



## Budget, Finance & Economic Development Committee

September 24, 2019  
Summary and Motions

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Amanda Bledsoe, chair, called the meeting to order at 1:01 p.m. Committee members Steve Kay, Chuck Ellinger, Susan Lamb, Angela Evans, and Fred Brown were in attendance. Committee members Richard Moloney, James Brown, Bill Farmer, and Jennifer Mossotti were absent. Councilmembers Jennifer Reynolds and Kathy Plomin were in attendance and recognized as voting members.

### I. Approval of August 27, 2019, Committee Summary

A motion was made by CM F. Brown to approve the August 27, 2019, Budget, Finance & Economic Development Committee Summary; seconded by CM Ellinger. The motion passed without dissent.

### II. Downtown Projects Update

#### Hub on Campus Lexington

Tom Harrington, Vice President of Acquisitions for Core Spaces, said Core Spaces is a national developer that focuses on mixed-use and often student housing developments. He talked about the Hub on Campus Lexington, a mixed-use project that includes student housing and Target on the first floor. He explained how Target identified the location but needed Core Spaces to make the project feasible, which led to the land swap with the University of Kentucky. He talked about a project their company did in Columbia, SC, which attributed to the vitalization of its downtown. He talked about Target publicizing data about how their small-format stores are more productive than their traditional stores and that it seems to be doing well. He talked about the right kind of density, required variances for the project on Upper Street, and respective challenges, and how discussions with the neighborhood affected the design for the positive.

CM Bledsoe asked about the city's commitment to infill, the challenges that come with that and how the city might do better from the developer's perspective. Harrington said his experience with the LFUCG staff was very positive. He talked about the need to understand competing interest and political powers. He pointed out how it's not possible to address all concerns and how they experienced neighborhood meetings, public hearings, zone changes, etc. while noting the level of technical details that were on the Planning Commission agenda and how some of that could happen administratively. He said it might be helpful to have a clearer understanding of where Councilmembers and Planning Commission members stand.

VM Kay asked about the number of bedrooms in each unit. Harrington pointed out four-bedroom units are the cheapest for them and good for student housing but they don't build those often because they want a variety, something that can adapt as the market changes. Most of their projects have a variety of units with bedrooms ranging from studio to four-five bedroom.

CM Lamb confirmed the common space often connects the bedrooms and then she asked about square footage of the units, particularly because of the 800 sq. ft. size limit for accessory dwelling units. Harrington said a one-bedroom might be around 500 sq. ft. and a four-bedroom might be around 1200 sq. ft.

CM Evans asked if they manage the property once the project is complete and about the actual cost per unit. Harrington said projects like theirs are management intensive and that Core Spaces maintains management of all of their projects. He said each property has its own manager and then they have regional managers and pointed out a high level of security at their facilities. Evans asked what the average rent per month is, which Harrington said he believes it to be around the higher end of the market.

CM Reynolds asked if rent is charged per unit or per bedroom. Harrington said their projects in Lexington are purpose-built-student-housing and they rented by the bed, which is easier to manage.

### **Winslow Site**

Melody Flowers, Executive Director for Strategic Analysis and Policy for UK, talked about the recognition of UK as an economic development partner in our city; highlighting the importance of place of UK in relation to Lexington and the commercial corridors study (studying the area between Chevy Chase, down Euclid Avenue, and up to Maxwell Street) that was done in partnership with UK, the Downtown Lexington Partnership, and the city. She talked about the land swap with Core Spaces, capitalizing on what others have in their toolboxes, as well as the role of UK's offerings of land, brand, and demand. She said Target offers pedestrian accessible retail for students. She reviewed specific details about the Winslow Street project, which is walking distance to downtown, and how that will be accomplished under P3 financing. She said parking was the largest need this project had to address (918 parking spaces will be added); it will include private retail and university controlled innovation and e-sport space. She highlighted project details such as burying the utilities and talked about how UK understands the need for more than a parking garage in this space, which will be open to the public.

CM Ellinger asked about the parking garage affecting traffic. Flowers explained the parking garage will use the same entrance and exit ramps being used today but they plan to mix the users including residents, commuters, and employees so everyone isn't coming and going at the same time. She added that a traffic light will be added at the corner of Boliver Street and South Upper Street to assist in the outflow of the garage, which will include an enhanced pedestrian crosswalk to better connect their northwest part of campus, the emerging innovation district.

CM Plomin asked how many students remain in Lexington after they graduate and if the trend is increasing. Flowers said she does not have that information with her. Plomin asked about public transportation that is available to students, faculty, and staff for free. Flowers referenced UK's first transportation master plan (created a few years ago) and the history of their partnership with Lextran; since the start of the partnerships, to date, their usage accounts for 5 million rides. They discussed the cost of parking spaces, supply and demand, and how expensive underground parking is.

Lamb talked about the architecture of the project and the technology component of the façade, which Flowers described the technology component as a 'media mesh wall' or exterior digital signage; she added it could be used for promoting events as an example. She said they expect the facility to be active 18 hours per day.

Evans asked about a plan to make the mixed-use property successful because these types of properties haven't done well in Lexington and if UK has new research that will support the project remaining occupied. Flowers talked about a 30-year agreement with a real estate firm to help ensure its success, who has partnered with a local company. They discussed thinking outside the box to make sure the

retail component is successful. Flowers said UK's strengths are land, brand, and demand, and highlighted the unique aspect of being close to UK's innovation initiatives.

Bledsoe asked about the P3 model used for this project. Flowers said one major impact is the speed of the project, in which the project is on track to complete by August 2020. She pointed out the P3 partnership provided the most affordable access to capital, in addition to the development expertise that is outside UK's core competencies.

A motion by Lamb to amend the agenda to include a presentation by Phil Holoubek, with Community Ventures, seconded by Evans. The motion passed without dissent.

### **The MET**

Phil Holoubek, representing Community Ventures, first spoke about the first two presentations are great examples of urban planning that people have been pushing for in Lexington for years. He presented the Met, a project on Third Street and Midland Avenue. He talked about the challenges residents in the East End are facing such as extreme poverty and highlighted data on education, auto ownership, limited access to healthy affordable food and health services, which are reflected in their objectives for the project. He talked about the importance of the location, the intention to face the building on Third and making it a retail stop for the high traffic volume along Midland. The project is mixed-use including retail and office on the first and second floors, with housing on the top three floors. He said the project includes onsite surface parking, noting the high cost of parking garages that would take away from keeping the housing affordable. He said they are working on bringing a small grocery store, DV8 Kitchen, and a health service facility, which was a need identified in the East End Small Area Plan. He said the residential units will be one and two-bedroom apartments while noting infill areas typically don't need three-bedroom units. He explained 70 percent of the units will be market-rate and 30 percent earmarked for affordable housing, which is the national standard. He highlighted the overall impact of the project and the goal to complete the project by May 2020. He showed pictures of the development plan, renderings of the project, and floor plans.

Reynolds asked what the market rate rent will total. Holoubek said a one-bedroom might be around \$950 (about 750 sqft) and a two-bedroom around \$1,400 (about 1,250 sqft). He said the affordable units will depend on public funding but probably about \$500 less than the market rate. They discussed how the public funding regulations will dictate the eligibility for the affordable units and the dedication to maintaining affordability and avoiding gentrification regardless of public funding.

Plomin asked what was meant by naming rights. Holoubek said this does not mean sponsorships, it refers to the option for business tenants to have their name on the building. They discussed the Community Ventures building on the corner of Midland and Third, which will be mostly the same but repurposed. They questioned what will happen to the nearby rock quarry. Plomin talked about William Kincaid, an abolitionist, who built houses for the slaves he released around this area. Holoubek talked about the people involved in documenting the history of the neighborhood.

Lamb said she was glad to know the original building will remain and asked how many bedrooms the affordable units will have. Holoubek explained how they do not plan to specifically designate any of the units for affordable housing and it will be based on the renter and availability. Lamb talked about the project providing parking near the Legacy Trail and how there is so much going on in Lexington, with many moving parts, and her appreciation for the people involved to make it happen.

Evans asked about the entrances to the project. Holoubek explained access to parking would be from Midland and Louis Street and entrances to retail will be on Third. She talked about the area is a food desert, the first business owner being African American, and referenced a marker that acknowledged the history of the professional area for the African American community. Holoubek talked about their effort to have minority inclusion, specifically in the construction of the building, and that one of the retail tenants is an African American owner of a hair salon.

Kay asked why the project has more of a suburban design versus an urban design, referencing the original plans that avoided a long parking lot down Midland. Holoubek explained the project was scaled down because Community Ventures could not find the funding to include a parking garage and that the community engagement on the project helped prioritize design components of the project, which emphasized the importance for the front of the building to face the neighborhood. Kay asked if 60 and 30 percent AMI would be used as a requirement for any of the affordable units. Holoubek said he would have to check.

Evans asked about the cost of leasing the retail and the effort made to keep it affordable. Holoubek said leasing space ranges from \$16 to \$20 per sq. ft., explaining how grants allow them to buy down the rents, which make them more affordable and help accomplish the priorities for the project.

No further comment or action was taken on this item.

### **III. Financial Update**

Bill O'Mara, Commissioner of Finance, presented on the city's financials through August. He talked about comparative unemployment rates for Lexington MSA and Lexington having a wave effect over 12 months where employment goes up in the summer and gradually lowers towards Christmas. He reported the unemployment rate for Fayette County at 3.9 percent in July and the U.S. at 3.7. He said low unemployment and low inflation for this extended period of time is an economic phenomenon. Referring to quarterly employment for Fayette County in March, he said we do not have more people working, there may be a change in who is working but the 'pie' is about the same year over year. He concluded that because Lexington's main revenue source is wages, we need more people working or more people getting raises and that low inflation results in lower raises. He said the other economic indicators are not varying by much.

Rusty Cook, Director of Revenue, reported (year to date) the top four revenue categories are all below budget, noting refunds are up this year under employee withholding and net profits. He said the city is down by \$1.3 million when comparing current year to prior year, and pointed out insurance and franchise fees are up, when compared to prior year. He discussed other contributing factors to the variances in the top four categories. Melissa Lueker, Director of Budgeting, pointed out that most of variances are negative and highlighted positive variances in property tax accounts and services. She reported the total revenue at a negative variance of \$1.2 million, year to date. She reviewed expenses that total a \$1.9 million positive variance, noting this is how the city is making up for the revenue shortfalls, highlighting a \$1 million positive variance in personnel. She said the operating variance of \$800,000 is likely a more accurate reflection of operating compared to the \$1.3 million variance in July, which was probably inflated. She reported the total change in fund balance at \$715,000. She reviewed revenue and expenses, current year to prior year.

CM F. Brown asked about the partner agencies' variance of \$1 million. Lueker explained it is likely because of the timing of payment; recalling it taking more time for purchase service agreements to get approved through council last year. They discussed how all the ESR and Economic Development partner agencies are included in the partner agency category, as well as the Lexington Public library.

No further comment or action was taken on this item.

**August 2019 YTD Actual Compared to Adopted Budget:**

<u>Revenue Category</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	32,946,627	33,920,455	(973,828)	-2.9%
OLT - Net Profit	1,174,534	1,619,784	(445,250)	-27.5%
Insurance	8,523,712	8,694,621	(170,909)	-2.0%
Franchise Fees	4,338,326	4,527,298	(188,972)	-4.2%
<b>TOTALS</b>	<b>46,983,199</b>	<b>48,762,157</b>	<b>(1,778,958)</b>	<b>-3.6%</b>

**August 2019 YTD/August 2018 YTD Current Year to Prior Year:**

<u>Revenue Category</u>	<u>Aug '19 YTD</u>	<u>Aug '18 YTD</u>	<u>Variance</u>	<u>% Var</u>
OLT- Employee Withholding	32,946,627	34,356,052	(1,409,425)	-4.1%
OLT - Net Profit	1,174,534	1,635,732	(461,198)	-28.2%
Insurance	8,523,712	8,151,750	371,963	4.6%
Franchise Fees	4,338,326	4,178,785	159,541	3.8%
<b>TOTALS</b>	<b>46,983,199</b>	<b>48,322,319</b>	<b>(1,339,120)</b>	<b>-2.8%</b>

**2020 Fiscal Year – Cash Flow Variance Revenue (Actual to Budget):**

<i>For the two months ended August 31, 2019</i>				
	<u>Actuals</u>	<u>Budget</u>	<u>Variance</u>	<u>% Var</u>
<b><u>Revenue</u></b>				
Payroll Withholding	32,946,627	33,920,455	(973,828)	-2.9%
Net Profit	1,174,534	1,619,784	(445,250)	-27.5%
Insurance	8,523,712	8,694,621	(170,909)	-2.0%
Franchise Fees	4,338,326	4,527,298	(188,972)	-4.2%
Other Licenses & Permits	457,773	457,092	681	0.1%
Property Tax Accounts	213,963	153,068	60,895	39.8%
Services	4,304,593	3,837,473	467,120	12.2%
Fines and Forfeitures	26,670	43,367	(16,697)	-38.5%
Intergovernmental Revenue	18,024	25,256	(7,232)	-28.6%
Property Sales	10,199	25,000	(14,801)	-59.2%
Investment Income	261,219	136,563	124,655	91.3%
Other Income	484,679	476,939	7,739	1.6%
<b>Total Revenues</b>	<b>\$52,760,317</b>	<b>\$53,916,915</b>	<b>(\$1,156,598)</b>	<b>-2.1%</b>

**2020 Fiscal Year – Cash Flow Variance Expense (Actual to Budget):**

<i>For the two months ended August 31, 2019</i>				
	<b>Actuals</b>	<b>Budget</b>	<b>Variance</b>	<b>% Var</b>
<b>Expense</b>				
Personnel	31,845,266	32,848,798	1,003,532	3.1%
Operating	7,779,025	8,584,574	805,549	9.4%
Insurance Expense	931,339	931,089	(250)	0.0%
Debt Service	15,837,306	15,837,306	0	-
Partner Agencies	4,353,968	4,399,566	45,598	1.0%
Capital	31,440	81,518	50,079	61.4%
<b>Total Expenses</b>	<b>\$60,778,345</b>	<b>\$62,682,852</b>	<b>\$1,904,507</b>	<b>3.0%</b>
<b>Transfers</b>	<b>844,361</b>	<b>812,153</b>	<b>(32,208)</b>	<b>-4.0%</b>
<b>Change in Fund Balance</b>	<b>(\$8,862,388)</b>	<b>(\$9,578,089)</b>	<b>\$715,700</b>	

**Comparison of Economic Indicators 2017/2018/2019:**

<b>Economic Indicators</b>		<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Fayette County	2017	4.0%	3.9%	3.9%	3.6%	3.6%	4.4%	4.5%	3.9%	3.2%	3.2%	3.1%	2.8%
Unemployment Rate	2018	3.0%	3.6%	3.4%	3.0%	3.2%	4.0%	3.8%	3.2%	3.2%	3.3%	2.7%	2.8%
	2019	3.3%	3.3%	3.5%	3.0%	3.2%	3.9%	3.9%	N/A				
Quarterly Fayette County	2017	-	-	192,217	-	-	194,097	-	-	196,127	-	-	199,897
Employment	2018	-	-	191,558	-	-	193,808	-	-	194,533	-	-	194,634
	2019	-	-	191,500	-	-	N/A	-	-	N/A	-	-	N/A
Fayette County Permits Issued	2017	876	739	924	899	1,357	995	1,207	1,283	1,054	1,053	994	965
	2018	914	927	979	993	1,547	1,432	1,260	1,187	999	1,243	952	760
	2019	1,017	846	986	1,316	1,528	1,350	1,379	1,231				
Fayette County New Business	2017	201	253	418	468	621	328	206	281	205	247	213	140
Business Licenses	2018	219	250	379	751	535	286	166	264	209	279	174	149
	2019	216	259	446	736	557	297	267	264				
Home Sales (MSA)	2017	776	794	1,060	1,067	1,411	1,428	1,353	1,311	1,084	1,115	951	1,000
	2018	728	700	1,042	1,085	1,281	1,380	1,294	1,339	1,010	1,086	953	887
	2019	619	805	1,088	1,180	1,412	1,322	1,405	N/A				
Fayette County	2017	27	17	16	19	16	17	20	22	19	16	26	16
Foreclosures	2018	21	0	22	21	21	22	16	25	28	14	0	15
	2019	11	16	14	18	13	18	11	12				

N/A indicates information not available.

BLS Release Dates for Fayette Co. Quarterly Employment - 6 months after quarter end

**FY20 Code Enforcement Nuisance Abatement/Lien Collections:**

<b>Month</b>	<b>Administrative Collection</b>		<b>Miscellaneous</b>		<b>Penalty &amp; Interest</b>		<b>Total Collections</b>	
	<b>Fees</b>							
	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2019</b>
<b>July</b>	450	675	5,057	1,430	89,751	15,407	95,258	17,512
<b>August</b>	450	75	3,562	2,068	73,099	61,651	77,111	63,794
<b>Totals</b>	<b>900</b>	<b>750</b>	<b>8,619</b>	<b>3,498</b>	<b>162,850</b>	<b>77,058</b>	<b>172,369</b>	<b>81,306</b>

**VI. Items Referred to Committee**

A motion CM F. Brown to remove item #6, the review of LFUCG debt; seconded by Ellinger. The motion passed without dissent.

A motion was made by Ellinger to adjourn at 2:37 p.m.; seconded by Plomin. The motion passed without dissent.

H.A. 10/24/19