clearly indicates that a contrary or different meaning is intended.

1. “Act” or “the Act”. Shall mean KRS 65.7041 to KRS 65.7083, KRS 154.30-010-154.30-090 and KRS 139.515.
2. “Activation”. Shall mean the first day of the calendar year for the computation of Incremental Revenues, which date shall be determined in accordance with Section X of this Agreement.
3. “Administrative Costs”. Shall mean those costs set forth in the Master Development Agreement at Section V(A) to be retained by the Agency before reimbursing the Developer for any Public Infrastructure Costs.
4. “Agreement”. Shall mean this Local Participation Agreement, including all Exhibits attached hereto.
5. “Approved Public Infrastructure Costs”. Shall be the Capital Investment, as defined in the Act, within the Development Area that is approved for reimbursement under the Act by KEDFA, and as further identified in the Tax Incentive Agreement.
6. “Commonwealth Program”. Shall mean the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues as provided in the Act.

7. "Developer" or "Master Developer". Shall mean Thistle Holdings, LLC, a Kentucky limited liability company, its successors, affiliates, subsidiaries or related entities.
8. "Development Area". Shall have the meaning given in the Recitals to this Agreement.
9. "Development Area Ordinance." Shall mean Ordinance No. _____, adopted by LFUCG on _____, 2016.
10. "Effective Date". Shall have the meaning given in the introductory paragraph of this Agreement.
11. "Incremental Revenues". Shall mean the net amount of tax revenues received by LFUCG by subtracting Old Revenues from New Revenues in each calendar year after Activation.
12. "KEDFA". Shall mean the Kentucky Economic Development Finance Authority.
13. "LFUCG". Shall mean the Lexington-Fayette Urban County Government, a Kentucky urban county government organized under the provisions of Chapter 67A of the Kentucky Revised Statutes.
14. "LFUCG Authorizations". Shall mean those necessary governmental authorizations, resolutions, orders, hearings, notices, ordinances, and other acts, required by laws, rules, or regulations to provide LFUCG and its officers with the proper authority to perform all obligations of LFUCG resulting from this Agreement, and perform all other obligations of LFUCG made necessary by, or resulting from the establishment of the Development Area.

15. “Master Development Agreement”. Shall mean the Master Development Agreement dated February 1, 2016, among LFUCG, the Agency, and the Developer relating to the Project.

16. “New Revenues”. Shall mean the ad valorem real property tax revenues received by LFUCG from its general tax rate and urban services tax rate from the Development Area, but not including any amount required to be paid to the Lexington Public Library District, during each calendar year after Activation.

17. “Old Revenues”. Shall mean the ad valorem real property tax revenues received by LFUCG from its general tax rate and urban services tax rate from the Development Area in calendar year 2015, but not including any amount required to be paid to the Lexington Public Library District.

18. “Project Financing”. Shall mean the financing needed to provide for the development and construction of the Project elements or any financing received by the Developer, not including the pledge of Incremental Revenues from LFUCG or the State.

19. “Project”. Shall mean the improvements within the Development Area.

20. “Project Costs”. Shall mean any capital investment within the Development Area as defined in the Act.

21. “Public Infrastructure Costs.” Shall mean the Project costs eligible for reimbursement by Incremental Revenues from LFUCG and the State, including “Approved Public Infrastructure Costs.”

22. “Redevelopment Assistance”. Shall have the same meaning as provided in the Act.

23. “Special Fund”. Shall mean the Thistle Station Development Area Tax Increment Fund established in the Development Area Ordinance and maintained by the Agency, for the purpose of holding LFUCG’s and the State Incremental Revenues pledged herein or by the Tax Incentive Agreement in connection with the development of the Project.

24. “State”. Shall mean the Commonwealth of Kentucky, including any of its agencies and departments.

25. “Tax Incentive Agreement”. Shall mean the anticipated agreement between KEDFA and the Agency related to the pledge of State Incremental Revenues to pay for Approved Public Infrastructure Costs in connection with the construction of the Project.

26. “Unavoidable Delays”. Shall mean delays due to labor disputes, lockouts, acts of God, enemy action, civil commotion, riot, governmental regulations not in effect at the date of execution of this Agreement, conditions that could not have been reasonably foreseen by the claiming party, inability to obtain construction materials or energy, fire, or unavoidable casualty, provided such matters are beyond the reasonable control of the party claiming such delay.

SECTION III

Parties

The parties to this Agreement shall be LFUCG, the Agency, and the Developer.

SECTION IV

Duties and Responsibilities of LFUCG

LFUCG shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Provide for the establishment of LFUCG Special Fund for the collection of Incremental Revenues pledged herein from LFUCG real property ad valorem taxes (including the general tax rate less the Library portion and also the urban services tax rate), within the Development Area from the Project.

2. Pledge one hundred percent (100%) of LFUCG's Incremental Revenues to pay for Administrative Costs, support the cost of Public Infrastructure Costs, and after those costs are paid, to provide Redevelopment Assistance within the Development Area as determined by LFUCG, for up to a twenty (20) year period, which pledge is made in Section VI herein.

3. Make, in participation with the Agency and the Developer, application to the KEDFA requesting State participation under the "Commonwealth Program" in accordance with applicable provisions of the Act.

4. Designate the Agency as the entity responsible for the oversight, administration, and implementation of the Development Area Ordinance.

5. Meet as may be required with the Developer and the Agency for the purpose of reviewing the progress of the development of the Development Area and prepare an analysis of such progress for distribution to the Agency and the State in accordance with the Act.

6. Require its Department of Finance, as the "Agency" for purposes of the Act, to prepare by no later than June 1, or such other date to meet the reporting schedule of KEDFA, or the State to receive State Incremental Revenues under the Tax Incentive Agreement, of each year during the term of this Agreement an annual report and provide same to LFUCG and KEDFA including, but not limited to: (a) the total real property taxes collected within the Development Area during the previous calendar year; (b) a determination of Incremental Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, of Incremental Revenues spent from the Special Fund on Public Infrastructure Costs and/or Redevelopment Assistance in connection with the Project.

SECTION V
Duties and Responsibilities of the Agency

The Agency shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Act as the entity responsible for the oversight, administration, and implementation of the Development Area Ordinance.
2. Participate with LFUCG and the Developer in the application to KEDFA, requesting State participation under the "Commonwealth Program" in accordance with the applicable provisions of the Act.
3. Meet as may be required with the Developer and LFUCG for the purpose of reviewing the progress of the development of the Development Area and prepare an analysis of such progress for distribution to the Agency and the State in accordance with the Act.
4. Prepare by no later than June 1, or such other date to meet the reporting schedule of KEDFA, or the State to receive State Incremental Revenues under the Tax Incentive Agreement, of each year during the term of this Agreement an annual report and provide same to LFUCG, the Developer and KEDFA including, but not limited to: (a) the total real property taxes collected within the Development Area during the previous calendar year; (b) a determination of Incremental Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, of Incremental Revenues spent from the Special Fund on Public Infrastructure Costs and/or Redevelopment Assistance.
5. Beginning in the calendar year of the Activation Date, upon the receipt of the deposits of Incremental Revenues into the Special Fund from LFUCG or the State, the Agency, providing that the Developer has complied with its obligations and conditions set forth in the Master Development Agreement, shall annually pay such funds to the Developer (as applicable)

within thirty (30) days but not later than June 30, sufficient to cover the payment or reimbursement Administrative Costs, Public Infrastructure Costs, and Redevelopment Assistance costs pursuant to the terms set forth in this Agreement and the Master Development Agreement, but any payments to the Developer shall not exceed two million seven hundred thousand dollars (\$2,700,000) in total.

6. Comply with any requirements and carry out any duties and responsibilities as the Agency under the terms of the Tax Incentive Agreement, the Master Development Agreement, and this Agreement.

SECTION VI
Identification and Pledge of Incremental Revenues

1. To the extent Incremental Revenues are generated, for up to a twenty (20) year period after the Activation Date of the Development Area, LFUCG hereby pledges one-hundred percent (100%) of its Incremental Revenues to support the payment of Administrative Costs, Public Infrastructure Costs, in accordance with the Master Development Agreement, and after those costs are paid, Redevelopment Assistance as determined by LFUCG; provided, however, that the pledge of LFUCG Incremental Revenues shall be conditioned upon the approval of State participation as a "Commonwealth Project" as provided in the Act. An estimate of the Old Revenues collected by LFUCG from within the Development Area is attached as Exhibit D. Nothing contained herein shall be interpreted to prohibit LFUCG from terminating the Development Area and any agreement incident thereto, after the Developer has been reimbursed the amount of Public Infrastructure Costs as set forth in the Master Development Agreement.

2. Incremental Revenues pledged by LFUCG in this Section VI and received by the Agency shall be deposited at least annually, no later than each June 1st after the first calendar year of activation, to the Special Fund and shall be held by the Agency and used solely for

payment of Administrative Costs, Public Infrastructure Costs, and/or Redevelopment Assistance in support of the Project and for no other purpose. Such Special Fund shall be continued and maintained until the Termination Date (as defined in the Development Area Ordinance) of the Development Area. Amounts in the Special Fund, together with interest accruing thereon, are hereby irrevocably pledged for the payment of costs as provided in this Section VI of this Agreement, and for no other purpose. The Special Fund shall be continued and maintained until the Termination Date of the Development Area.

3. At the Termination Date (as defined in the Development Area Ordinance) all amounts remaining in the Special Fund shall be transferred to the General Fund of LFUCG.

SECTION VII Anticipated Benefits to LFUCG

LFUCG anticipates receiving substantial benefits as a result of the pledge of their Incremental Revenues to support development of the Development Area as set forth herein. Estimates of Old Revenues and projected New Revenues for LFUCG on an annual basis during the term of this Agreement are attached as Exhibit D hereto. The maximum amount of Incremental Revenues to be paid by LFUCG shall be one hundred percent (100%) of the Incremental Revenues generated from the Development Area, and the maximum number of years the payment of Incremental Revenues to support the development of the Development Area will be made is twenty (20) years.

SECTION VIII Description of Development Area

A detailed description of the Development Area is set forth in Exhibit A hereto.

SECTION IX
Description of Project; Costs

A detailed description of the Project is set forth in Exhibit B hereto. Also included in Exhibit B is an estimate of the costs of construction, acquisition and development of such proposed Project. The elements of the Project planned to be supported or paid for with Incremental Revenues are listed on the attached Exhibit C, subject to further amendment with approval by LFUCG. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that the Project may be changed and modified, so long as the overall project concept remains the same.

SECTION X
Commencement Date; Activation Date; Termination Date

This Agreement shall commence and be effective as of the date of execution hereof by LFUCG. The activation date for the pledge of Incremental Revenues as set forth in Section VI hereof shall be determined by LFUCG and Developer in accordance with the Act. This Agreement shall terminate twenty (20) years after the activation date as set forth above. This Agreement shall not terminate upon the execution of any deeds or other agreements required or contemplated by this Agreement, or referred to herein, and the provisions of this Agreement shall not be deemed to be merged into the deeds, or any other such deeds or other agreements, it being the intent of the parties hereto that this Agreement shall survive the execution and delivery of any such agreements.

SECTION XI
Default

If LFUCG or the Agency (a "Defaulting Party") shall default in its obligation to make payments of Incremental Revenues set forth herein, the Agency (unless it is the Defaulting Party), the Developer and/or the indenture trustee or trustees for outstanding financing

obligations secured by such Incremental Revenues shall have the power to enforce the provisions of this Agreement against the Defaulting Party. If LFUCG or the Agency materially breaches or defaults on any of its nonpayment related obligations under this Agreement, the Developer, and/or the indenture trustee or trustees for the outstanding financing obligations may give notice that remedial action must be taken within thirty (30) days. The Defaulting Party shall correct such breach or default within thirty (30) days after such notice, provided however that if (i) the default is one which cannot with due diligence be remedied by the Defaulting Party within thirty (30) days and (ii) the Defaulting Party proceeds as promptly as reasonably possible after such notice and with all due diligence to remedy such default, the period after such notice within which to remedy the default shall be extended for such period of time as may be necessary to remedy the same with all due diligence.

SECTION XII
Governing Law

The laws of the State shall govern as to the interpretation, validity and effect of this Agreement.

SECTION XIII
Severability

If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties essential objectives as expressed herein.

SECTION XIV
Force Majeure

A party shall not be deemed to be in default in the performance of any obligation on such parties' part to be performed under this Agreement, other than an obligation requiring the payment of a sum of money, if and so long as the non performance of such obligation shall be directly caused by Unavoidable Delays; provided, that within fifteen (15) days after the commencement of such Unavoidable Delay, the non-performing party shall notify the other party in writing of the existence and nature of any such Unavoidable Delay and the steps, if any, which the non-performing party shall have taken or planned to take to eliminate such Unavoidable Delay. Thereafter, the non-performing party shall, from time to time, on written request of the other party, keep the other party fully informed, in writing, of further developments concerning such Unavoidable Delay and the effort being made by the non-performing party to perform such obligation as to which it is in default. All provisions of any construction schedule shall be adjusted in accordance with such Unavoidable Delay.

SECTION XV
Notices

Any notice to be given under this Agreement shall be in writing, shall be addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed to have been given upon the earliest of (i) three (3) days following deposit in the U.S. Mail with proper postage prepaid, Certified or Registered, (ii) the next business day after delivery to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, or (iii) receipt of notice given by telecopy or personal delivery:

If to LFUCG: Mayor Jim Gray
200 East Main Street
Lexington, Kentucky 40507

With Copies to: Kevin Atkins, Chief Development Officer
Government Center
200 East Main Street
Lexington, Kentucky 40507

Janet M. Graham
Commissioner of Law
Government Center
200 East Main Street
Lexington, Kentucky 40507

If to the Agency: William O'Mara
Commissioner of Finance
200 East Main Street
Lexington, Kentucky 40507

With a Copy to: Janet M. Graham
Commissioner of Law
Government Center
200 East Main Street
Lexington, Kentucky 40507

SECTION XVI
Approvals

Whenever a party to this Agreement is required to consent to, or approve, an action by the other party, or to approve any such action to be taken by another party, unless the context clearly specifies a contrary intention, or a specific time limitation, such approval or consent shall be given within thirty (30) business days and shall not be unreasonably withheld or delayed by the party from whom such approval or consent is required.

SECTION XVII
Entirety of Agreement

As used herein, the term "Agreement" shall mean this Local Participation Agreement and the Exhibits attached hereto. This Agreement embodies the entire agreement and understanding

of the parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intention has been made by any party which has not been embodied in this Agreement, and no party shall be bound by or be liable for any alleged representation, promise, inducement, or statement of intention not so set forth. This Agreement may be amended, modified, superseded, or cancelled only by a written instrument signed by all of the parties hereto, and any of the terms, provisions, and conditions hereof may be waived only by a written instrument signed by the waiving party. Failure of any party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of any such provision by any part.

SECTION XVIII
Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

SECTION XIX
Headings and Index

The headings in this Agreement and the Index are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any provision hereof.

SECTION XX
Exhibits

All exhibits to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof, above the signatures of the parties hereto, as if set out in full herein.

SECTION XXI
No Waiver; Construction

No waiver of any condition or covenant of this Agreement to be satisfied or performed by LFUCG shall be deemed to imply or constitute a further waiver of the same, or any like condition or covenant, and nothing contained in this Agreement nor any act of either party, except a written waiver signed by such party, shall be construed to be a waiver of any condition or covenant to be performed by the other party.

No provisions of this Agreement shall be construed against a party by reason of such party having drafted such provisions.

SECTION XXII
Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which shall constitute an original document.

SECTION XXIII
Relationship of the Parties

Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association among any of the Parties of this Agreement.

SECTION XXIV
No Third Party Beneficiary

Except as otherwise specified herein, the provisions of this Agreement are for the exclusive benefit of LFUCG, the Agency, and the Developer, their successors and permitted assigns, and not for the benefit of any other person or entity, nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any other person or entity.

SECTION XXV
Diligent Performance

With respect to any duty or obligation imposed on a party to this Agreement, unless a time limit is specified for the performance of such duty or obligation, it shall be the duty or obligation of such party to commence and perform the same in a diligent and workmanlike manner and to complete the performance of such duty or obligation as soon as reasonably practicable after commencement of the performance thereof. Notwithstanding the above, time is of the essence with respect to any time limit specified herein.

SECTION XXVI
Assignment of Rights and Delegation of Duties

No Party to this Agreement may assign this Agreement, or any part hereof, except as provided herein, without the prior written consent of the other Parties, except that the Developer may assign its rights to receive reimbursement for Public Infrastructure Costs to a financial institution that provides Project Financing. Nothing in this Section shall be construed to require prior written consent for the Developer to assign any of its rights or obligations under this Agreement to a subsidiary, affiliate or related entity.

IN WITNESS WHEREOF, the Parties hereto have hereunto set their hands on the date and year first above set forth herein, to be effective as of the Effective Date.

LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT
a Kentucky urban county government

By: _____
Jim Gray, Mayor

Approval as to Form:

Janet M. Graham
Commissioner of Law for the

Lexington-Fayette Urban County
Government

DEPARTMENT OF FINANCE FOR
THE LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT

By: _____
William O'Mara, Commissioner of Finance

EXHIBITS:

Exhibit A: Development Area Map and Description

Exhibit B: The Project

Exhibit C: Elements of Project to be Financed with Incremental Revenues

**Exhibit D: Estimated Old Revenues from Development Area and Anticipated
Incremental Revenues for LFUCG**

EXHIBIT C
DEVELOPMENT PLAN

Tax Increment Financing Development Plan

For

The Thistle Station Development Area

1. Introduction.

1.1. Purpose. The Lexington-Fayette Urban County Government ("LFUCG" or "Lexington") intends to establish the Thistle Station 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 development (the "Project") within the Development Area, being undertaken by the Thistle Holdings (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 is expected to include a variety of uses including some retail and restaurant space, but the focus of the Project will be a 16-story residential apartment building expected to include approximately 202 units.

The Project is also expected to include railroad safety and sound mitigation, right-of-way and roadway improvements, new and improved sidewalks/trails and bike paths, utility improvements (including possible burial and/or relocation) and various green space and/or park improvements. 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 Thistle Station Development Area is approximately 8.03 acres located along Newtown Pike, between West Fourth Street and West Third Street, bordering the western end of Downtown Lexington. The Development Area is located in an area that is undergoing a transformation as a number of public projects have recently been completed, such as the expansion of the Kentucky Community and Technical College System campus and the relocation of the Lexington Division of Police's training academy, both located across West Fourth Street from the Development Area. The Development Area itself is currently comprised of abandoned and completely rundown industrial and commercial buildings. 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 Development Area itself currently is zoned I-1 (Light Industrial), but property owners have nearly completed the process of a zone change to form based B-1 zone. This zone change will allow the property to be developed in a manner more

fitting to the area given the recent public projects that have been completed in the surrounding area and the decrease in industrial uses.

The Development Area will also include certain pieces of public rights-of-way and the adjacent railroad tracks in order to allow support for the necessary public improvements that are necessary to support the private aspects of the Project.

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 8.03 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 2014 was \$515,400. The LFUCG has previously established six other development areas pursuant to the Act, the Phoenix Park/Courthouse Development Area, the Red Mile Development Area, the Turfland Town Center Development Area, the 21C Lexington Development Area, the Summit Lexington Development Area, and the Midland Avenue Development Area. The combined taxable 2014 real property assessed valuation for those development areas is approximately \$57,205,400 and when combined with the real property assessed value for the proposed Development Area, the total taxable 2014 real property assessed value for all development areas established by the LFUCG will be approximately \$57,720,800. The total assessed value of taxable real property within Lexington for the calendar year 2014 is approximately \$25 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 two (2) 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 five of the qualifying characteristics:

(1) A substantial loss of commercial activity has occurred. Commercial activity within the Development Area has been in a state of economic decline for years. In its present state, the Area includes vacant land and an unoccupied and deteriorating/collapsing structure that is completely unusable.

(2) More than fifty percent (50%) of the commercial structures are deteriorating or deteriorated. The remaining commercial structure is deteriorated to the point that it is no longer usable as it is not able to protect inhabitants from the elements.

(3) Public improvements and public infrastructure are inadequate. Currently, because of the lack of use, there is limited and inadequate public infrastructure within and connecting to the Development Area. Additionally, the change in composition and use of the area has created a need for public improvements that suit the planned uses not only within the Development Area but to service the areas surrounding the Development Area. The necessity of constructing the requisite public infrastructure creates a heavy financial burden for any potential developer of the Development Area, and will benefit the neighboring sites, as well.

The following are non-exclusive examples of public infrastructure needed to enable construction of the Project and growth in the Development Area:

- Utilities – Expansion of sanitary sewer lines, storm sewer lines, water service lines, and utility conduits, including, without limitation, electric, gas, telephone and cable, to accommodate the change in utility usage that residential and commercial development of the Project will require.

- Site Prep, Demolition, and Environmental – The preparation of the site will require strategic demolition and removal of the deteriorating buildings and clean-up of the site. Additionally, the Development Area is expected to need some level of brownfield remediation from past industrial uses within the Development Area.
- Roadways, Pathways and Walkways – The creation of new entryways and traffic management, along with the creation of new pathways and walkways with landscaping and seating areas for pedestrians and bicyclists, including connection to the Legacy Trail, to allow for increased, vehicular, pedestrian and bicycle traffic that the Project and the further development of the surrounding area will generate. Additionally, the Project will include strategic security and safety measures in order to ensure the safety of its visitors, patrons, and residents who will enjoy the Project's trails and open space.
- Parking – There currently exists a significant deficiency in the number of parking spots in the Development Area and at surrounding sites. The addition of over 200 residential units and nearly 20,000 square feet of commercial space will require the provision of additional parking spaces in order to prevent parking overflow from creating issues at surrounding properties and neighborhoods.
- Railroad Safety and Sound Mitigation – The railroad's location in an area that has become highly populated by students and residents, as opposed to its former industrial users, creates both safety and sound issues in a populated area. The Project is expected to include measures that will allow sufficient safety measures that also allow the trains passing through the area to avoid blowing their whistles and disturbing the residents, schools, and businesses in the area.
- Landscaping – In order to minimize the Project's impact to the surrounding residents and to increase the appeal of the area's trails and seating areas, the Project plans to include significant landscaping features, such as a tree canopy, in order to create a welcoming residential environment for both the Project and the nearby residents and businesses.

(4) **There is a combination of factors that substantially impairs growth and economic development of the Development Area.** This area was zoned and occupied for industrial and warehouse purposes, but now those activities have declined over time because more modern industrial and warehouse businesses have different locational and square footage needs. Warehouse and industrial users now choose to locate near interstate highway interchanges because moving goods by rail is no longer the preferred transportation method for these types of businesses. Warehouse and industrial buildings have grown in size and require ample parking and drive aisles for tractor trailers. Over time these users select sites farther away from residential areas due to the often conflicting traffic patterns, noise and similar factors that present substantial difficulty in attracting new industrial and warehouse users to this small urban

location so close to the downtown, existing residential neighborhoods, educational facilities, and public space. The proposed mix of uses is far more suitable for this site and is more likely to be redeveloped in this way, if the high cost of public infrastructure can be addressed.

(5) **Abandonment.** The Development Area consists almost completely of either vacant or public land or unoccupied and deteriorating structures.

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 at the edge of Downtown Lexington, 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 site as an urban mixed-use development is at least \$2.7 million. Without public funding, including the critical pledge of State incremental revenues under the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues, 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 \$2.7 million, but the private investment within the Development Area is estimated to reach \$31.3 million. While the LFUCG will pledge one-hundred percent (100%) of new ad valorem property taxes from the general county and urban services categories to pay for the public projects proposed, it will generate significant new revenues from one-hundred (100%) of the other local ad valorem property taxes and occupational taxes generated from the Project.

The Project is expected to generate much more tax revenue than the current use of the property in the Development Area, which is only generating a small amount of property tax revenues. According to the Report, over a 20-year period, the Project is estimated to generate \$2.6 million of TIF-eligible state and local tax revenues. By contrast, if the site remains "as-is", tax revenues are estimated to amount to only \$41,185 in the same, 20-year period. As a result, total TIF-eligible incremental tax revenues generated over 20 years are estimated at \$2.6 million or an estimated \$970,485 million of cash available for State participation and an estimated \$1.6 million for local participation. When considering the local ad valorem property taxes that would not be used as a part of the TIF incentive, it is estimated that another \$6.4 million will accrue to the LFUCG over the 20-year period in school taxes, transit taxes, library taxes, etc. in addition to the taxes retained at the State level such as state income tax revenues and sales and use tax revenues, both during construction and during operations. As a result, the Project represents significant benefit to the LFUCG and the State.

It is proposed that the incremental revenues from the LFUCG and the State will be used to fund the capital costs of the "approved public infrastructure" as defined by the Act, needed for the Project within the Development Area. The estimated cost of the approved public infrastructure needed for the Project is approximately \$2.7 million. It is estimated that approximately \$2.6 million in local and State TIF-applicable incremental revenues from the Project will be available over 20 years to pay for approved public infrastructure costs needed for the Project.

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 none of the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, and that certain special circumstances within the Development Area, as listed in section 2.2, would prevent its development without public assistance.

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, and incorporated herein, as Exhibit "A".

2.7. Existing Uses and Conditions.

The Development Area itself currently is zoned I-1 (Light Industrial), but the Development Area will also include certain pieces of public rights-of-way and the adjacent railroad tracks in order to allow support for the necessary public improvements that are necessary to support the private aspects of the Project.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan.

The Development Area itself currently is zoned I-1 (Light Industrial), but property owners have nearly completed the process of a zone change to form based B-1 zone. This zone change will allow the property to be developed in a manner more fitting to the area given the recent public projects that have been completed in the surrounding area and the decrease in industrial uses.

2.9. Certification of Compliance with the Comprehensive Land-Use Plan.

The Thistle Station Development Plan has been created through a collaborative process involving the Developer, its working group of economic consultants and legal team, and LFUCG representatives. The collaborative effort created transparency in the process by allowing stakeholders to voice their opinions and offer input regarding the development concepts

presented to them. After working group sessions and a series of meetings and discussions with LFUCG officials, the Development Plan was submitted to the LFUCG Planning Commission for certification of compliance with the duly adopted Comprehensive Plan.

The Planning Commission approved such certification at its meeting on August 27th, 2015.

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 in the Commonwealth Economics report attached hereto as Exhibit "B".

3.1 Private Development. It is currently estimated that the potential total private development within the Development Area will cost approximately \$31.3 million. The Project proposed by the Developer is expected to include a variety of uses including some retail and restaurant space, but the focus of the Project will be a 16-story residential apartment building expected to include approximately 202 units.

3.2 Public Infrastructure and Improvements.

- Utilities – Expansion of sanitary sewer lines, storm sewer lines, water service lines, and utility conduits, including, without limitation, electric, gas, telephone and cable, to accommodate the change in utility usage that residential and commercial development of the Project will require.
- Site Prep, Demolition, and Environmental – The preparation of the site will require strategic demolition and removal of the deteriorating buildings and clean-up of the site. Additionally, the Development Area is expected to need some level of brownfield remediation from past industrial uses within the Development Area.
- Roadways, Pathways and Walkways – The creation of new entryways and traffic management, along with the creation of new pathways and walkways with landscaping and seating areas for pedestrians and bicyclists, including connection to the Legacy Trail, to allow for increased, vehicular, pedestrian and bicycle traffic that the Project and the further development of the surrounding area will generate. Additionally, the Project will include strategic security and safety measures in order to ensure the safety of its visitors, patrons, and residents who will enjoy the Project's trails and open space.
- Parking – There currently exists a significant deficiency in the number of parking spots in the Development Area and at surrounding sites. The addition of over 200 residential units and nearly 20,000 square feet of commercial space will require the provision of additional parking spaces in order to prevent parking overflow from creating issues at surrounding properties and neighborhoods.

- **Railroad Safety and Sound Mitigation** – The railroad’s location in an area that has become highly populated by students and residents, as opposed to its former industrial users, creates both safety and sound issues in a populated area. The Project is expected to include measures that will allow sufficient safety measures that also allow the trains passing through the area to avoid blowing their whistles and disturbing the residents, schools, and businesses in the area.
- **Landscaping** – In order to minimize the Project’s impact to the surrounding residents and to increase the appeal of the area’s trails and seating areas, the Project plans to include significant landscaping features, such as a tree canopy, in order to create a welcoming residential environment for both the Project and the nearby residents and businesses.

4. Development assistance and Finance Plan.

The Proposed “development assistance”, as defined in the Act, to be provided in the Development Area is estimated to cost at least \$2.7 million, not including interest/financing expenses. The LFUCG will pledge one-hundred percent (100%) of its incremental tax revenues from real property ad valorem taxes from the general and urban services categories 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 one-hundred (100%) of incremental State ad valorem property tax revenues generated from the Project during the same 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 first to reimburse LFUCG for administration expenses related to administering the TIF program, then to reimburse the private financing and/or upfront expenditure by private parties on “approved public infrastructure costs” or 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. It is anticipated that private parties shall pay for public improvements within the Development Area and seek reimbursement in conformity with the TIF statutes and agreements between the Developer and the government. No bond funding is currently being requested to pay for the public improvements as proposed by the Developer. 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 directly generate approximately \$2.6 million in TIF-eligible incremental tax revenues over a 20-year period (\$970,485 for state participation and \$1.6 million for local participation).

5. Conclusions.

The proposed assistance is critical to the successful redevelopment of the Development Area, the securing of a significant amount of private investment within the Development Area, and the economic benefits that will be generated by this Project.

The Development Area's mix of private investment and public improvements will allow the LFUCG to play a vital role in the recreation of an area that is badly in need of thoughtful private investment that can improve the overall vision of the area.

EXHIBIT A
THE DEVELOPMENT AREA

LEGAL DESCRIPTION

Proposed Tax Increment Finance Development Area Newtown Pike, Lexington, Fayette County, Kentucky

The following area description is intended for Tax Increment Financing Development Area purposes only and shall not be used for transfer or conveyance purposes. This description represents a compilation of documents and information of public record and in no way represents a survey by implication or actuality.

Being a triangular boundary of land located along Newtown Pike (State Route 922) within the City of Lexington, County of Fayette, Commonwealth of Kentucky and more particularly described as follows:

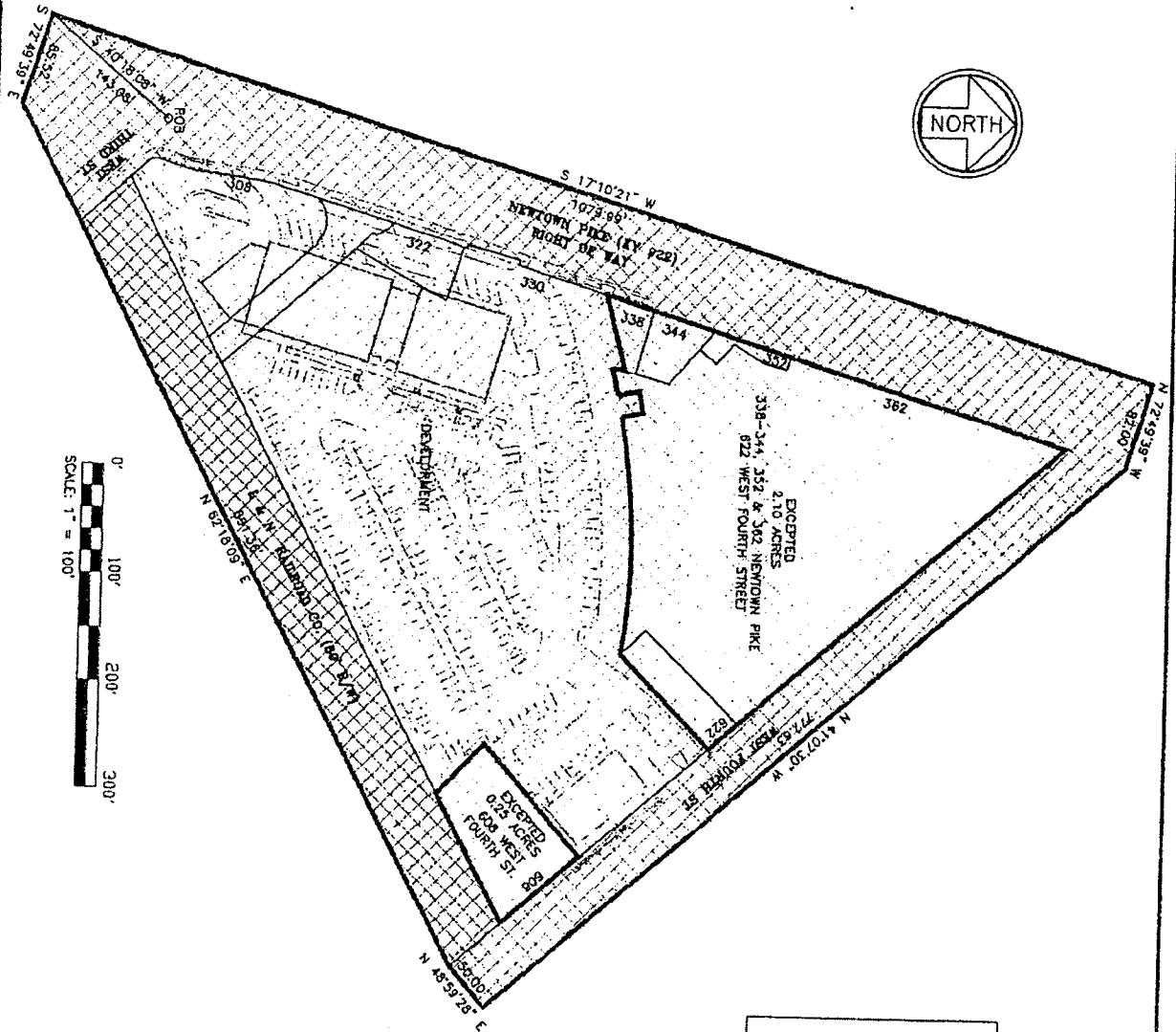
Beginning at a point on the western Right-Of-Way line of Newtown Pike (State Route 922), said point being South 40° 18' 08" West 143.08 feet from the calculated centerline intersection of said Newtown Pike and Third Street; thence crossing Newtown Pike for one (1) call:

1. South 72° 49' 39" East 85.52 feet to a point on the southern Right-Of-Way line of the L & N Railroad; thence with said L & N Railroad Right-Of-Way line for one (1) call:
2. North 62° 18' 09" East 891.36 feet to a point on the southern Right-Of-Way line of West Fourth Street, said point; thence crossing said West Fourth Street and continuing with L & N Railroad Right-Of-Way for one (1) call:
3. North 48° 59' 28" East 50.00 feet to a point on the northern Right-Of-Way line of said West Fourth Street, said point being South 83° 31' 21" East 33.24 feet from the calculated centerline intersection of West Fourth Street and the L & N Railroad; thence with said northern Right-Of-Way line for one (1) call:
4. North 41° 07' 30" West 777.63 feet to a point on the eastern Right-Of-Way line of said Newtown Pike; thence crossing Newtown Pike for one (1) call:
5. North 72° 49' 39" West 82.00 feet to a point on the western Right-Of-Way of said Newtown Pike, said point being North 60° 50' 49" West 56.99 feet from the calculated centerline intersection of said Newtown Pike and West Fourth Street; thence with the western Right-Of-Way Line of said New Town Pike for one call (1);
6. South 17° 10' 21" West 1079.99 feet to the Point of Beginning.

There is excepted from the above described Proposed Tax Increment Financing Development Area boundary that parcel conveyed to D & D Realty, LLC in Deed Book 2178, Page 453 of the Fayette County Clerk's records containing 1.89 Acres, that parcel conveyed to Bluegrass Cremation Services, LLC in Deed Book 2878, Page 453 containing 0.25 Acre, those parcels conveyed to Clarence Elliott Means Jr. Trust No. 2 in Deed Book 3261, Page 127 containing 0.11 Acre, that parcel conveyed to John Hutchinson and Ann Hutchinson containing 0.02 Acre and that parcel conveyed to Emerge Property, LLC in Deed Book 3199, Page 31 containing 0.083 Acre (acreages listed as determined by Fayette County PVA).

It is the intent of this proposed Tax Increment Financing Development Area boundary to include all the area encompassed on the northeast by the northern Right-Of-Way line of West Fourth Street, on the northwest by the western Right-Of-Way line of Newtown Pike (State Route 922) and on the southeast by

the southern Right-Of-Way line of the L & N railroad Right-Of-Way excluding exceptions listed above containing 10.38 Gross Acres, and 8.03 Net Acres.



LEGEND

	BOUNDARY OF PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA.
	PROPERTIES INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA.
	308-310, 322 & 330 NEWTOWN PIKE (3.90 ACRES)
	NEWTOWN PIKE (KY 922), THIRD STREET & WEST FOURTH STREET RIGHT-OF-WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA. (3.07 ACRES)
	LANE RAILROAD RIGHT OF WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (1.08 ACRES)
	338-344, 352 & 358 NEWTOWN PIKE, 608 & 622 WEST FOURTH STREET ARE EXCLUDED FROM THE TAX INCREMENT FINANCING DEVELOPMENT AREA (2.35 ACRES)

DEVELOPMENT BOUNDARY
PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA
NEWTOWN PIKE, LEXINGTON, FAYETTE COUNTY KENTUCKY

EXHIBIT B
TIF IMPACT REPORT



Thistle Station™
Tax Increment Financing Impact Analysis

Submitted To:

Thistle Holdings

Submitted By:

Commonwealth Economics

May 2015

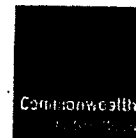


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- V. INCREMENTAL TAX REVENUE CALCULATIONS
- VI. CONCLUSION



I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics, LLC was retained by Thistle Holdings, LLC to conduct a Tax Increment Financing (TIF) impact analysis¹ of the Urban Edge Living at Thistle Station™ project (the "Project" or "Thistle Station™") in Lexington, Kentucky. The purpose of this TIF study is to compare the incremental increase in real property Ad-Valorem state and local tax revenues to the requested amount of the TIF.

Executive Summary

The subject of this analysis is the Thistle Station™ Project, which is to be located at Third Street and Newtown Pike in Lexington, Kentucky.

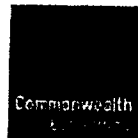
This project is expected to include approximately:

- Apartments - A 16-story building will hold 202 apartment units at an average of about 1,000 leasable square feet
 - The 7th floor will include a full gym and swimming pool
- Restaurants/Retail - Apartment building will include street-level restaurants and retail covering an estimated 10,700 leasable square feet
- Outparcel Restaurants/Retail - A separate parcel will be developed for restaurant/retail use, and is estimated to include another 8,000 leasable square feet at 4,000 square feet per floor.

Its estimated construction costs include:

- Total construction cost of \$34 million
 - \$31.3 million in private costs
 - \$2.7 million in public costs

¹ The results presented herein are fair and reasonable. Project scope and cost estimates were provided by development team and used as the basis for this analysis. 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.



The public infrastructure needs in this footprint are significant and are of critical importance to the redevelopment of this location. The development of this area introduces several challenges due to the high cost of infrastructure.

These challenges include:

- Demolition of Existing Structures and Environmental Remediation
- Railroad Safety and Sound Mitigation
- Required Landscaping Improvements and Public Spaces and Parks
- Area Security and Safety Measures
- Roadways, Traffic Control, Easements, and Parking
- Sanitary and Storm Sewer Improvements and Utility Provision

The cost of redeveloping this property in this manner does not generate the necessary return to incentivize private investment without the assistance of the public. It is important to incentivize Projects like the Thistle Station™, which offers a great residential improvement in place of one downtown Lexington's most blighted areas. It is unlikely that development of this nature will take place without public aid due to the preventatively high public infrastructure costs associated with developing the property.

Based on the research and analysis that is documented in this report, the Thistle Station™ Project is estimated to have a notable impact on the local economy. In a 20-year period, which begins upon the TIF activation, the Thistle Station™ footprint is estimated to generate approximately \$2.6 million of TIF-eligible incremental state and local property tax revenues alone. This includes:

- State Taxes- \$970,485
- Local Taxes- \$1,625,122

The local property tax revenues not eligible for TIF participation, an estimated \$7.0 million, as well as occupational license tax revenues, will flow to the City as normal, which illustrates the Project's additional benefits to the LFUCG from a purely fiscal point of view.

This report details the Project and its economic impact as it relates to Tax Increment Financing. It shows that, due to the problems inherent with the Property in its current state, the benefits that arise from the Project, and the purpose of TIF legislation, the Project qualifies for the TIF program and warrants state and local TIF participation.



II. PROJECT DESCRIPTION

This section provides details regarding the scope of the proposed Project, its land use components, and cost estimates.

Description of the Thistle Station™ Project

The proposed \$34 million Project would transform an area on the edge of downtown Lexington that is in desperate need of redevelopment. The Thistle Station™ Project would be a great catalyst, along with the planned expansion of both KCTCS and Transylvania University, in revitalizing the area. The site currently sees very little economic activity (due in large part to the dying industrial uses in the area) and is located in an area urgently in need of suitable housing, dining, and retail/service options due to KCTCS and Transylvania expansions. The Thistle Station™ Project will help fill this void by providing a high quality living option along with dining and retail options.

In addition, the Project has been designed with a “friendly front yard” in mind. This will include bike and pedestrian lanes, landscaping, seating areas and a continuation of, or connection to, Lexington’s popular Legacy Trail. The project also lies directly on mass transit routes and is in close proximity to both I-75 & I-64. With an increased desire nationwide to reduce one’s carbon footprint, the Project is ideally situated for residents & patrons alike to take advantage of its central, connected location. The developers will further invest considerable funds on high-speed internet & fiber-optic cable, as well as having this portion of the railroad designated a “quiet zone,” substituting the use of loud train whistles for alternative warning systems.

By redeveloping a former & nearly abandoned industrial site, the Project would also transform the space from one oft used for crime and illicit activities into positive, productive mixed-use commerce. Security is naturally enhanced by the Lexington Police Department’s training facility at the adjacent BCTC Campus, along with the constant patrols along Newtown Pike, a major Lexington thoroughfare. The relationship between the developers and the Lexington Police Department has and will continue to be mutually beneficial.

Based on the site plans and pro forma provided by Thistle Holdings, redevelopment estimates by square footage and use are as follows:

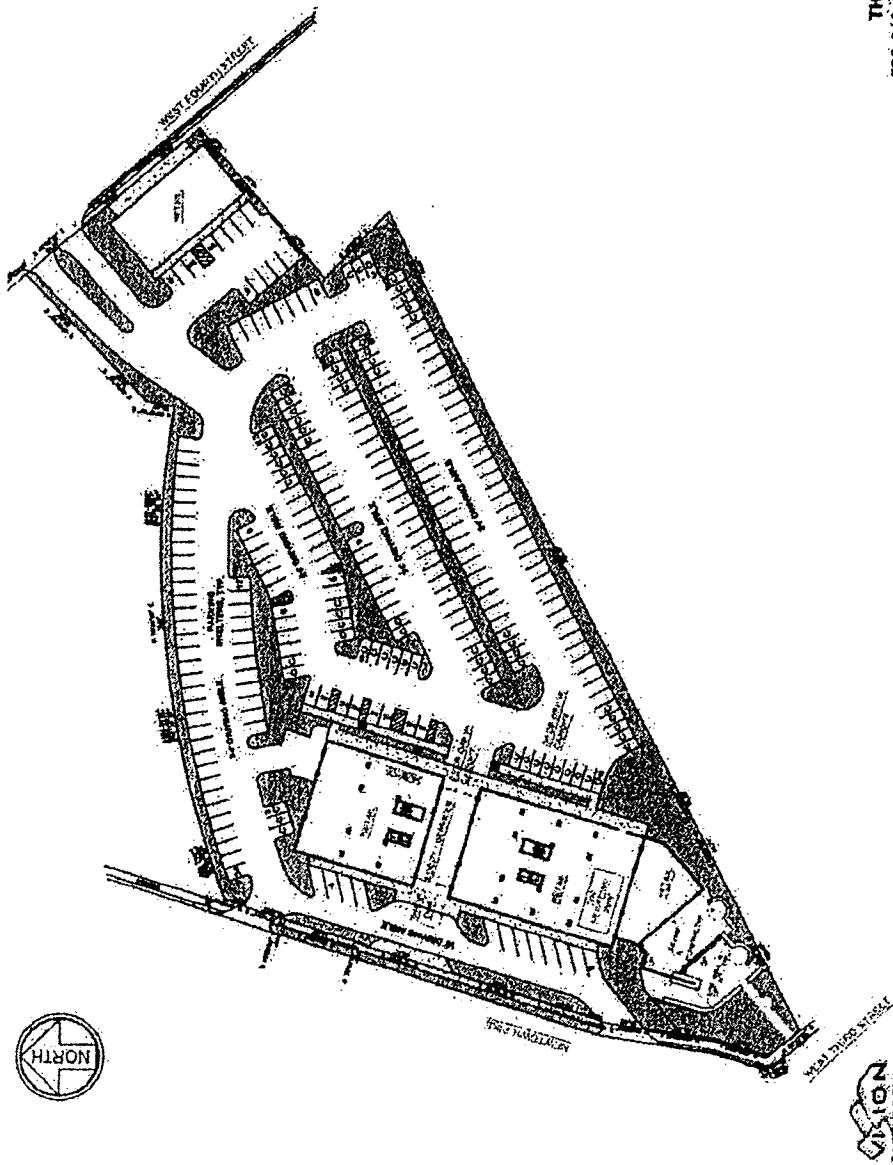


- Apartments - A 16-story building will hold 202 apartment units at an average of about 1,000 leasable square feet
 - The 7th floor will include a full gym and swimming pool
- Restaurants/Retail - Apartment building will include street-level restaurants and retail covering an estimated 10,700 leasable square feet
- Outparcel Restaurants/Retail - A separate parcel will be developed for restaurant/retail use, and is estimated to include another 8,000 leasable square feet at 4,000 square feet per floor.



Figure 1

THISTLE HOLDINGS, LLC
308-310, 312 AND 330 NEWTOWN PIKE
LEXINGTON, FAYETTE COUNTY, KENTUCKY





III. THE HIGH COST OF PUBLIC INFRASTRUCTURE

If the Project successfully applies for participation in the State Real Property Ad Valorem Tax Program, it may be eligible to recover up to 100 percent of Approved Public Infrastructure costs, certain soft costs related to land preparation, demolition and clearance through the recapture of local and state incremental tax revenues. By law, these Approved Public Infrastructure costs may include:

- Land preparation and demolition
- Public buildings/structures
- Sewers/storm drainage
- Curbs, sidewalks, promenades, and pedways
- Roads and street lighting
- Provision/modification of utilities
- Environmental remediation
- Floodwalls/floodgates
- Public spaces and parks
- Parking
- Public landings
- Amenities (fountains, benches, sculptures, etc.)
- Related soft costs, legal fees, and contingencies;

The proposed Project elements that are associated with one of the categories listed above are recoverable under the State Real Property Ad Valorem Tax Program.

Figure 2 provides the breakout of public expenditures that is estimated to be available for recovery under the State Real Property Ad Valorem Tax Program.



Figure 2

Thistle Station™ Public Infrastructure Expenditures	
Demolition, Site Clean-up	\$184,000
Environmental Remediation	\$140,000
Public Utilities Relocation	\$620,000
Utility and Right of Way Easements	\$42,000
Curbs and Sidewalks	\$115,000
Roads & Street Lighting	\$75,000
Parking	\$280,000
Transportation Facilities	\$28,000
Landscaping & Irrigation	\$220,000
Public Spaces & Parks	\$180,000
Security, Safety, Fencing, Site Lighting	\$380,000
Railroad Safety and Sound Mitigation	\$460,000
Total	\$2,724,000



IV. TAX INCREMENT FINANCING

In order to help facilitate the otherwise preventatively high cost of public infrastructure, the Commonwealth of Kentucky has created several different types of Tax Increment Financing programs. This analysis describes the details of using Tax Increment Financing (TIF) in order to fund a portion of the Thistle Station™ Project.

State Real Property Ad Valorem Tax Program

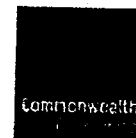
The Thistle Station™ Project will fall under the "State Real Property Ad Valorem" tax program. It meets the following statutory qualifications for this type of program:

- It must represent new economic activity in the Commonwealth.
- It must meet the required minimum capital investment of \$10,000,000.
- Not more than twenty percent (20%) of the capital investment or twenty percent (20%) of the finished square footage shall be devoted to the support or development of assets that will be utilized for the retail sale of tangible personal property.

Because the Thistle Station™ Project meets the Ad Valorem Tax Program requirements, it will be able to recover up to 100 percent of Approved Public Infrastructure costs, certain soft costs and costs related to land preparation, demolition and clearance.

It should be noted that under the Ad Valorem Tax Program, only the state and local property tax increment would be recoverable. That is to say, the Sales and Use tax, Individual Income Tax, Corporate Income Tax, and Occupational License Tax increments will not be available to finance the Project (unlike other TIF programs). The maximum recovery period under this program is limited to 20 years.

Based on the current Project plans, the scope would fit well under the Ad Valorem Tax Program, as this project is a residential-based development. If the project were to expand its footprint to include other developments or the amount of retail included on the site were to change, under the Ad Valorem Tax Program, certain retail elements may need to be removed from the TIF footprint.



V. INCREMENTAL TAX REVENUE CALCULATIONS

In order to estimate the amount of potentially available tax dollars under the Ad Valorem Tax Program, it is necessary to calculate the expected incremental tax revenue within the new footprint. This analysis estimates the fiscal impacts of the TIF-applicable tax revenues. Only taxes that are eligible for tax increment financing are used in the incremental tax revenue calculations.

Below is the breakout of the TIF-eligible tax categories and respective rates used in order to calculate the estimated fiscal impact of the proposed Project:

- State taxes:
 - Property Tax \$0.1220 per \$100 of assessed value
- Local taxes:
 - General Property Tax \$0.0300 per \$100 of assessed value
 - Urban Services Property Tax..... \$0.1738 per \$100 of assessed value

Fiscal impacts for the Thistle Station™ Project were calculated by comparing the existing property values within the footprint (which is our baseline "As-Is" estimate) with the future value that is created by the Project under the assumption that the future value will be equal to the costs of the improvements made on the land (which is currently vacant). By subtracting the baseline values (current taxable value of the land) from the future values (future taxable value of the land with improvements), the estimated incremental revenues can be calculated.

Figure 3 summarizes the estimated TIF-eligible incremental fiscal impact of the new Thistle Station™ TIF during a 20-year period of operation. The difference between the estimated tax revenues from the Project and the "As-Is" tax revenues is considered the Incremental Tax Revenues. In Year 1, the estimated incremental tax revenues amount to approximately \$112,351. Estimates assume an annual inflator of 1.5%.

Due to the structure of the Ad-Valorem Tax Program, no portion of the incremental tax revenue generated within the footprint is required for State retention (this analysis assumes that the LFUCG follows suit at 100% participation). Figure 3 summarizes the estimated incremental property tax impacts that could be available for recovery over a 20-year period, or an estimated \$2.6 million.

Figure 3

Thistle Station™ Project											
Incremental Tax Revenues Generated by Project - Ad Valorem Program											
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	20-Year Total	
Estimated Tax Revenues from Project											
State Tax Revenues											
State Property Tax Revenues	\$987,381	\$42,700	\$43,341	\$43,991	\$44,650	\$45,320	\$48,823	\$52,596	\$56,661	\$987,381	
Local State Tax Revenues	\$987,381	\$42,700	\$43,341	\$43,991	\$44,650	\$45,320	\$48,823	\$52,596	\$56,661	\$987,381	
Local Tax Revenues											
Local Property Tax Revenues	\$1,649,411	\$71,330	\$72,400	\$73,486	\$74,588	\$75,707	\$81,558	\$87,861	\$94,651	\$1,649,411	
Total Local Tax Revenues	\$1,649,411	\$71,330	\$72,400	\$73,486	\$74,588	\$75,707	\$81,558	\$87,861	\$94,651	\$1,649,411	
Total Tax Revenues	\$2,636,792	\$114,030	\$115,740	\$117,477	\$119,239	\$121,027	\$130,381	\$140,457	\$151,312	\$2,636,792	
"As-Is" Tax Revenues											
State Tax Revenues											
State Property Tax Revenues	\$16,896	\$629	\$648	\$667	\$687	\$708	\$820	\$951	\$1,103	\$16,896	
Total State "As Is" Tax Revenues	\$16,896	\$629	\$648	\$667	\$687	\$708	\$820	\$951	\$1,103	\$16,896	
Local Tax Revenues											
Local Property Tax Revenues	\$24,289	\$1,050	\$1,066	\$1,082	\$1,098	\$1,115	\$1,201	\$1,294	\$1,394	\$24,289	
Total Local "As Is" Tax Revenues	\$24,289	\$1,050	\$1,066	\$1,082	\$1,098	\$1,115	\$1,201	\$1,294	\$1,394	\$24,289	
Total "As-Is" Tax Revenues	\$41,185	\$1,679	\$1,714	\$1,749	\$1,785	\$1,823	\$2,021	\$2,245	\$2,496	\$41,185	
Estimated Incremental Tax Revenues											
Net Incr. Tax Rev. Available from Project	\$2,595,607	\$112,351	\$114,027	\$115,727	\$117,453	\$119,205	\$128,359	\$138,212	\$148,816	\$2,595,607	
Incr. Tax Rev. Available for State TIP Program at 100%	\$970,485	\$42,071	\$42,693	\$43,324	\$43,963	\$44,613	\$48,002	\$51,645	\$55,558	\$970,485	
Incr. Tax Rev. Available for Local Participation at 100%	\$1,625,122	\$70,280	\$71,334	\$72,404	\$73,490	\$74,592	\$80,357	\$86,567	\$93,258	\$1,625,122	



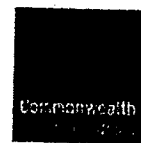
As previously stated, Figure 3 summarizes the estimated annual incremental fiscal impacts associated with the Thistle Station™ Project. These estimates are projected to Year 20, which is the maximum allotted recovery period allowed by the statute. The estimated fiscal impacts are adjusted at the rate of 1.5% a year over the 20-year period of TIF activation.

Because of the structure of the State-Real Property Ad Valorem Tax program, only state and local Property Tax revenues have been included in this calculation. According to these estimates, the Thistle Station™ Project is expected to provide roughly \$2.6 million of available Incremental Tax revenue over the 20-year period. Of this amount, \$970,485 are incremental state tax revenues and \$1.6 million are incremental local tax revenues. It should also be noted that the local incremental property tax revenues associated with Extension Services, the Library, Health, Soil Conservation, Lextran, and Fayette County School taxes are not included in the \$1.6 million, as they are not expected to be included for recovery under the local portion of the TIF.

Figure 4 details the total estimated local incremental real estate property tax revenues generated by the Project over the 20-year period. The new Thistle Station™ project is estimated to create \$1.6 million in local incremental tax revenues for TIF reimbursement through the County General and Urban Services real estate tax districts. However, the local real estate property tax revenues for the other taxing districts are expected to generate an additional \$7.0 million in tax revenues, as illustrated in Figure 4, which will flow to their designated local taxing districts as they normally would. It is also worth noting that the project will also be generating local occupational license tax revenues that will flow to the LFUCG, as well.

Figure 4

Thistle Station™									
Incremental Ad Valorem Tax Revenue Estimates - All Local Real Estate Taxes									
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Local Property Tax Revenues - After New Development									
County/General Service	\$242,799	\$10,500	\$10,658	\$10,817	\$10,980	\$11,144	\$12,006	\$13,933	\$242,799
Public Library	\$404,664	\$17,500	\$17,763	\$18,029	\$18,299	\$18,574	\$20,009	\$23,222	\$404,664
School	\$5,819,071	\$251,650	\$255,425	\$259,256	\$263,145	\$267,092	\$287,734	\$333,927	\$5,819,071
Extension Services	\$27,517	\$1,190	\$1,208	\$1,226	\$1,244	\$1,263	\$1,361	\$1,579	\$27,517
Soil & Water Conservation	\$4,047	\$175	\$178	\$180	\$183	\$186	\$200	\$232	\$4,047
Health Department	\$226,612	\$9,800	\$9,947	\$10,096	\$10,248	\$10,401	\$11,205	\$13,004	\$226,612
Lextran	\$485,597	\$21,000	\$21,315	\$21,635	\$21,959	\$22,289	\$24,011	\$27,866	\$485,597
Urban Services - Full	\$1,406,613	\$60,830	\$61,742	\$62,669	\$63,609	\$64,563	\$69,552	\$80,718	\$1,406,613
Total Local Property Tax Revenues	\$8,616,919	\$372,645	\$378,235	\$383,908	\$389,667	\$395,512	\$426,079	\$494,482	\$8,616,919
As-Is Local Property Tax Revenues - Without Development									
County/General Service	\$3,575	\$155	\$157	\$159	\$162	\$164	\$177	\$205	\$3,575
Public Library	\$5,959	\$258	\$262	\$265	\$269	\$274	\$295	\$342	\$5,959
School	\$85,690	\$3,706	\$3,761	\$3,818	\$3,875	\$3,933	\$4,237	\$4,917	\$85,690
Extension Services	\$405	\$18	\$18	\$18	\$18	\$19	\$20	\$23	\$405
Soil & Water Conservation	\$60	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$60
Health Department	\$3,337	\$144	\$146	\$149	\$151	\$153	\$165	\$191	\$3,337
Lextran	\$7,151	\$309	\$314	\$319	\$323	\$328	\$354	\$410	\$7,151
Urban Services - Full	\$20,713	\$896	\$909	\$923	\$937	\$951	\$1,024	\$1,189	\$20,713
Total Local *As-Is* Property Tax Revenues	\$126,890	\$5,487	\$5,570	\$5,653	\$5,738	\$5,824	\$6,274	\$7,282	\$126,890
Local Property Taxes Retained									
County/General Service	\$3,575	\$155	\$157	\$159	\$162	\$164	\$177	\$205	\$3,575
Public Library	\$404,664	\$17,500	\$17,763	\$18,029	\$18,299	\$18,574	\$20,009	\$23,222	\$404,664
School	\$5,819,071	\$251,650	\$255,425	\$259,256	\$263,145	\$267,092	\$287,734	\$333,927	\$5,819,071
Extension Services	\$27,517	\$1,190	\$1,208	\$1,226	\$1,244	\$1,263	\$1,361	\$1,579	\$27,517
Soil & Water Conservation	\$4,047	\$175	\$178	\$180	\$183	\$186	\$200	\$232	\$4,047
Health Department	\$226,612	\$9,800	\$9,947	\$10,096	\$10,248	\$10,401	\$11,205	\$13,004	\$226,612
Lextran	\$485,597	\$21,000	\$21,315	\$21,635	\$21,959	\$22,289	\$24,011	\$27,866	\$485,597
Urban Services	\$20,713	\$896	\$909	\$923	\$937	\$951	\$1,024	\$1,189	\$20,713
Total Local Taxes Retained	\$6,991,797	\$302,345	\$306,901	\$311,504	\$316,177	\$320,920	\$345,722	\$401,224	\$6,991,797
Local Incremental Property Taxes Available for TIF Participation									
County/General Service	\$239,223	\$10,345	\$10,501	\$10,658	\$10,818	\$10,980	\$11,829	\$13,728	\$239,223
Public Library	\$59,999	\$2,594	\$2,633	\$2,672	\$2,712	\$2,752	\$2,952	\$3,458	\$59,999
School	\$1,382,899	\$59,994	\$60,833	\$61,746	\$62,672	\$63,612	\$68,528	\$79,580	\$1,382,899
Extension Services	\$1,625,122	\$70,280	\$71,334	\$72,404	\$73,490	\$74,592	\$80,357	\$93,258	\$1,625,122



VI. CONCLUSION

This Project will provide countless benefits to the Lexington-Fayette County area. The Thistle Station™ Project will add quality housing to an area urgently in need of suitable housing, dining, and retail/service options due to KCTCS and Transylvania expansions. The Thistle Station™ Project will help fill this void by providing a high quality living option along with dining and retail options.

In addition, the Project has been designed with a "friendly front yard" in mind. This will include bike and pedestrian lanes, landscaping, seating areas and a continuation of, or connection to, Lexington's popular Legacy Trail. With an increased desire nationwide to reduce one's carbon footprint, the Project is ideally situated for residents & patrons alike to take advantage of its central, connected location. The developers will also have the nearby portion of railroad designated a "quiet zone," substituting the use of loud train whistles for alternative warning systems. By redeveloping a former & nearly abandoned industrial site, the Project would also transform the space from one oft used for crime and illicit activities into positive, productive mixed-use commerce.

The high cost of the necessary public infrastructure improvements will require the use of government assistance in order to make the Project economically feasible. The State Ad-Valorem TIF Program would allow the Project to use the increase in Ad-Valorem tax revenue generated within its footprint to help alleviate the high costs associated with qualifying public infrastructure. It is important to understand that only the construction costs categorized as "approved public infrastructure" can be financed through the TIF program. Public infrastructure costs associated with the Project are currently estimated to reach \$2.7 million.

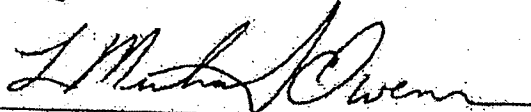
The estimated Ad-Valorem tax revenues generated by this Project exceeds the tax revenues that are currently generated by activities within the footprint, as the project represents a considerable improvement in value of the property, which is currently drastically blighted and underutilized. Preliminary estimates anticipate that approximately \$2.6 million of incremental revenue could be generated within the footprint from TIF-eligible Ad Valorem taxes alone. This amount would be recoverable over a 20-year period, beginning upon completion of the Project. The remaining property tax revenues, an estimated \$7.0 million, as well as occupational license tax revenues, will flow to the City as normal, which illustrates the Project's additional benefits to the LFUCG from a purely fiscal point of view.

EXHIBIT C
STATEMENT OF COMPLIANCE WITH COMPREHENSIVE PLAN

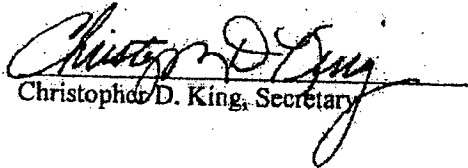
CERTIFICATION OF COMPLIANCE

The Lexington-Fayette County Planning Commission finds that the Thistle Station Conceptual Plan for the proposed TIF Development Area is hereby certified as being in compliance with the adopted 2013 Comprehensive Plan Update for Lexington and Fayette County, as well as the Central Sector Small Area Plan, an adopted element of both the 2007 and the 2013 Comprehensive Plans; 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 August 27, 2015.



L. Michael Owens, Chair



Christopher D. King, Secretary

EXHIBIT D
MASTER DEVELOPMENT AGREEMENT

MASTER DEVELOPMENT AGREEMENT

THIS MASTER DEVELOPMENT AGREEMENT (this “AGREEMENT”) dated the 1st day of February, 2016 (the “Effective Date”) by and among the LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, an urban county government of the Commonwealth of Kentucky (“LFUCG”), and the DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (the “Agency”), and THISTLE HOLDINGS, LLC, a Kentucky limited liability company (“Developer”);

RECITALS

Whereas, pursuant to the Act, as hereinafter defined, LFUCG by Ordinance No. _____ (the “Development Area Ordinance”), adopted on _____, established the Thistle Station Development Area (the “Development Area”) and pledged certain LFUCG Incremental Revenues, through the execution of a local participation agreement as provided in the Act, dated February 1, 2016 (the “Local Participation Agreement”) to pay for project costs and redevelopment assistance within the Development Area as more specifically identified within the Local Participation Agreement, a copy of which is attached as Exhibit “A”; and

Whereas, in the Development Area Ordinance, LFUCG established the Agency as its agency and instrumentality and constituted authority for the purpose of performing functions related to the oversight, administration, and implementation of the Development Area Ordinance and Local Participation Agreement on behalf of LFUCG; and

Whereas, the private development planned within the Development Area is the Thistle Station Redevelopment Project (the “Project”), which will be a mixed-use project consisting of

retail, restaurant, residential and similar appropriate uses, together with related public infrastructure, and more specifically described in Exhibit "C" attached hereto; and

Whereas, LFUCG recognizes that the redevelopment of the Development Area and the construction of the Project, as contemplated by the terms of this Agreement, will not occur without a public-private partnership and financial assistance provided to the Project by LFUCG and the Commonwealth of Kentucky (the "State"); and

Whereas, the Parties desire to set forth their mutual agreements, understandings and obligations, in order to facilitate the design, financing, development and construction of the Development Area and the Project.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, and in consideration of the premises and the mutual covenants and undertakings contained in this Agreement, the Parties hereby agree and covenant as follows:

SECTION I

Preambles

The Parties hereto agree that the above "preambles" or "preamble clauses" (the above "Recitals") are incorporated herein by reference as if fully restated herein and form a part of the agreement between the parties hereto.

SECTION II

Definitions

For the purposes of this Agreement, the following words and phrases shall have the meanings assigned in this Section II, unless the context clearly indicates that a contrary or different meaning is intended.

- A. “Act”. Shall mean KRS 65.7041 to KRS 65.7083 and KRS 154.30, relating to tax increment financing of projects to promote economic development.
- B. “Affiliate”. A corporation or other entity controlled by, controlling or under common control of the Developer.
- C. “Agency”. Shall mean the Department of Finance of the Lexington-Fayette Urban County Government.
- D. “Agreement”. This Master Development Agreement, including all Exhibits attached hereto.
- E. “Capital Investment”. Shall have the meaning as provided in the Act.
- F. “Commonwealth Program”. Shall mean the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues as provided in the Act.
- G. “Developer”. Has the meaning given in the introductory paragraph of this Agreement.
- H. “Development Area”. Shall have the meaning given in the Recitals to this Agreement and as depicted on Exhibit B.
- I. “Effective Date”. Has the meaning given in the introductory paragraph of this Agreement.
- J. “Incremental Revenues”. Shall mean the tax revenues pledged to the Development Area by LFUCG as set forth in the Local Participation Agreement, and by the State, acting through KEDFA through the execution of the Tax Incentive Agreement with the Agency.
- K. “LFUCG”. Shall mean the Lexington-Fayette Urban County Government, an urban county government of the Commonwealth of Kentucky created pursuant to KRS 67A.

- L. “Local Participation Agreement”. Shall mean the agreement pledging certain LFUCG Incremental Revenues to pay for certain Project Costs within the Development Area as set forth in Local Participation Agreement, dated February 1, 2016, or as it may be amended, a copy which is attached as Exhibit “A”.
- M. “KEDFA”. Shall mean the Kentucky Economic Development Finance Authority, which is assigned for administrative purposes to the Kentucky Economic Development Cabinet.
- N. “Private Project Elements”. Shall mean the elements of the Project that shall be privately developed and owned and operated, including, retail, office, residential, restaurants and other commercial aspects of the Project.
- O. “Project”. Shall mean The Thistle Station Redevelopment Project within the Development Area, more specifically described in Section IV and Exhibit “C” attached hereto.
- P. “Project Costs”. Shall mean any capital investment as defined in the Act incurred or expended to undertake the Project.
- Q. “Project Financing”. Shall mean the financing needed to provide for the development and construction of the Project or any financing received by the Developer that is not from LFUCG or State.
- R. “Public Infrastructure Improvements”. Shall mean the public improvements and infrastructure constructed within the Development Area, which may include, but is not limited to, the anticipated expenditures as outlined in Exhibit “C” to the Local Participation Agreement and in Exhibit “C” to this Master Development Agreement.
- S. “State”. Shall mean the Commonwealth of Kentucky, including any of its agencies and departments.

T. “Tax Incentive Agreement”. Shall mean the agreement pledging certain State Incremental Revenues to pay for designated costs within the Development Area which will be set forth in a Tax Incentive Agreement, as it may be amended, by and between the Agency and KEDFA.

U. “Unavoidable Delays”. Shall mean delays due to labor disputes, lockouts, acts of God, enemy action, terrorist action, civil commotion, riot, governmental regulations not in effect at the date of execution of this Agreement, conditions that could not have been reasonably foreseen by the claiming party, or unavoidable casualty, provided such matters are beyond the reasonable control of the party claiming such delay.

SECTION III

Representations

A. LFUCG and the Agency. LFUCG and the Agency possess the requisite authority to enter into this Agreement, and neither LFUCG nor the Agency, in this Agreement or any schedule, exhibit, document or certificate delivered in accordance with the terms of this Agreement, has made any untrue statement of a material fact or failed to state a material fact.

B. Developer Representations. The Developer represents and warrants that: (i) the Developer (a) is a Kentucky limited liability company possessing the requisite authority to enter into this Agreement; (b) is not a “foreign person” as that term is defined in Section 1445 of the Internal Revenue Code; (c) has not, in this Agreement or any schedule, exhibit, document or certificate delivered in accordance with the terms of this Agreement, made any untrue statement of a material fact or failed to state a material fact; and (d) would not enter into this Agreement to undertake and construct the Project but for the commitment of LFUCG and the Agency to provide financial and other incentives to the Project as provided in this Agreement; (ii) the

execution of this Agreement and the construction of the Project by the Developer will not knowingly violate any applicable statute, law, ordinance, code, rule or regulation or any restriction or agreement binding upon or otherwise applicable to the Developer; and (iii) there are no undisclosed actions, suits or proceedings pending or threatened against the Developer which would, if adversely determined, have a material effect on the Developer's ability to enter into this Agreement or construct the Project in accordance with this Agreement.

SECTION IV

Project

A. The Project will be the development of two structures located at Third Street and Newtown Pike. The first structure will be a sixteen (16) story building consisting of (i) 202 apartments of approximately 1,000 square feet each, (ii) a full gym and swimming pool on the seventh floor, and (iii) street-level restaurants and retail space using approximately 10,700 leasable square feet. The second structure will be two stories and developed for restaurant and retail use and will include an estimated 8,000 square feet at 4,000 square feet per floor. Third-parties will be allowed to lease and operate the retail and restaurant spaces in each structure.

The Developer shall have the right to assign any rights created by this Agreement to one or more of its Affiliates. The Developer and its Affiliates shall remain in good standing with the Office of the Secretary of State for the full term of this Agreement. In addition, the Developer and its Affiliates shall provide a listing of their officers and managers to the LFUCG Commissioner of Finance on or before June 30 of each year following the execution of this Agreement, with the current officer and managers of the Developer and its Affiliates being listed on Exhibit "D" attached hereto.

B. The Project shall be financed with Project Financing and equity provided by the Developer, and its Affiliates, subject to the pledge of State and LFUCG Incremental Revenues to reimburse the Developer for certain Capital Investments as set forth in Section V of this Agreement. The Developer shall keep LFUCG informed as to the status of the Project Financing for the Project.

C. The Project shall be constructed in accordance with local land use and other local and state requirements that govern the development of property within Lexington. The Developer shall not commence any site improvements without first obtaining the necessary permits and/or approvals from the relevant government agencies, including but not limited to, the LFUCG Divisions of Building Inspection, Engineering and Water Quality, with any relevant approvals by the State.

D. The Developer agrees to proceed expeditiously to complete construction plans and specifications to a level adequate to obtain all permits and approvals necessary to complete construction of the Project.

E. Project Costs. The Developer shall document all Project Costs and Capital Investment, including which costs represent Public Infrastructure Improvements associated with construction of the Project, and submit such costs to LFUCG and the Agency in the format to be determined by the Agency and KEDFA, to enable the Agency and LFUCG to comply with its reporting requirements as set forth in the Local Participation Agreement and the Tax Incentive Agreement.

F. The anticipated Public Infrastructure Improvements are itemized in Exhibit "C" to this Agreement and are eligible to be fully reimbursed by the Agency according to the terms of the Local Participation Agreement, and it is assumed that a portion of the costs associated with

such improvements will be eligible costs for reimbursement from State Incremental Revenues under the Tax Incentive Agreement and KRS 154.30-110.

G. The Developer shall assist the Agency in complying with any reporting requirements mandated by the Local Participation Agreement and Tax Incentive Agreement, in computing the baseline LFUCG and State "old revenues" applicable to the Development Area, and in calculating the Incremental Revenues that may be due to the Agency from LFUCG and the State. The Developer shall include provisions in any Affiliate agreements, construction agreements or leases relating to the construction or operation of the Project, to require the contractors constructing the Project and businesses operating within the Project to provide information, including federal and state tax identification numbers, etc., to the Agency or other information as may be required by the Agency, relating to LFUCG and State taxes that may be generated from the Project.

H. The Developer agrees to notify LFUCG, in writing, when it intends to request activation of the Development Area and/or if it intends to request an extension or delay of activation of the Development Area. The Developer agrees to provide LFUCG with a statement of Project Costs and expenditures incurred for every six (6) month period upon preliminary approval of the Tax Incentive Agreement application in compliance with the reporting requirements required by the Tax Incentive Agreement.

I. The Developer, with the assistance of LFUCG and the Agency shall prepare and submit the application under the Commonwealth Program to KEDFA and shall be responsible for paying all application fees, consultant fees, attorney fees or administration fees required by KEDFA.

SECTION V

Priority on the Use of Incremental Revenues

Pursuant to the provisions of the Act and the Local Participation Agreement, LFUCG and the Agency anticipate activating the Development Area upon Project completion, which will potentially allow for Incremental Revenues to be available to the Agency beginning in calendar year 2017. In consideration of the Developer constructing the Project and complying with the requirements and conditions of Section IV of this Agreement, LFUCG and the Agency agree that priority for the use of the Incremental Revenues received by the Agency from LFUCG and the State shall be as follows:

A. Each year following the Activation of the Development Area until its termination, an administrative charge based on 0.02% of the total project amount of \$33,000,000, or \$6,600, will be collected from the Incremental Revenues received by the Agency pursuant to the Local Participation Agreement and/or Tax Incentive Agreement and shall be retained by the Agency to cover administrative and other expenses incurred by the LFUCG or the Agency for the administration and implementation of the Development Area Ordinance, including complying with any reporting requirements set forth in the Local Participation Agreement and/or Tax Incentive Agreement. It is understood that if in any year the amount of Incremental Revenues received by the Agency are not sufficient to satisfy the annual charge of \$6,600, the amount not satisfied may be recovered by the Agency from the Incremental Revenues received by the Agency in future years.

B. After the Developer has met its obligations set forth in Section IV of this Agreement, and after the payment of any administrative charges that may be due LFUCG as provided in Section V(A) of this Agreement, the balance of the Incremental Revenues received

by the Agency pursuant to the Local Participation Agreement and/or Tax Incentive Agreement shall be annually paid to the Developer to reimburse the Developer for the Capital Investment of Public Infrastructure Improvements, up to the actual Capital Investment for Public Infrastructure Improvements as certified by the Developer, but not to exceed \$2,700,000 in Capital Investment. No Incremental Revenues shall be paid to the Developer pursuant to this paragraph until the Minimum Capital Investment of \$10,000,000 within the Development Area has been certified. It is acknowledged by the Parties that after the total reimbursement of Capital Investment for Public Infrastructure Improvements to the Developer, as provided in this Section V(B) of the Agreement has been achieved, any Incremental Revenues that may be received by the Agency under the Local Participation Agreement and/or Tax Incentive Agreement, may be expended for redevelopment assistance, as defined by the Act, within the Development Area as may be determined by LFUCG, or at its option, LFUCG may terminate the Development Area and any agreements incident thereto.

C. After the State gives final approval to the Project for a pledge of State Incremental Revenues, the Agency agrees to execute a Tax Incentive Agreement with the State that provides for the pledging of certain State Incremental Revenues to help pay for Public Infrastructure Improvements within the Development Area.

D. After the obligations set forth in Section V(A) and V(B) of this Agreement have been fully satisfied, Incremental Revenues received by the Agency pursuant to the Local Participation Agreement and/or Tax Incentive Agreement may be used by the Agency to pay for other eligible capital costs within the Development Area as set forth in the Local Participation Agreement and/or Tax Incentive Agreement.

E. It is understood by the Parties that after the activation of the Development Area any State Incremental Revenues that may be generated and available to be paid by the State to the Agency pursuant to the provisions of the Tax Incentive Agreement, shall be held by the State in escrow without interest accruing thereon, until the Minimum Capital Investment of \$10,000,000 in documented Project Costs, required for the release of State Incremental Revenues, are certified as may be provided in the Tax Incentive Agreement. It is further understood that the payment of State Incremental Revenues to the Agency are limited to reimbursement for Approved Public Infrastructure Costs that will be identified in the Tax Incentive Agreement, that are certified by the Agency to the State and approved by the State.

F. Notwithstanding anything to the contrary, nothing in this Agreement shall be interpreted to commit LFUCG and/or the Agency to pay for or reimburse any Project Costs, except from the Incremental Revenues that may be generated within the Development Area and due to the Agency as provided in the Local Participation Agreement and the Tax Incentive Agreement.

G. The obligations of the Agency to reimburse costs to the Developer as provided in Section V of this Agreement are contingent upon KEDFA approving the Project under the Commonwealth Program to allow a portion of the Capital Investment costs for Public Infrastructure Improvements to be reimbursed with State Incremental Revenues as Approved Public Infrastructure Costs. In addition, any obligations of LFUCG or the Agency to reimburse Project Costs from Incremental Revenues shall terminate in the event the Tax Incentive Agreement is terminated or not renewed as provided in the Act and the Tax Incentive Agreement. However, this Agreement shall continue in full force and effect to reimburse the

Developer for Public Infrastructure Improvement costs even if the State reimbursement has reached its maximum cap, as provided in the Tax Incentive Agreement.

SECTION VI

Default

If any Party or any Parties (in either case, the “Defaulting Party”) materially breaches or defaults on any of its obligations under this Agreement, the other Parties may give notice that remedial action must be taken by the Defaulting Party within sixty (60) days of the notice. The Defaulting Party shall correct such breach or default within sixty (60) days after such notice; provided, however, if (i) the default is one which cannot with due diligence be remedied by the Defaulting Party within sixty (60) days, and (ii) the Defaulting Party proceeds as promptly as reasonably possible after such notice and with all due diligence to remedy such default, the period after such notice within which to remedy such default shall be extended for such period as may be necessary to remedy the same with all due diligence. If such action is not taken, the non-defaulting parties may, in addition to all other remedies available at law or in equity (including but not limited to specific performance and/or recovery of damages, including reasonable attorneys’ fees and other costs and expenses), terminate this Agreement, or the portion of it affected by the default, by giving ten (10) days written notice to the defaulting Party or Parties.

In the event this Agreement is terminated, LFUCG and the Agency shall be (i) relieved of any executory obligations under this Agreement, (ii) released from undertaking any additional obligations as provided in this Agreement.

SECTION VII

Miscellaneous Provisions

A. Term; Survival; Termination. The term of this Agreement shall be from the date of this Agreement until the earliest of (i) the final payment of the Incremental Revenues and the use of such Incremental Revenues pursuant to this Agreement, the Local Participation Agreement and the Tax Incentive Agreement, (ii) the termination of this Agreement in accordance with its terms or (iii) the termination of the Local Participation Agreement and the Tax Incentive Agreement. This Agreement shall not terminate upon the execution of any agreements required or contemplated by this Agreement, or referred to in this Agreement, and the provisions of this Agreement shall not be deemed to be merged into any such agreements, it being the intent of the Parties that this Agreement shall survive the execution and delivery of any such agreements and shall continue throughout the entire development of the Development Area.

B. Governing Law. The laws of the State shall govern as to the interpretation, validity and effect of this Agreement.

C. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties' essential objectives as expressed herein.

D. Force Majeure. LFUCG, the Agency or the Developer shall not be deemed to be in default in the performance of any obligation on such parties' part to be performed under this

Agreement, other than an obligation requiring the payment of a sum of money, if and so long as the non-performance of such obligation shall be directly caused by Unavoidable Delays; provided, that within fifteen (15) days after the commencement of such Unavoidable Delay, the non-performing party shall notify the other party in writing of the existence and nature of any such Unavoidable Delay and the steps, if any, which the non-performing party shall have taken or planned to take to eliminate such Unavoidable Delay (provided, however, that a failure to give such notice timely shall not be a default hereunder or impair the non-performing party's immunities hereunder or account of Unavoidable Delay, unless the failure to give such notice timely actually prejudices the other party). Thereafter, the non-performing party shall, from time to time, on written request of the other party, keep the other party fully informed, in writing, of further developments concerning such Unavoidable Delay and the effort being made by the non-performing party to perform such obligation as to which it is in default.

E. Notices. Any notice to be given under this Agreement shall be in writing, shall be addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed to have been given upon the earliest of (i) three (3) days following deposit in the U.S. Mail with proper postage prepaid, Certified or Registered, Return Receipt Requested, (ii) the next business day after delivery to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, or (iii) receipt of notice given by telecopy or personal delivery:

If to LFUCG:

Mayor Jim Gray
Government Center
200 East Main Street
Lexington, Kentucky 40507

With Copies to: Kevin Atkins, Chief Development Officer
Government Center
200 East Main Street
Lexington, Kentucky 40507

Janet M. Graham
Commissioner of Law
Government Center
200 East Main Street
Lexington, Kentucky 40507

If to the Agency: William O'Mara
Commissioner of Finance and Administration
Government Center
200 East Main Street
Lexington, Kentucky 40507

With a Copy to: Janet M. Graham
Commissioner of Law
Government Center
200 East Main Street
Lexington, Kentucky 40507

If to Developer: John Cirigliano
Thistle Holdings, LLC
135 E. Maxwell Street
Suite 302
Lexington, KY 40508

With a Copy
(which shall not
constitute notice) to: Mr. Bruce Simpson
300 West Vine Street
Suite 2100
Lexington, KY 40507

F. Approvals. Whenever a party to this Agreement is required to consent to, or approve, an action by the other party, or to approve any such action to be taken by another party, unless the context clearly specifies a contrary intention, or a specific time limitation, such approval or consent shall be given within ten (10) business days and shall not be unreasonably withheld, conditioned or delayed by the party from whom such approval or consent is required.

G. Entirety of Agreement. As used herein, the term "Agreement" shall mean this Master Development Agreement and the Exhibits attached hereto. This Agreement embodies the entire agreement and understanding of the parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intention has been made by any party which has not been embodied in this Agreement or the previous agreements that are referenced herein, and no party shall be bound by or be liable for any alleged representation, promise, inducement, or statement of intention not so set forth. This Agreement may be amended, modified, superseded, or cancelled only by a written instrument signed by all of the Parties hereto, and any of the terms, provisions, and conditions hereof may be waived only by a written instrument signed by the waiving party. Failure of any party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of any such provision by any party.

H. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

I. Headings. The headings in this Agreement are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any provision hereof.

J. Exhibits. All exhibits to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof, above the signatures of the parties hereto, as if set out in full herein.

K. No Waiver. No waiver of any condition or covenant of this Agreement to be satisfied or performed by LFUCG, the Agency or the Developer shall be deemed to imply or constitute a further waiver of the same, or any like condition or covenant, and nothing contained in this Agreement nor any act of either party, except a written waiver signed by such party, shall be construed to be a waiver of any condition or covenant to be performed by the other party.

L. Construction. No provisions of this Agreement shall be construed against a Party by reason of such Party having drafted such provisions.

M. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original document.

N. Relationship of the Parties. Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the Parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association between any of the Parties of this Agreement.

O. No Third Party Beneficiary. Except as otherwise specified herein, the provisions of this Agreement are for the exclusive benefit of LFUCG, the Agency and the Developer, any lender providing financing to the Developer, and their successors and permitted assigns, and not for the benefit of any other person or entity, nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any other person or entity.

P. Diligent Performance. With respect to any duty or obligation imposed on a party to this Agreement, unless a time limit is specified for the performance of such duty or obligation, it shall be the duty or obligation of such party to commence and perform the same in a diligent and workmanlike manner and to complete the performance of such duty or obligation as soon as reasonably practicable after commencement of the performance thereof. Notwithstanding the above, time is of the essence with respect to any time limit specified herein.

Q. Assignment of Rights and Delegation of Duties. Neither LFUCG nor the Agency shall assign this Agreement without the prior written consent of the Developer, which shall not be unreasonably withheld. The Developer shall have the right to assign this Agreement, or any part hereof, to an Affiliate, provided the assignee shall assume all assigned liabilities and obligations of the Developer hereunder and LFUCG provides its consent in advance in writing, which consent shall not be unreasonably withheld.

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IN WITNESS WHEREOF, the parties hereto have hereunto set their hands on the date and year first above set forth herein, to be effective as of the Effective Date.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
An urban county government of the Commonwealth of Kentucky

By: _____
Jim Gray, Mayor

Date: _____

DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT.

By: _____
William O'Mara, Commissioner of Finance

Date: _____

THISTLE HOLDINGS, LLC

By: TH Manager, LLC, Manager

By: _____
John Cirigliano, Manager

Date: _____

Exhibit A

Local Participation Agreement

LOCAL PARTICIPATION AGREEMENT
FOR
THE THISTLE STATION DEVELOPMENT AREA
BY AND BETWEEN
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
A Kentucky Urban County Government
AND
DEPARTMENT OF FINANCE FOR
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
FEBRUARY 1, 2016

Exhibit A – The Development Area, including legal description

Exhibit B – The Project, including an estimate of costs of construction, acquisition and development

Exhibit C – The Elements of the Project to be supported with Incremental Revenues

Exhibit D – Listing of Old Revenues Collected from Development Area and Anticipated Incremental Revenues for LFUCG

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TO
LOCAL PARTICIPATION AGREEMENT
DATED
February 1, 2016
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
AND
DEPARTMENT OF FINANCE FOR THE LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT

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LOCAL PARTICIPATION AGREEMENT
Thistle Station Development Area

THIS LOCAL PARTICIPATION AGREEMENT (this “Agreement”) is made as of February 1, 2016 (the “Effective Date”) by and between the LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, a Kentucky urban county government (“LFUCG”), and the DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (the “Agency”),(collectively, the “Parties”);

RECITALS

WHEREAS, pursuant to the Act, as hereinafter defined, LFUCG has on the ____ day of _____, 2016, adopted Ordinance Number _____, (the “Development Area Ordinance”), whereby it established the Thistle Station Development Area (the “Development Area”) for the purpose of promoting a mixed-use development of previously developed land; and

WHEREAS, the Council of LFUCG recognizes and determines individually that the real property that constitutes the Development Area has been and is currently characterized by vacant parcels, deteriorated structures and underutilized land, that continuation of the physical deterioration and inadequate infrastructure within the Development Area will discourage and interfere with LFUCG’s growth policies to encourage the sensible development of land within the existing Urban Service Area, and that the acquisition, financing, construction and development of those improvements and buildings, as identified in Exhibit B herein (collectively, the “Project”), will contribute to the public welfare of the citizens of the Urban-County, and the Commonwealth of Kentucky (the “State”) and will thereby materially enhance the area and be in furtherance of the general health and welfare of the citizens of the Urban-County and the State; and

WHEREAS, the Council of LFUCG recognizes and determines individually that the project is a mixed-use development which includes significant public infrastructure improvements; and

WHEREAS, the Parties recognize that the redevelopment of the Development Area, will not likely occur without a public-private partnership and financial assistance provided to the Project by LFUCG and the State; and

WHEREAS, the Parties desire to set forth the duties and responsibilities of the Parties with respect to the administration, financing and pledging of Incremental Revenues in support of the development of the Project within the Development Area; and

WHEREAS, pursuant to the Development Area Ordinance, the Council of LFUCG has authorized the Mayor to execute and enter into this Agreement with the Agency, and LFUCG desires to enter into this Agreement; and

WHEREAS, pursuant to the Development Area Ordinance, the Council of LFUCG has authorized the Commissioner of Finance to execute and enter into this Agreement with LFUCG and the Agency desires to enter into this Agreement; and

WHEREAS, pursuant to the Act (as hereinafter defined), LFUCG and the Agency desire to set forth their mutual agreements, understandings and obligations in this Local Participation Agreement, in order to facilitate development of the Project within the Development Area.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties hereto, and in consideration of the premises and the mutual covenants and undertakings contained herein, it is agreed and covenanted by and among the Parties hereto as follows:

SECTION I
Recitals

The Parties hereto agree that the above “recitals” or “recital clauses” are incorporated herein by reference as if fully restated herein and form a part of the agreement among the Parties hereto.

SECTION II
Definitions

For the purposes of this Agreement, the following words and phrases shall have the meanings assigned in this Section II, unless the context clearly indicates that a contrary or different meaning is intended.

1. “Act” or “the Act”. Shall mean KRS 65.7041 to KRS 65.7083, KRS 154.30-010-154.30-090 and KRS 139.515.
2. “Activation”. Shall mean the first day of the calendar year for the computation of Incremental Revenues, which date shall be determined in accordance with Section X of this Agreement.
3. “Administrative Costs”. Shall mean those costs set forth in the Master Development Agreement at Section V(A) to be retained by the Agency before reimbursing the Developer for any Public Infrastructure Costs.
4. “Agreement”. Shall mean this Local Participation Agreement, including all Exhibits attached hereto.
5. “Approved Public Infrastructure Costs”. Shall be the Capital Investment, as defined in the Act, within the Development Area that is approved for reimbursement under the Act by KEDFA, and as further identified in the Tax Incentive Agreement.
6. “Commonwealth Program”. Shall mean the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues as provided in the Act.

7. “Developer” or “Master Developer”. Shall mean Thistle Holdings, LLC, a Kentucky limited liability company, its successors, affiliates, subsidiaries or related entities.

8. “Development Area”. Shall have the meaning given in the Recitals to this Agreement.

9. “Development Area Ordinance.” Shall mean Ordinance No. _____, adopted by LFUCG on _____, 2016.

10. “Effective Date”. Shall have the meaning given in the introductory paragraph of this Agreement.

11. “Incremental Revenues”. Shall mean the net amount of tax revenues received by LFUCG by subtracting Old Revenues from New Revenues in each calendar year after Activation.

12. “KEDFA”. Shall mean the Kentucky Economic Development Finance Authority.

13. “LFUCG”. Shall mean the Lexington-Fayette Urban County Government, a Kentucky urban county government organized under the provisions of Chapter 67A of the Kentucky Revised Statutes.

14. “LFUCG Authorizations”. Shall mean those necessary governmental authorizations, resolutions, orders, hearings, notices, ordinances, and other acts, required by laws, rules, or regulations to provide LFUCG and its officers with the proper authority to perform all obligations of LFUCG resulting from this Agreement, and perform all other obligations of LFUCG made necessary by, or resulting from the establishment of the Development Area.

15. “Master Development Agreement”. Shall mean the Master Development Agreement dated February 1, 2016, among LFUCG, the Agency, and the Developer relating to the Project.

16. “New Revenues”. Shall mean the ad valorem real property tax revenues received by LFUCG from its general tax rate and urban services tax rate from the Development Area, but not including any amount required to be paid to the Lexington Public Library District, during each calendar year after Activation.

17. “Old Revenues”. Shall mean the ad valorem real property tax revenues received by LFUCG from its general tax rate and urban services tax rate from the Development Area in calendar year 2015, but not including any amount required to be paid to the Lexington Public Library District.

18. “Project Financing”. Shall mean the financing needed to provide for the development and construction of the Project elements or any financing received by the Developer, not including the pledge of Incremental Revenues from LFUCG or the State.

19. “Project”. Shall mean the improvements within the Development Area.

20. “Project Costs”. Shall mean any capital investment within the Development Area as defined in the Act.

21. “Public Infrastructure Costs.” Shall mean the Project costs eligible for reimbursement by Incremental Revenues from LFUCG and the State, including “Approved Public Infrastructure Costs.”

22. “Redevelopment Assistance”. Shall have the same meaning as provided in the Act.

23. “Special Fund”. Shall mean the Thistle Station Development Area Tax Increment Fund established in the Development Area Ordinance and maintained by the Agency, for the purpose of holding LFUCG’s and the State Incremental Revenues pledged herein or by the Tax Incentive Agreement in connection with the development of the Project.

24. “State”. Shall mean the Commonwealth of Kentucky, including any of its agencies and departments.

25. “Tax Incentive Agreement”. Shall mean the anticipated agreement between KEDFA and the Agency related to the pledge of State Incremental Revenues to pay for Approved Public Infrastructure Costs in connection with the construction of the Project.

26. “Unavoidable Delays”. Shall mean delays due to labor disputes, lockouts, acts of God, enemy action, civil commotion, riot, governmental regulations not in effect at the date of execution of this Agreement, conditions that could not have been reasonably foreseen by the claiming party, inability to obtain construction materials or energy, fire, or unavoidable casualty, provided such matters are beyond the reasonable control of the party claiming such delay.

SECTION III

Parties

The parties to this Agreement shall be LFUCG, the Agency, and the Developer.

SECTION IV

Duties and Responsibilities of LFUCG

LFUCG shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Provide for the establishment of LFUCG Special Fund for the collection of Incremental Revenues pledged herein from LFUCG real property ad valorem taxes (including the general tax rate less the Library portion and also the urban services tax rate), within the Development Area from the Project.

2. Pledge one hundred percent (100%) of LFUCG's Incremental Revenues to pay for Administrative Costs, support the cost of Public Infrastructure Costs, and after those costs are paid, to provide Redevelopment Assistance within the Development Area as determined by LFUCG, for up to a twenty (20) year period, which pledge is made in Section VI herein.

3. Make, in participation with the Agency and the Developer, application to the KEDFA requesting State participation under the "Commonwealth Program" in accordance with applicable provisions of the Act.

4. Designate the Agency as the entity responsible for the oversight, administration, and implementation of the Development Area Ordinance.

5. Meet as may be required with the Developer and the Agency for the purpose of reviewing the progress of the development of the Development Area and prepare an analysis of such progress for distribution to the Agency and the State in accordance with the Act.

6. Require its Department of Finance, as the "Agency" for purposes of the Act, to prepare by no later than June 1, or such other date to meet the reporting schedule of KEDFA, or the State to receive State Incremental Revenues under the Tax Incentive Agreement, of each year during the term of this Agreement an annual report and provide same to LFUCG and KEDFA including, but not limited to: (a) the total real property taxes collected within the Development Area during the previous calendar year; (b) a determination of Incremental Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, of Incremental Revenues spent from the Special Fund on Public Infrastructure Costs and/or Redevelopment Assistance in connection with the Project.

SECTION V
Duties and Responsibilities of the Agency

The Agency shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Act as the entity responsible for the oversight, administration, and implementation of the Development Area Ordinance.
2. Participate with LFUCG and the Developer in the application to KEDFA, requesting State participation under the "Commonwealth Program" in accordance with the applicable provisions of the Act.
3. Meet as may be required with the Developer and LFUCG for the purpose of reviewing the progress of the development of the Development Area and prepare an analysis of such progress for distribution to the Agency and the State in accordance with the Act.
4. Prepare by no later than June 1, or such other date to meet the reporting schedule of KEDFA, or the State to receive State Incremental Revenues under the Tax Incentive Agreement, of each year during the term of this Agreement an annual report and provide same to LFUCG, the Developer and KEDFA including, but not limited to: (a) the total real property taxes collected within the Development Area during the previous calendar year; (b) a determination of Incremental Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, of Incremental Revenues spent from the Special Fund on Public Infrastructure Costs and/or Redevelopment Assistance.
5. Beginning in the calendar year of the Activation Date, upon the receipt of the deposits of Incremental Revenues into the Special Fund from LFUCG or the State, the Agency, providing that the Developer has complied with its obligations and conditions set forth in the Master Development Agreement, shall annually pay such funds to the Developer (as applicable)

within thirty (30) days but not later than June 30, sufficient to cover the payment or reimbursement Administrative Costs, Public Infrastructure Costs, and Redevelopment Assistance costs pursuant to the terms set forth in this Agreement and the Master Development Agreement, but any payments to the Developer shall not exceed two million seven hundred thousand dollars (\$2,700,000) in total.

6. Comply with any requirements and carry out any duties and responsibilities as the Agency under the terms of the Tax Incentive Agreement, the Master Development Agreement, and this Agreement.

SECTION VI
Identification and Pledge of Incremental Revenues

1. To the extent Incremental Revenues are generated, for up to a twenty (20) year period after the Activation Date of the Development Area, LFUCG hereby pledges one-hundred percent (100%) of its Incremental Revenues to support the payment of Administrative Costs, Public Infrastructure Costs, in accordance with the Master Development Agreement, and after those costs are paid, Redevelopment Assistance as determined by LFUCG; provided, however, that the pledge of LFUCG Incremental Revenues shall be conditioned upon the approval of State participation as a "Commonwealth Project" as provided in the Act. An estimate of the Old Revenues collected by LFUCG from within the Development Area is attached as Exhibit D. Nothing contained herein shall be interpreted to prohibit LFUCG from terminating the Development Area and any agreement incident thereto, after the Developer has been reimbursed the amount of Public Infrastructure Costs as set forth in the Master Development Agreement.

2. Incremental Revenues pledged by LFUCG in this Section VI and received by the Agency shall be deposited at least annually, no later than each June 1st after the first calendar year of activation, to the Special Fund and shall be held by the Agency and used solely for

payment of Administrative Costs, Public Infrastructure Costs, and/or Redevelopment Assistance in support of the Project and for no other purpose. Such Special Fund shall be continued and maintained until the Termination Date (as defined in the Development Area Ordinance) of the Development Area. Amounts in the Special Fund, together with interest accruing thereon, are hereby irrevocably pledged for the payment of costs as provided in this Section VI of this Agreement, and for no other purpose. The Special Fund shall be continued and maintained until the Termination Date of the Development Area.

3. At the Termination Date (as defined in the Development Area Ordinance) all amounts remaining in the Special Fund shall be transferred to the General Fund of LFUCG.

SECTION VII Anticipated Benefits to LFUCG

LFUCG anticipates receiving substantial benefits as a result of the pledge of their Incremental Revenues to support development of the Development Area as set forth herein. Estimates of Old Revenues and projected New Revenues for LFUCG on an annual basis during the term of this Agreement are attached as Exhibit D hereto. The maximum amount of Incremental Revenues to be paid by LFUCG shall be one hundred percent (100%) of the Incremental Revenues generated from the Development Area, and the maximum number of years the payment of Incremental Revenues to support the development of the Development Area will be made is twenty (20) years.

SECTION VIII Description of Development Area

A detailed description of the Development Area is set forth in Exhibit A hereto.

SECTION IX
Description of Project; Costs

A detailed description of the Project is set forth in Exhibit B hereto. Also included in Exhibit B is an estimate of the costs of construction, acquisition and development of such proposed Project. The elements of the Project planned to be supported or paid for with Incremental Revenues are listed on the attached Exhibit C, subject to further amendment with approval by LFUCG. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that the Project may be changed and modified, so long as the overall project concept remains the same.

SECTION X
Commencement Date; Activation Date; Termination Date

This Agreement shall commence and be effective as of the date of execution hereof by LFUCG. The activation date for the pledge of Incremental Revenues as set forth in Section VI hereof shall be determined by LFUCG and Developer in accordance with the Act. This Agreement shall terminate twenty (20) years after the activation date as set forth above. This Agreement shall not terminate upon the execution of any deeds or other agreements required or contemplated by this Agreement, or referred to herein, and the provisions of this Agreement shall not be deemed to be merged into the deeds, or any other such deeds or other agreements, it being the intent of the parties hereto that this Agreement shall survive the execution and delivery of any such agreements.

SECTION XI
Default

If LFUCG or the Agency (a "Defaulting Party") shall default in its obligation to make payments of Incremental Revenues set forth herein, the Agency (unless it is the Defaulting Party), the Developer and/or the indenture trustee or trustees for outstanding financing

obligations secured by such Incremental Revenues shall have the power to enforce the provisions of this Agreement against the Defaulting Party. If LFUCG or the Agency materially breaches or defaults on any of its nonpayment related obligations under this Agreement, the Developer, and/or the indenture trustee or trustees for the outstanding financing obligations may give notice that remedial action must be taken within thirty (30) days. The Defaulting Party shall correct such breach or default within thirty (30) days after such notice, provided however that if (i) the default is one which cannot with due diligence be remedied by the Defaulting Party within thirty (30) days and (ii) the Defaulting Party proceeds as promptly as reasonably possible after such notice and with all due diligence to remedy such default, the period after such notice within which to remedy the default shall be extended for such period of time as may be necessary to remedy the same with all due diligence.

SECTION XII
Governing Law

The laws of the State shall govern as to the interpretation, validity and effect of this Agreement.

SECTION XIII
Severability

If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties essential objectives as expressed herein.

SECTION XIV
Force Majeure

A party shall not be deemed to be in default in the performance of any obligation on such parties' part to be performed under this Agreement, other than an obligation requiring the payment of a sum of money, if and so long as the non performance of such obligation shall be directly caused by Unavoidable Delays; provided, that within fifteen (15) days after the commencement of such Unavoidable Delay, the non-performing party shall notify the other party in writing of the existence and nature of any such Unavoidable Delay and the steps, if any, which the non-performing party shall have taken or planned to take to eliminate such Unavoidable Delay. Thereafter, the non-performing party shall, from time to time, on written request of the other party, keep the other party fully informed, in writing, of further developments concerning such Unavoidable Delay and the effort being made by the non-performing party to perform such obligation as to which it is in default. All provisions of any construction schedule shall be adjusted in accordance with such Unavoidable Delay.

SECTION XV
Notices

Any notice to be given under this Agreement shall be in writing, shall be addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed to have been given upon the earliest of (i) three (3) days following deposit in the U.S. Mail with proper postage prepaid, Certified or Registered, (ii) the next business day after delivery to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, or (iii) receipt of notice given by telecopy or personal delivery:

If to LFUCG: Mayor Jim Gray
200 East Main Street
Lexington, Kentucky 40507

With Copies to: Kevin Atkins, Chief Development Officer
Government Center
200 East Main Street
Lexington, Kentucky 40507

Janet M. Graham
Commissioner of Law
Government Center
200 East Main Street
Lexington, Kentucky 40507

If to the Agency: William O'Mara
Commissioner of Finance
200 East Main Street
Lexington, Kentucky 40507

With a Copy to: Janet M. Graham
Commissioner of Law
Government Center
200 East Main Street
Lexington, Kentucky 40507

SECTION XVI
Approvals

Whenever a party to this Agreement is required to consent to, or approve, an action by the other party, or to approve any such action to be taken by another party, unless the context clearly specifies a contrary intention, or a specific time limitation, such approval or consent shall be given within thirty (30) business days and shall not be unreasonably withheld or delayed by the party from whom such approval or consent is required.

SECTION XVII
Entirety of Agreement

As used herein, the term "Agreement" shall mean this Local Participation Agreement and the Exhibits attached hereto. This Agreement embodies the entire agreement and understanding

of the parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intention has been made by any party which has not been embodied in this Agreement, and no party shall be bound by or be liable for any alleged representation, promise, inducement, or statement of intention not so set forth. This Agreement may be amended, modified, superseded, or cancelled only by a written instrument signed by all of the parties hereto, and any of the terms, provisions, and conditions hereof may be waived only by a written instrument signed by the waiving party. Failure of any party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of any such provision by any part.

SECTION XVIII
Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

SECTION XIX
Headings and Index

The headings in this Agreement and the Index are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any provision hereof.

SECTION XX
Exhibits

All exhibits to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof, above the signatures of the parties hereto, as if set out in full herein.

SECTION XXI
No Waiver; Construction

No waiver of any condition or covenant of this Agreement to be satisfied or performed by LFUCG shall be deemed to imply or constitute a further waiver of the same, or any like condition or covenant, and nothing contained in this Agreement nor any act of either party, except a written waiver signed by such party, shall be construed to be a waiver of any condition or covenant to be performed by the other party.

No provisions of this Agreement shall be construed against a party by reason of such party having drafted such provisions.

SECTION XXII
Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which shall constitute an original document.

SECTION XXIII
Relationship of the Parties

Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association among any of the Parties of this Agreement.

SECTION XXIV
No Third Party Beneficiary

Except as otherwise specified herein, the provisions of this Agreement are for the exclusive benefit of LFUCG, the Agency, and the Developer, their successors and permitted assigns, and not for the benefit of any other person or entity, nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any other person or entity.

SECTION XXV
Diligent Performance

With respect to any duty or obligation imposed on a party to this Agreement, unless a time limit is specified for the performance of such duty or obligation, it shall be the duty or obligation of such party to commence and perform the same in a diligent and workmanlike manner and to complete the performance of such duty or obligation as soon as reasonably practicable after commencement of the performance thereof. Notwithstanding the above, time is of the essence with respect to any time limit specified herein.

SECTION XXVI
Assignment of Rights and Delegation of Duties

No Party to this Agreement may assign this Agreement, or any part hereof, except as provided herein, without the prior written consent of the other Parties, except that the Developer may assign its rights to receive reimbursement for Public Infrastructure Costs to a financial institution that provides Project Financing. Nothing in this Section shall be construed to require prior written consent for the Developer to assign any of its rights or obligations under this Agreement to a subsidiary, affiliate or related entity.

IN WITNESS WHEREOF, the Parties hereto have hereunto set their hands on the date and year first above set forth herein, to be effective as of the Effective Date.

LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT
a Kentucky urban county government

By: _____
Jim Gray, Mayor

Approval as to Form:

Janet M. Graham
Commissioner of Law for the

Lexington-Fayette Urban County
Government

DEPARTMENT OF FINANCE FOR
THE LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT

By: _____
William O'Mara, Commissioner of Finance

EXHIBITS:

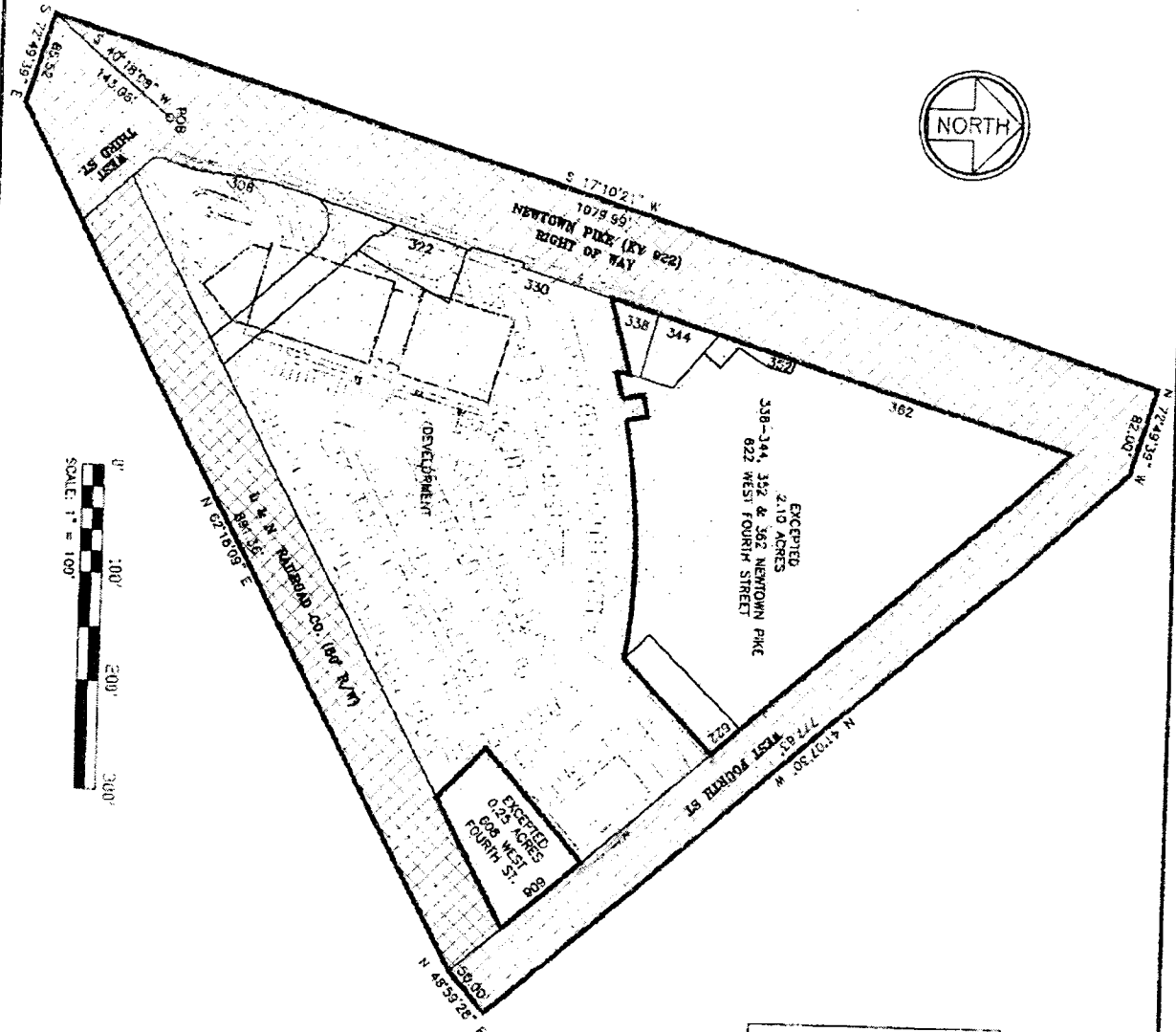
Exhibit A: Development Area Map and Description

Exhibit B: The Project

Exhibit C: Elements of Project to be Financed with Incremental Revenues

**Exhibit D: Estimated Old Revenues from Development Area and Anticipated
Incremental Revenues for LFUCG**

Exhibit A: Development Area Map and Description



LEGEND

BOUNDARY OF PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA.

PROPERTIES INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA.

NEWTON PIKE (BY 622), THIRD STREET & WEST FOURTH STREET RIGHT-OF-WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (3.97 ACRES)

LEXINGTON RAILROAD RIGHT-OF-WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (1.04 ACRES)

358-344, 352 & 362 NEWTOWN PIKE, 608 & 622 WEST FOURTH STREET ARE EXCLUDED FROM THE TAX INCREMENT FINANCING DEVELOPMENT AREA (2.35 ACRES)

DEVELOPMENT BOUNDARY
PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA
NEWTOWN PIKE, LEXINGTON, FAYETTE COUNTY KENTUCKY

LEGAL DESCRIPTION

**Proposed Tax Increment Finance Development Area
Newtown Pike, Lexington, Fayette County, Kentucky**

The following area description is intended for Tax Increment Financing Development Area purposes only and shall not be used for transfer or conveyance purposes. This description represents a compilation of documents and information of public record and in no way represents a survey by implication or actuality.

Being a triangular boundary of land located along Newtown Pike (State Route 922) within the City of Lexington, County of Fayette, Commonwealth of Kentucky and more particularly described as follows:

Beginning at a point on the western Right-Of-Way line of Newtown Pike (State Route 922), said point being South 40° 18' 08" West 143.08 feet from the calculated centerline intersection of said Newtown Pike and Third Street; thence crossing Newtown Pike for one (1) call:

1. South 72° 49' 39" East 85.52 feet to a point on the southern Right-Of-Way line of the L & N Railroad; thence with said L & N Railroad Right-Of-Way line for one (1) call:
2. North 62° 18' 09" East 891.36 feet to a point on the southern Right-Of-Way line of West Fourth Street, said point; thence crossing said West Fourth Street and continuing with L & N Railroad Right-Of-Way for one (1) call:
3. North 48° 59' 28" East 50.00 feet to a point on the northern Right-Of-Way line of said West Fourth Street, said point being South 83° 31' 21" East 33.24 feet from the calculated centerline intersection of West Fourth Street and the L & N Railroad; thence with said northern Right-Of-Way line for one (1) call:
4. North 41° 07' 30" West 777.63 feet to a point on the eastern Right-Of-Way line of said Newtown Pike; thence crossing Newtown Pike for one (1) call:
5. North 72° 49' 39" West 82.00 feet to a point on the western Right-Of-Way of said Newtown Pike, said point being North 60° 50' 49" West 56.99 feet from the calculated centerline intersection of said Newtown Pike and West Fourth Street; thence with the western Right-Of-Way Line of said New Town Pike for one call (1);
6. South 17° 10' 21" West 1079.99 feet to the Point of Beginning.

There is excepted from the above described Proposed Tax Increment Financing Development Area boundary that parcel conveyed to D & D Realty, LLC in Deed Book 2178, Page 453 of the Fayette County Clerk's records containing 1.89 Acres, that parcel conveyed to Bluegrass Cremation Services, LLC in Deed Book 2878, Page 453 containing 0.25 Acre, those parcels conveyed to Clarence Elliott Means Jr. Trust No. 2 in Deed Book 3261, Page 127 containing 0.11 Acre, that parcel conveyed to John Hutchinson and Ann Hutchinson containing 0.02 Acre and that parcel conveyed to Emerge Property, LLC in Deed Book 3199, Page 31 containing 0.083 Acre (acreages listed as determined by Fayette County PVA).

It is the intent of this proposed Tax Increment Financing Development Area boundary to include all the area encompassed on the northeast by the northern Right-Of-Way line of West Fourth Street, on the northwest by the western Right-Of-Way line of Newtown Pike (State Route 922) and on the southeast by

the southern Right-Of-Way line of the L & N railroad Right-Of-Way excluding exceptions listed above containing 10.38 Gross Acres, and 8.03 Net Acres.

Exhibit B: The Project

Project Description

The Thistle Station project is expected to include approximately:

- Apartments - A 16-story building will hold 202 apartment units at an average of about 1,000 leasable square feet
 - The 7th floor will include a full gym and swimming pool
- Restaurants/Retail - Apartment building will include street-level restaurants and retail covering an estimated 10,700 leasable square feet
- Outparcel Restaurants/Retail - A separate parcel will be developed for restaurant/retail use, and is estimated to include another 8,000 leasable square feet at 4,000 square feet per floor.

Its estimated construction costs include:

- Total construction cost of \$34 million
 - \$31.3 million in private costs
 - \$2.7 million in public costs

Exhibit C: Elements of Project to be Financed with Incremental Revenues

Thistle Station™ Public Infrastructure Expenditures	
Demolition, Site Clean-up	\$184,000
Environmental Remediation	\$140,000
Public Utilities Relocation	\$620,000
Utility and Right of Way Easements	\$42,000
Curbs and Sidewalks	\$115,000
Roads & Street Lighting	\$75,000
Parking	\$280,000
Transportation Facilities	\$28,000
Landscaping & Irrigation	\$220,000
Public Spaces & Parks	\$180,000
Security, Safety, Fencing, Site Lighting	\$380,000
Railroad Safety and Sound Mitigation	\$460,000
Total	\$2,724,000

**Exhibit D: Listing of Old Revenues Collected by LFUCG from Development Area
and Anticipated Incremental Revenues for LFUCG**

Thistle Station™
Incremental Ad Valorem Tax Revenue Estimates - All Local Real Estate Taxes

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Local Property Tax Revenues - After New Development									
County/General Services	\$242,799	\$10,500	\$10,658	\$10,817	\$10,980	\$11,144	\$12,006	\$13,833	\$242,799
School	\$404,664	\$17,500	\$17,768	\$18,029	\$18,299	\$18,574	\$20,009	\$23,222	\$404,664
Extension Services	\$5,819,071	\$257,650	\$256,425	\$259,256	\$263,145	\$267,092	\$287,934	\$333,927	\$5,819,071
Soil & Water Conservation	\$27,517	\$1,190	\$1,208	\$1,226	\$1,244	\$1,263	\$1,361	\$1,579	\$27,517
Health Department	\$4,047	\$175	\$178	\$180	\$183	\$186	\$200	\$232	\$4,047
Leads	\$224,612	\$9,800	\$9,947	\$10,096	\$10,248	\$10,401	\$11,205	\$13,004	\$224,612
Urban Services - Fall	\$485,597	\$21,000	\$21,315	\$21,635	\$22,069	\$22,289	\$24,011	\$27,866	\$485,597
Total Local Property Tax Revenues	\$1,406,613	\$61,890	\$61,742	\$62,669	\$63,609	\$64,563	\$69,552	\$80,718	\$1,406,613
As-Is Local Property Tax Revenues - Without Development	\$8,614,919	\$372,845	\$378,225	\$383,908	\$399,667	\$395,512	\$428,079	\$494,482	\$8,614,919
County/General Services	\$3,575	\$155	\$157	\$159	\$162	\$164	\$177	\$205	\$3,575
School	\$5,959	\$238	\$262	\$265	\$269	\$274	\$295	\$342	\$5,959
Extension Services	\$85,690	\$3,706	\$3,761	\$3,818	\$3,875	\$3,933	\$4,237	\$4,917	\$85,690
Soil & Water Conservation	\$405	\$18	\$18	\$18	\$18	\$19	\$20	\$23	\$405
Health Department	\$60	\$3	\$3	\$3	\$3	\$3	\$3	\$3	\$60
Leads	\$3,337	\$144	\$146	\$149	\$151	\$153	\$165	\$191	\$3,337
Urban Services - Fall	\$7,151	\$309	\$314	\$319	\$323	\$328	\$354	\$410	\$7,151
Total Local *As-Is* Property Tax Revenues	\$20,713	\$996	\$909	\$972	\$937	\$951	\$1,074	\$1,189	\$20,713
Local Property Taxes Retained	\$176,890	\$5,487	\$5,670	\$5,653	\$5,738	\$5,824	\$6,274	\$7,282	\$176,890
County/General Services	\$3,575	\$155	\$157	\$159	\$162	\$164	\$177	\$205	\$3,575
Public Library	\$404,664	\$17,500	\$17,768	\$18,029	\$18,299	\$18,574	\$20,009	\$23,222	\$404,664
Extension Services	\$5,819,071	\$257,650	\$256,425	\$259,256	\$263,145	\$267,092	\$287,934	\$333,927	\$5,819,071
Soil & Water Conservation	\$27,517	\$1,190	\$1,208	\$1,226	\$1,244	\$1,263	\$1,361	\$1,579	\$27,517
Health Department	\$4,047	\$175	\$178	\$180	\$183	\$186	\$200	\$232	\$4,047
Leads	\$224,612	\$9,800	\$9,947	\$10,096	\$10,248	\$10,401	\$11,205	\$13,004	\$224,612
Urban Services	\$485,597	\$21,000	\$21,315	\$21,635	\$22,069	\$22,289	\$24,011	\$27,866	\$485,597
Total Local Taxes Retained	\$20,713	\$996	\$909	\$972	\$937	\$951	\$1,074	\$1,189	\$20,713
Local Incremental Property Taxes Available for TIF Participation									
County/General Services	\$239,223	\$10,345	\$10,501	\$10,658	\$10,818	\$10,980	\$11,829	\$13,728	\$239,223
Urban Services - Fall	\$1,385,899	\$59,934	\$60,833	\$61,746	\$62,672	\$63,612	\$68,528	\$79,630	\$1,385,899
Total Local Taxes Contributed to TIF Reimbursement	\$1,625,122	\$70,280	\$71,334	\$72,404	\$73,490	\$74,592	\$80,357	\$93,358	\$1,625,122

Exhibit B

Thistle Station Development Area

LEGAL DESCRIPTION

Proposed Tax Increment Finance Development Area
Newtown Pike, Lexington, Fayette County, Kentucky

The following area description is intended for Tax Increment Financing Development Area purposes only and shall not be used for transfer or conveyance purposes. This description represents a compilation of documents and information of public record and in no way represents a survey by implication or actuality.

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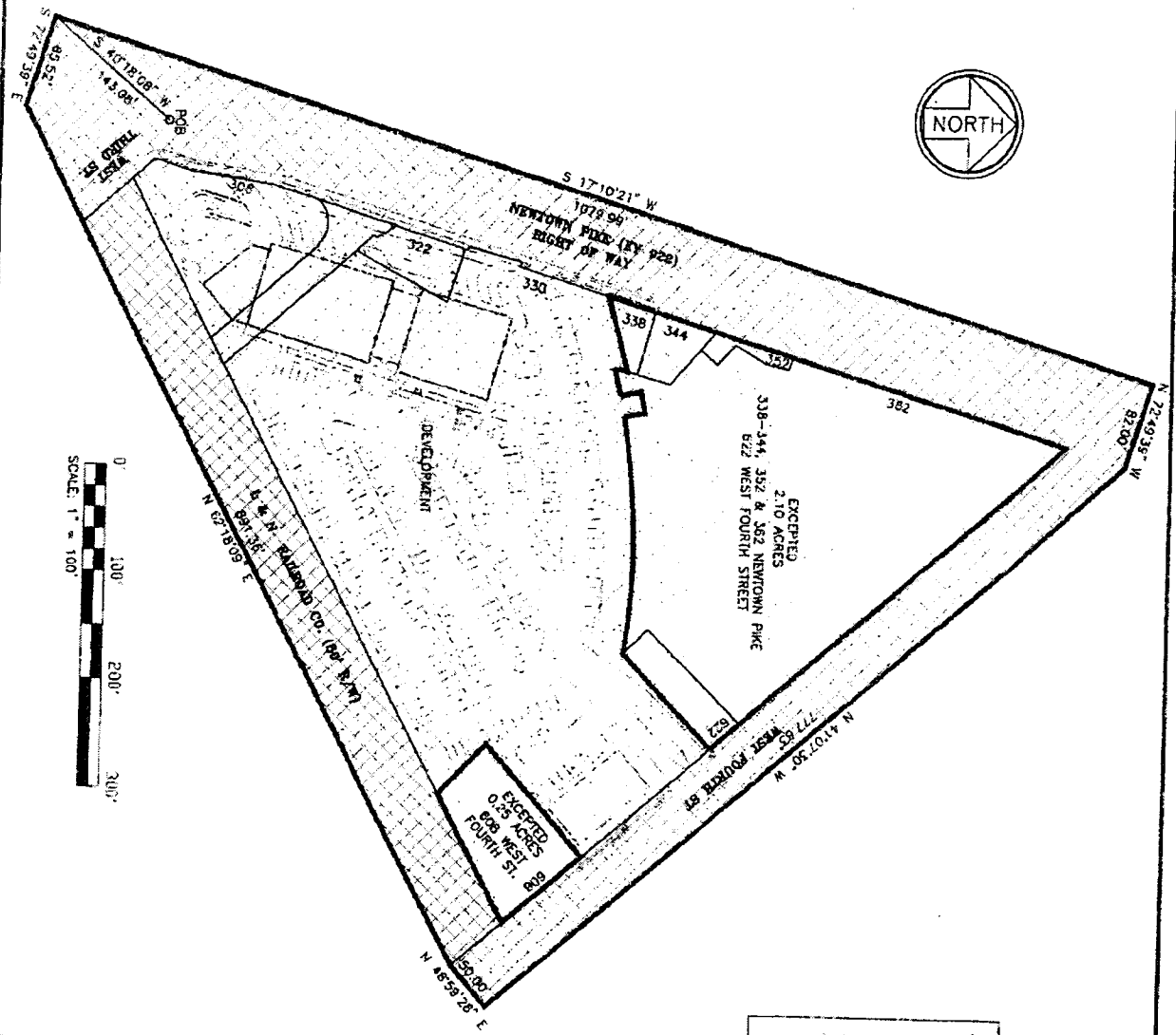
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2. North 62° 18' 09" East 891.36 feet to a point on the southern Right-Of-Way line of West Fourth Street, said point; thence crossing said West Fourth Street and continuing with L & N Railroad Right-Of-Way for one (1) call:
3. North 48° 59' 28" East 50.00 feet to a point on the northern Right-Of-Way line of said West Fourth Street, said point being South 83° 31' 21" East 33.24 feet from the calculated centerline intersection of West Fourth Street and the L & N Railroad; thence with said northern Right-Of-Way line for one (1) call:
4. North 41° 07' 30" West 777.63 feet to a point on the eastern Right-Of-Way line of said Newtown Pike; thence crossing Newtown Pike for one (1) call:
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It is the intent of this proposed Tax Increment Financing Development Area boundary to include all the area encompassed on the northeast by the northern Right-Of-Way line of West Fourth Street, on the northwest by the western Right-Of-Way line of Newtown Pike (State Route 922) and on the southeast by

the southern Right-Of-Way line of the L & N railroad Right-Of-Way excluding exceptions listed above containing 10.38 Gross Acres, and 8.03 Net Acres.



DEVELOPMENT BOUNDARY
PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA
NEWTOWN PIKE, LEXINGTON, FAYETTE COUNTY KENTUCKY

LEGEND

BOUNDARY OF PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA.
PROPERTIES INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA.
308-310, 322 & 330 NEWTOWN PIKE (3.90 ACRES)
NEWTOWN PIKE (KY 922), THIRD STREET & WEST FOURTH STREET RIGHT-OF-WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (3.07 ACRES)
LEXINGTON RAILROAD RIGHT OF WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (1.06 ACRES)
338-344, 352 & 382 NEWTOWN PIKE, 608 & 622 WEST FOURTH STREET ARE EXCLUDED FROM THE TAX INCREMENT FINANCING DEVELOPMENT AREA (2.35 ACRES)

Exhibit C

Public Infrastructure Improvements

Thistle Station™ Public Infrastructure Expenditures	
Demolition, Site Clean-up	\$184,000
Environmental Remediation	\$140,000
Public Utilities Relocation	\$620,000
Utility and Right of Way Easements	\$42,000
Curbs and Sidewalks	\$115,000
Roads & Street Lighting	\$75,000
Parking	\$280,000
Transportation Facilities	\$28,000
Landscaping & Irrigation	\$220,000
Public Spaces & Parks	\$180,000
Security, Safety, Fencing, Site Lighting	\$380,000
Railroad Safety and Sound Mitigation	\$460,000
Total	\$2,724,000

Exhibit D

Officers and Managers of the Developer

OFFICERS AND MANAGERS OF THE DEVELOPER

The Manager of Thistle Holdings, LLC is TH Manager, LLC.

John Cirigliano is the Manager of TH Manager, LLC.

ORDINANCE NO. _____

AN ORDINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT MAKING CERTAIN FINDINGS CONCERNING AND ESTABLISHING A DEVELOPMENT AREA FOR ECONOMIC DEVELOPMENT PURPOSES WITHIN LEXINGTON-FAYETTE URBAN COUNTY TO BE KNOWN AS THE THISTLE STATION DEVELOPMENT AREA; APPROVING A LOCAL PARTICIPATION AGREEMENT BETWEEN LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AND THE DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT ESTABLISHING AN INCREMENTAL TAX SPECIAL FUND FOR PAYMENT OF ADMINISTRATIVE COSTS, APPROVED PUBLIC INFRASTRUCTURE COSTS, AND REDEVELOPMENT ASSISTANCE; DESIGNATING THE DEPARTMENT OF FINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AS THE AGENCY RESPONSIBLE FOR OVERSIGHT, ADMINISTRATION, AND IMPLEMENTATION OF THE DEVELOPMENT AREA; APPROVING A MASTER DEVELOPMENT AGREEMENT BETWEEN THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, THE URBAN COUNTY GOVERNMENT'S DEPARTMENT OF FINANCE, AND THISTLE HOLDINGS, LLC; AND AUTHORIZING THE MAYOR AND OTHER OFFICIALS TO TAKE SUCH OTHER APPROPRIATE ACTIONS AS ARE NECESSARY OR REQUIRED IN CONNECTION WITH THE ESTABLISHMENT OF THE DEVELOPMENT AREA.

WHEREAS, the Lexington-Fayette Urban County Government, an Urban County Government organized pursuant to Chapter 67A of the Kentucky Revised Statutes (the "LFUCG") by virtue of the laws of the Commonwealth of Kentucky (the "State"), Kentucky Revised Statutes, specifically Sections 65.7041 to 65.7083, as may be amended (the "Act"), is authorized to, among other things, (1) establish a development area to encourage reinvestment in and development and reuse of areas of the LFUCG, (2) enter into agreements in connection with the establishment and development of a development area, (3) establish a special fund for deposit of incremental revenues resulting from the development of a development area, and (4) designate an agency to oversee, administer and implement projects within a development area; and

WHEREAS, the LFUCG desires to establish a "development area" as defined in the Act to encourage reinvestment and development within such development area and to pledge a portion of the "incremental revenues" as defined in the Act generated from the development of such development area to the payment of redevelopment assistance, approved public infrastructure costs, land preparation, and/or financing costs within such development area; and

WHEREAS, the LFUCG has identified a contiguous tract of previously developed land consisting of not more than three square miles within the LFUCG, specifically described in Exhibit A hereto, that is in need of being redeveloped and which is not reasonably expected to be developed without public assistance; and

WHEREAS, Thistle Holdings, LLC (the "Developer") has proposed the development of a mixed-use project within the Development Area that meets the definition of a "Project" as defined in KRS 65.7041 to 65.7083 and KRS 154.30-010 to KRS 154.30-090; and

WHEREAS, the LFUCG has determined to establish the Development Area as a development area pursuant to the Act to encourage investment and development within the Development Area; and

WHEREAS, the LFUCG has agreed to support and encourage development within the Development Area by pledging certain Incremental Revenues (hereinafter defined) to pay for Redevelopment Assistance, Land Preparation, and Public Infrastructure Costs (hereinafter defined), under a Local Participation Agreement (hereinafter defined); and

WHEREAS, the LFUCG has prepared and presented a "Development Plan", as defined KRS 65.7041 TO 65.7083 and KRS 154.30-101 to 154.30-090, for the consideration and adoption of the LFUCG proposing the redevelopment of the Development Area; and

WHEREAS, the LFUCG pursuant to the Act held a public hearing on August 27, 2015 after giving proper notice concerning the LFUCG's intention to consider the adoption of the Development Plan; and

WHEREAS, the adoption of the Development Plan and the establishment of the Development Area are for a public purpose and that the establishment and creation of the Development Area within the LFUCG is for the benefit and welfare of the LFUCG's citizens; and

WHEREAS, the LFUCG and the Developer have agreed to the terms of a Local Participation Agreement and a Master Development Agreement; and

WHEREAS, the LFUCG deems it necessary to enact this Ordinance in accordance with the Act and for the purposes set forth and described herein and in the Act.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AS FOLLOWS:

SECTION 1. Definitions.

1.1. The capitalized terms set forth below when used herein shall have the following meanings.

"Act" means Kentucky Revised Statutes, Sections 65.7041 to 65.7083 and KRS 154.30-010 to KRS 154.30-090.

"Agency" means the Department of Finance of the LFUCG.

"Commonwealth Project or Program" means the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues as provided in the Act.

"Developer" means Thistle Holdings, LLC.

“Development Area” means a contiguous geographic area of previously developed land, located within the geographical boundaries of the LFUCG, which is created for economic development purposes by this Ordinance in which one (1) or more Projects are proposed to be located and consisting of less than 3 square miles, as more specifically described in Exhibit A attached hereto, to be known as the “Thistle Station Development Area”.

“Development Plan” means the Tax Increment Financing Development Plan for the Thistle Station Development Area attached as Exhibit C.

“Establishment Date” means the date that the Development Area is established by this Ordinance.

“Incremental Revenues” means the amount of revenues received by the LFUCG with respect to the Development Area and the State with respect to the Footprint (as defined in the Act) by subtracting Old Revenues (as defined in the Local Participation Agreement) from New Revenues (as defined in the Local Participation Agreement) in a calendar year.

“KEDFA” means the Kentucky Economic Development Finance Authority.

“Local Participation Agreement” shall mean the Local Participation Agreement between the LFUCG, and the Agency, attached as Exhibit “B” hereto.

“The Thistle Station Project” or “Project” means a development to be constructed by the Developer, as more specifically described in the Development Plan, and expected to fulfill the criteria for a “Commonwealth Project” as defined herein.

“Pledged Revenues” means that portion of the Incremental Revenues which are pledged by the LFUCG or State, pursuant to the Local Participation Agreement or the Tax Incentive Agreement, to the pay for Redevelopment Assistance and Public Infrastructure Costs for the Development Area as set forth in the Local Participation Agreement and Tax Incentive Agreement.

“Public Infrastructure Costs” shall be those costs approved by LFUCG and KEDFA for reimbursement through the LFUCG and/or State Incremental Revenues set forth in the Local Participation Agreement and Tax Incentive Agreement.

“Redevelopment Assistance” shall have the meaning as provided in the Act.

“State” means the Commonwealth of Kentucky.

“Tax Incentive Agreement” shall mean the agreement entered into pursuant to KRS 154.30-010 to KRS 154.30-090 of the Act between the Kentucky Economic Development Finance Authority and the Agency, relating to the Development Area.

1.2. All capitalized terms used herein and not defined above or in the recitals to this Ordinance shall have the meaning as set forth in the Act, as of the effective date of this Ordinance.

SECTION 2. Findings and Determinations. In accordance with the Act, the LFUCG hereby makes the following findings and determinations with respect to the Development Area:

- (a) The Development Area consists of a contiguous tract of land that is no more than three (3) square miles. The actual size of the Development Area is 8.03 acres;
- (b) The Development Area is characterized by the following conditions that make it eligible for tax increment financing under KRS 65.7049(3):

1. A substantial loss of commercial activity has occurred within the Development Area, which has been in a state of decline over a period of many years. Commercial activity within the Development Area has been in a state of economic decline for years. In its present state, the Development Area includes vacant land and an unoccupied and deteriorating/collapsing structure that is completely unusable. In its present state, the Development Area is zoned as B-1 which will allow the area to be developed in a manner consistent with the surrounding areas.

2. More than fifty percent (50%) of the commercial structures are deteriorating or deteriorated. The commercial structure is deteriorated to the point it is no longer suitable for use as it does not protect inhabitants from the elements.

3. Public improvements and public infrastructure are inadequate. Currently, because of the lack of use, there is limited and inadequate public infrastructure within and connecting to the Development Area. Additionally, the change in composition and use of the area has created a need for public improvements that suit the planned uses not only within the Development Area but to service the areas surrounding the Development Area. The necessity of constructing the requisite public infrastructure creates a heavy financial burden for any potential developer of the Development Area, and will benefit the neighboring sites, as well.

4. There is a combination of factors that substantially impairs growth and economic development of the Development Area. A large part of this area was zoned and occupied for industrial and warehouse purposes, but those activities have declined over time because more modern industrial and warehouse businesses have different locational and square footage needs. Warehouse and industrial users now choose to locate near interstate highway interchanges because moving goods by rail is no longer the preferred transportation method for these types of businesses. Warehouse and industrial buildings have grown in size and require ample parking and drive aisles for tractor trailers. Over time these users select sites farther away from residential areas due to the often conflicting traffic patterns, noise and similar factors that present substantial difficulty in attracting new industrial and warehouse users to this small urban location so close to the downtown, existing residential neighborhoods and public parks. The property mix of uses is far more suitable for this site and is more likely to be developed, if the high cost of public infrastructure can be addressed.

5. There has been a substantial abandonment of the residential, commercial, or industrial structures within the Development Area. The Development Area consists almost completely of either vacant or public land or unoccupied and deteriorating structures.

(c) 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 2014 was \$515,400. The LFUCG has previously established six other development areas pursuant to the Act, the Phoenix Park/Courthouse Development Area, the Red Mile Development Area, the Turfland Town Center Development Area, the 21C Lexington Development Area, the Summit Lexington Development Area, and the Midland Avenue Development Area. The combined taxable 2014 real property assessed valuation for those development areas is approximately \$57,205,400 and when combined with the real property assessed value for the proposed Development Area, the total taxable 2014 real property assessed value for all development areas established by the LFUCG will be approximately \$57,720,800. The total assessed value of taxable real property within Lexington for the calendar year 2014 is approximately \$25 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;

(d) There are inadequate public improvements and infrastructure to support the development of the Development Area. Currently, because of the lack of use, there is limited and inadequate public infrastructure within and connecting to the Development Area. Additionally, the change in composition and use of the area has created a need for public improvements that suit the planned uses not only within the Development Area but to service the areas surrounding the Development Area. The necessity of constructing the requisite public infrastructure creates a heavy financial burden for any potential developer of the Development Area, and will benefit the neighboring sites, as well. The following are non-exclusive examples of public infrastructure needed to enable construction of the Project and growth in the Development Area:

1. Utilities – Expansion of sanitary sewer lines, storm sewer lines, water service lines, and utility conduits, including, without limitation, electric, gas, telephone and cable, to accommodate the change in utility usage that residential and commercial development of the Project will require.

2. Site Prep, Demolition, and Environmental – The preparation of the site will require strategic demolition and removal of the deteriorating buildings and clean-up of the site. Additionally, the Development Area is expected to need some level of brownfield remediation from past industrial uses within the Development Area.

3. Roadways, Pathways and Walkways – The creation of new entryways and traffic management, along with the creation of new pathways and walkways with landscaping and seating areas for pedestrians and bicyclists, including connection to the Legacy Trail, to allow for increased, vehicular, pedestrian and bicycle traffic that the Project and the further development of the surrounding area will generate. Additionally, the Project will include strategic security and safety measures in order to ensure the safety of its visitors, patrons, and residents who will enjoy the Project’s trails and open space.

4. Parking – There currently exists a significant deficiency in the number of parking spots in the Development Area and at surrounding sites. The addition of over 200 residential units and nearly 20,000 square feet of commercial space will require the provision of additional parking spaces in order to prevent parking overflow from creating issues at surrounding properties and neighborhoods.

5. Railroad Safety and Sound Mitigation – The railroad’s location in an area that has become highly populated by students and residents, as opposed to its former industrial users, creates both safety and sound issues in a populated area. The Project is expected to include sufficient safety measures that also allow the trains passing through the area to avoid blowing their whistles and disturbing the residents, schools, and businesses in the area.

6. Landscaping – In order to minimize the Project’s impact to the surrounding residents and to increase the appeal of the area’s trails and seating areas, the Project plans include significant landscaping features, such as a tree canopy, in order to create a welcoming residential environment for both the Project and the nearby residents and businesses.

- (e) That the Development Area is not reasonably expected to be developed without public assistance. The LFUCG finds that the Development Area is not reasonably expected to be developed without public assistance. Despite its appealing location at the edge of Downtown Lexington, 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 site as an urban mixed-use development is at least \$2.7 million. Without public funding, including the critical pledge of State incremental revenues under the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues, as provided in the Act, the proposed Project within the Development Area would not be possible;
- (f) 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” to the Development Plan, (the “Report”), the public investment is expected to reach \$2.7 million, but the private investment within the

Development Area is estimated to reach \$31.3 million. While the LFUCG will pledge one-hundred percent (100%) of new ad valorem property taxes from the general county and urban services categories to pay for the public projects proposed, it will generate significant new revenues from one-hundred (100%) of the other local ad valorem property taxes and occupational taxes generated from the Project.

The Project is expected to generate much more tax revenue than the current use of the property in the Development Area, which is only generating a small amount of property tax revenues. According to the Report, over a 20-year period, the Project is estimated to generate \$2.6 million of new state and local tax revenues. By contrast, if the site remains “as-is”, tax revenues are estimated to amount to only \$41,185 in the same, 20-year period. As a result, total incremental tax revenues generated over 20 years are estimated at \$2.6 million or an estimated \$970,485 million of cash available for State participation and an estimated \$1.6 million for local participation. When considering the local ad valorem property taxes that would not be used as a part of any incentive provided for herein, it is estimated that another \$6.4 million will accrue to the LFUCG over the 20-year period in school taxes, transit taxes, library taxes, etc. in addition to the taxes retained at the State level such as state income tax revenues and sales and use tax revenues, both during construction and during operations. As a result, the Project represents significant benefit to the LFUCG and the State.

It is proposed that the incremental revenues from the LFUCG and the State will be used primarily to fund the capital costs of the “approved public infrastructure” as defined by the Act, needed for the Project within the Development Area. The estimated cost of the approved public infrastructure needed for the Project is approximately \$2.7 million. It is estimated that approximately \$2.6 million in local and State applicable incremental revenues from the Project will be available over 20 years to pay for redevelopment assistance and approved public infrastructure costs needed for the Project; and

- (g) That the area immediately adjacent to the Development Area has not been subject to development through private investment.

SECTION 3. Establishment, Name, Boundaries. All that area described herein by Exhibit A attached hereto and made a part hereof, is located within the LFUCG and is hereby established and designated as the “Thistle Station Development Area.” At the time of the enactment of this Ordinance the Development Area is less than three (3) square miles.

SECTION 4. Establishment Date, Commencement Date, Termination date. The Establishment Date is the effective date of this Ordinance. The Commencement Date of the Development Area is the date of execution of the Local Participation Agreement and the Termination Date shall be exactly twenty (20) years subsequent to activation of the Development Area; provided, that if the Tax Incentive Agreement for the Project or a Local Participation Agreement relating to the Development Area has a Termination Date that is later than the

Termination Date established in this Ordinance, the Termination Date for the Development Area shall be extended to the Termination Date of the Tax Incentive Agreement, or the Local Participation Agreement. However, the Termination Date for the Development Area shall in no event be more than forty (40) years from the Establishment Date.

SECTION 5. Adoption of Development Plan. The LFUCG hereby adopts the Development Plan, attached hereto as Exhibit C. The LFUCG Council hereby finds and determines that a public hearing was duly held on August 27, 2015 to solicit public comment on the Development Plan, following publication of notice thereof in accordance with Chapter 424 of the Kentucky Revised Statutes, as amended. It is hereby confirmed that a copy of the Development Plan was filed with the LFUCG Clerk of Council, the Office of the Mayor, and with the Office of the Fayette County Judge/Executive on August 17, 2015.

SECTION 6. Local Participation Agreement. The Mayor of the LFUCG, and the Commissioner of the Department of Finance on behalf of the Agency are hereby authorized and directed to execute, acknowledge and deliver on behalf of the LFUCG, and the Agency a Local Participation Agreement, a form of which is attached as Exhibit B and made a part hereof, between the LFUCG, and the Agency, authorizing the pledge of a portion of the Incremental Revenues of the LFUCG from the Development Area to the payment of Redevelopment Assistance, Public Infrastructure Costs and Land Preparation. The form of Local Participation Agreement to be signed by the Mayor on behalf of the LFUCG and by the Commissioner of the Department of Finance, on behalf of the Agency, shall be in substantially the form attached hereto, subject to further negotiations and changes therein that are not inconsistent with this Ordinance and not substantially adverse to the LFUCG. The approval of such changes by said officers, and that such changes are not substantially adverse to the LFUCG, shall be conclusively evidenced by the execution of such Local Participation Agreement by such officials.

SECTION 7. Master Development Agreement. The Mayor of the LFUCG and the Commissioner of the Department of Finance on behalf of the Agency are hereby authorized and directed to execute, acknowledge and deliver on behalf of the LFUCG and the Agency a Master Development Agreement, a form of which is attached as Exhibit D and made a part hereof, between the LFUCG, the Agency, and the Developer relating the development of the Project by the Developer. The form of Master Development Agreement to be signed by the Mayor on behalf of the LFUCG and by the Commissioner of the Department of Finance, on behalf of the Agency, shall be in substantially the form attached hereto, subject to further negotiations and changes therein that are not inconsistent with this Ordinance and not substantially adverse to the LFUCG. The approval of such changes by said officers, and that such changes are not substantially adverse to the LFUCG, shall be conclusively evidenced by the execution of such Master Development Agreement by such officials.

SECTION 8. Special Fund. There is hereby established a Special Fund of the LFUCG to be known as the Thistle Station Development Area Tax Increment Fund, into which the LFUCG covenants to deposit, and into which LFUCG officials are hereby authorized and directed to deposit all Pledged Revenues. The LFUCG's Agency shall maintain the Special Fund unencumbered except for the purposes set forth in Section 8 hereof. Funds deposited in the Special Fund shall be disbursed in accordance with the Act, this Ordinance, the Local Participation Agreement, Tax Incentive Agreement, Master Development Agreement, the Development Plan

and related documents to pay for Project Costs, Redevelopment Assistance, Land Preparation, and Approved Public Infrastructure Costs within the Development Area.

SECTION 9. Use of Pledged Revenues. Pledged Revenues shall be deposited by the LFUCG into the Special Fund created under Section 7 hereof and shall be used solely to: (a) pay for Administrative Costs, Redevelopment Assistance, Land Preparation, and Approved Public Infrastructure Costs as those terms are defined in the Act, and as set forth in the Local Participation Agreement, as determined from time to time by the LFUCG in accordance with the Local Participation Agreement and the Development Plan; and (b) for such other purposes as may be determined by the LFUCG and that are appropriate and in compliance with the purposes set forth in this Ordinance, the Local Participation Agreement, the Tax Incentive Agreement, the Development Plan, Master Development Agreement and the Act, as the same may be amended from time to time.

SECTION 10. Authorization of Application to KEDFA. The Mayor and other officials of the LFUCG are hereby further authorized and directed to execute, acknowledge and deliver on behalf of the LFUCG one or more applications to KEDFA and related offices of the State in order to obtain Commonwealth Project status for the Project within the Development Area.

The governing body of the LFUCG shall be required to review and analyze the progress of the development activity in the Development Area on an annual basis. Such reports shall, at a minimum, include a review of the progress in meeting the stated goals of the Development Area. The Mayor and other officials of the LFUCG shall report to the governing body of the LFUCG during such reviews and shall, when necessary, invite developers to participate in the review process to report on the progress of their developments within the Development Area. The review and documentation supporting the review shall be forwarded to KEDFA in accordance with the Act.

SECTION 11. Designation of Oversight Agency. Pursuant to the Act, the LFUCG hereby designates the Department of Finance of the LFUCG as the agency (the "Agency") of the LFUCG for purposes of oversight, administration and review responsibility of this Development Area Ordinance, the Local Participation Agreement, the Master Development Agreement and the Development Area established hereby. The Agency shall act on behalf of the LFUCG in administering the Development Area, entering into Development Area agreements, and other related agreements, with respect to the development of the Development Area and the financing of Redevelopment Assistance, Land Preparation, and Public Infrastructure Costs therein. The Commissioner of the Department of Finance is hereby authorized and directed to execute the Local Participation Agreement on behalf of the Agency and to take other appropriate action to carry-out the terms of this ordinance and the Local Participation Agreement.

SECTION 12. That the Mayor and the Commissioner of Finance are hereby authorized to and directed to execute the Master Development Agreement, which is attached hereto and incorporated herein by reference as Exhibit D.

SECTION 13. Authorization of LFUCG Officials. The Mayor and other appropriate LFUCG officials, officers, employees and agents are hereby authorized to take all necessary actions to submit the necessary application and other documents to KEDFA and any other

necessary entities to obtain the necessary approvals and to take all necessary actions as required by the KEDFA and other entities to meet all of the requirements of and qualify to participate in the Commonwealth Project Program as set forth in the Act, and to carry out the intent of this Ordinance, including being authorized to execute any Memorandum of Agreement and/or Tax Incentive Agreement between KEDFA and the LFUCG approving a pledge of State Incremental Revenues for the Project pursuant to the Act.

SECTION 14. Severability. The provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall for any reason be declared invalid, such declaration of invalidity shall not affect the validity of the remainder of this Ordinance.

SECTION 15. Repeal of Conflicting Orders and Ordinances. All prior resolutions, municipal orders or ordinances or parts of any resolution, municipal order or ordinance in conflict herewith are hereby repealed.

SECTION 16. Effective Date. This Ordinance shall be in full force and effect from and after its passage, attestation, recordation and publication of a summary hereof pursuant to KRS Chapter 424.

INTRODUCED, SECONDED AND GIVEN FIRST-READING APPROVAL AT A DULY CONVENED MEETING OF THE LFUCG COUNCIL, held on the _____ day of _____, 2016.

GIVEN SECOND READING AND ADOPTED AT A DULY CONVENED MEETING OF THE LFUCG COUNCIL, held on the _____ day of _____, 2016 and on the same occasion signed by the Mayor as evidence of his approval, attested by the LFUCG Clerk of Council, published and filed as required by law, and declared to be in full force and effect from and after its adoption and approval according to law.

Approved:

By: _____
Mayor

ATTEST:

By: _____
Clerk of Council

PUBLISHED:

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 E. Parsons
Attorney At Law

EXHIBIT A
DEVELOPMENT AREA DESCRIPTION
AND MAP

LEGAL DESCRIPTION

Proposed Tax Increment Finance Development Area Newtown Pike, Lexington, Fayette County, Kentucky

The following area description is intended for Tax Increment Financing Development Area purposes only and shall not be used for transfer or conveyance purposes. This description represents a compilation of documents and information of public record and in no way represents a survey by implication or actuality.

Being a triangular boundary of land located along Newtown Pike (State Route 922) within the City of Lexington, County of Fayette, Commonwealth of Kentucky and more particularly described as follows:

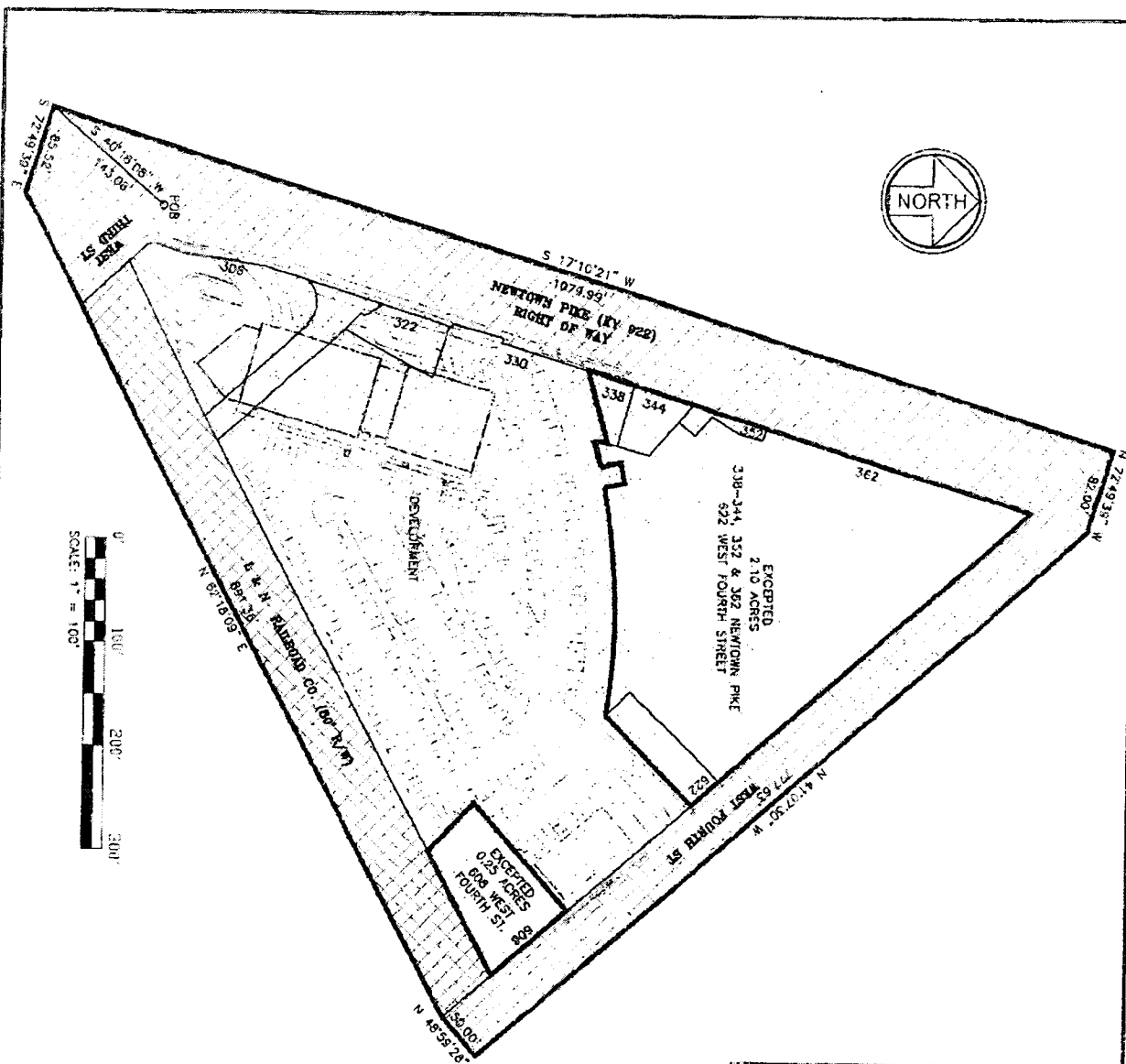
Beginning at a point on the western Right-Of-Way line of Newtown Pike (State Route 922), said point being South $40^{\circ} 18' 08''$ West 143.08 feet from the calculated centerline intersection of said Newtown Pike and Third Street; thence crossing Newtown Pike for one (1) call:

1. South $72^{\circ} 49' 39''$ East 85.52 feet to a point on the southern Right-Of-Way line of the L & N Railroad; thence with said L & N Railroad Right-Of-Way line for one (1) call:
2. North $62^{\circ} 18' 09''$ East 891.36 feet to a point on the southern Right-Of-Way line of West Fourth Street, said point; thence crossing said West Fourth Street and continuing with L & N Railroad Right-Of-Way for one (1) call:
3. North $48^{\circ} 59' 28''$ East 50.00 feet to a point on the northern Right-Of-Way line of said West Fourth Street, said point being South $83^{\circ} 31' 21''$ East 33.24 feet from the calculated centerline intersection of West Fourth Street and the L & N Railroad; thence with said northern Right-Of-Way line for one (1) call:
4. North $41^{\circ} 07' 30''$ West 777.63 feet to a point on the eastern Right-Of-Way line of said Newtown Pike; thence crossing Newtown Pike for one (1) call:
5. North $72^{\circ} 49' 39''$ West 82.00 feet to a point on the western Right-Of-Way of said Newtown Pike, said point being North $60^{\circ} 50' 49''$ West 56.99 feet from the calculated centerline intersection of said Newtown Pike and West Fourth Street; thence with the western Right-Of-Way Line of said New Town Pike for one call (1);
6. South $17^{\circ} 10' 21''$ West 1079.99 feet to the Point of Beginning.

There is excepted from the above described Proposed Tax Increment Financing Development Area boundary that parcel conveyed to D & D Realty, LLC in Deed Book 2178, Page 453 of the Fayette County Clerk's records containing 1.89 Acres, that parcel conveyed to Bluegrass Cremation Services, LLC in Deed Book 2878, Page 453 containing 0.25 Acre, those parcels conveyed to Clarence Elliott Means Jr. Trust No. 2 in Deed Book 3261, Page 127 containing 0.11 Acre, that parcel conveyed to John Hutchinson and Ann Hutchinson containing 0.02 Acre and that parcel conveyed to Emerge Property, LLC in Deed Book 3199, Page 31 containing 0.083 Acre (acreages listed as determined by Fayette County PVA).

It is the intent of this proposed Tax Increment Financing Development Area boundary to include all the area encompassed on the northeast by the northern Right-Of-Way line of West Fourth Street, on the northwest by the western Right-Of-Way line of Newtown Pike (State Route 922) and on the southeast by

the southern Right-Of-Way line of the L & N railroad Right-Of-Way excluding exceptions listed above containing 10.38 Gross Acres, and 8.03 Net Acres.



LEGEND

----- BOUNDARY OF PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA

..... PROPERTIES INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA

--- NEWTOWN PIKE (KY 922), THIRD STREET & WEST FOURTH STREET RIGHT-OF-WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (3.07 ACRES)

--- L&N RAILROAD RIGHT OF WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA (1.06 ACRES)

--- 338-344, 352 & 362 NEWTOWN PIKE, 606 & 622 WEST FOURTH STREET ARE EXCLUDED FROM THE TAX INCREMENT FINANCING DEVELOPMENT AREA (2.35 ACRES)

DEVELOPMENT BOUNDARY
PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA
NEWTOWN PIKE, LEXINGTON, FAYETTE COUNTY KENTUCKY

EXHIBIT B
LOCAL PARTICIPATION AGREEMENT

EXHIBIT C
DEVELOPMENT PLAN

EXHIBIT D
MASTER DEVELOPMENT AGREEMENT