EXHIBIT "C"

Tax Increment Financing Development Plan

For

The Summit Lexington Development Area

1. Introduction.

1.1 Purpose. The Lexington Fayette Urban County Government ("LFUCG" or "City") intends to establish Summit Lexington Development Area (the "Development Area") pursuant to the provisions of KRS 65.7041 to 65.7083, and KRS 154.30-010 to 154.30-090, as the same may be amended (collectively, the "Act"), and to request funding from the Commonwealth of Kentucky (the "State") to support a mixed-use private development (the "Project") within the Development Area being undertaken by Bayer Properties or its affiliates (the "Developer"). The City proposes to support the Project and provide development assistance through a pledge of certain new City 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 affiliates includes mixed-use retail and residential buildings as well as parking structures. In order to help ensure the success and support of the Project, certain public improvements are needed within the Development Area.

1.2 Size and Location. The Development Area consists of 60.29 acres and is located on the corner of Man-O-War Blvd. and Nicholasville Rd. It is a "P"-shaped area roughly framed by East Tiverton Way, Walhampton Drive, Tangley Way, and Habersham Drive.

1.3 Current Uses. The land is currently undeveloped and has been used for agriculture. There is a small mulch business on the property.

2. The Development Area.

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

(a) The Development Area is a contiguous Area consisting of 60.29 acres, which is less than three (3) 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 2012 was $169,800. The LFUCG has previously established three other development areas pursuant to the Act, the Phoenix Park/Courthouse Development Area, the Lexington Distillery District Development Plan, and the Red Mile Development Area. The combined real property assessed valuation for those three development areas is $17,559,300 and when combined with the real property assessed value for the proposed Development Area, the total real property assessed value for all development areas established by the LFUCG will be approximately $17,729,100. The total assessed value of taxable real property within Lexington for the calendar year 2012 is approximately $22 Billion. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Lexington; and

(c) That the Development Area will include a mixed-use TIF development project which includes both significant public storm water and sanitary sewer facilities designed to comply with the consent decree entered in the case of United States of America and the Commonwealth of Kentucky v. Lexington-Fayette Urban County Government, civil Action No. 5:06-cv-386 (E D. Ky) ("court decree" or "community-wide court decree").

2.2 Statement of Conditions and Findings Regarding the Development Area. Pursuant to KRS 65.7049(3), a development area shall either exhibit blighted conditions in order 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, or the Project is a mixed-use development:

a) Located in a university research park;

b) Located within three (3) miles of a military base that houses, deploys, or employs any combination of at least twenty-five (25,000) military personnel, their families, military retirees, or civilian employees; or

c) The project is a mixed-use development which includes either or both significant public storm water and sanitary sewer facilities designed to comply with a community-wide court decree mandating corrective action by the local government or an agency thereof.

LFUCG has reviewed and analyzed the conditions within the Development Area and finds that the Development Area will include a mixed-use TIF development project which includes both significant public storm water and sanitary sewer facilities designed to comply with a community-wide court decree mandating corrective action by the local government.

Pursuant to KRS 65.7049(3)(c), the Project qualifies for State incremental revenues if the project is a mixed-use development which includes either or both significant public storm water and sanitary sewer facilities designed to comply with a community-wide court decree mandating corrective action by the local government or an agency thereof. The LFUCG finds that the Project does include both significant public storm water and sanitary sewer facilities designed to comply with a community-wide court decree mandating corrective action by the local government or an agency thereof.

The Property is currently subject to significant stormwater runoff from adjacent properties on Nicholasville Rd. These properties did not install sufficient drainage facilities to address added runoff stormwater from their developments. In its current state, the property and adjacent residential communities suffer from flooding and water damage.

Community members have repeatedly cited these concerns at public gatherings. In discussing existing issues on the Property, the 2007 South Nicholasville Road Small Area Plan ("SAP") notes that "reports of flooding problems in the homes, street, and lots of the single family homes on Walhampton Drive and Tangley Way were collected at several public input meetings. The Fritz property slopes to lower elevations where a storm pipe is located for collecting and transmitting storm water runoff that has been reported to back up to homes on Walhampton Drive, the location of the worst flooding reports described through public input." In the minutes from focus group discussions collected by the SAP, residents noted that: "Homes along Tangley Way...have storm water flooding during rain events;" "Standing water on Walhampton, in low part, during rain events;" "Basement flooding on Tangley Way back to 1993;" "Manhole near 266 Tangley Way (west of) raises during high rain events."

This dilemma is an example of a larger problem facing the City. These ongoing problems in the immediate vicinity of the Project site are only a small part of a much larger and substantial community-wide problem that, over time, became so severe and recurring that the State and Federal Governments' water quality enforcement agencies were compelled to file an enforcement action against the LFUCG to remedy. The Consent Decree that was filed in 2011 and entered in January of 2012 will take many years and millions of dollars to remedy. This requires the study, design and implementation of numerous construction projects to repair sewer pipes and to improve the City's stormwater system. Several of the areas that experience chronic sanitary sewer overflows, flooding, and related water problems are in the same watershed as the subject property. The proposed public improvements will allow the Developer to make improvements both on-site and off-site to ameliorate this much larger community wide problem and assist the LFUCG in meeting its obligations under the Consent Decree in a timely manner.

The Project addresses this problem by installing stormwater collection facilities and by substantially upgrading sewer systems both within the Property and in "downstream" lines near the Property. To help address storm drainage issues in the area, the Project will include a 3-acre storm basin designed to retain both storm water running from the Project as well as storm water flowing from adjacent properties. This basin will be at least twice as large as would be sufficient for the Project's drainage alone. It is estimated that this downstream flow will reduce by 70% due to the Project's 3-acre basin. For sanitary systems, the Project will include sanitary sewer facilities that are in accordance with the Court Decree standards. Additionally, the Project will upgrade 500 feet of downstream piping. These facilities both comply with LFUCG regulations and help address the Court Decree, specifically the Stormwater Quality Management Program ("SWQMP") and the Municipal Separate Storm Sewer ("MS4") Performance Standards as outlined by Court Decree Appendices D and E.

2.3 Assurances the Development Area Is Not Reasonably Expected to Develop Without Public Assistance. The City finds that the Development Area is not reasonably expected to be developed without public assistance. The public infrastructure costs of the Development Area are too high to occur without public assistance. It is estimated that the total cost of these public infrastructure improvements needed within the Development Area is approximately $26.5 million. Without public funding, including the critical pledge of State incremental revenues under the Commonwealth Participation Program for Mixed-Use Redevelopment in Blighted Urban Areas, the proposed Project within the Development Area would not be possible.

The LFUCG has adopted an Urban Service Area boundary in order to channel growth and development in the urban core and away from the agricultural areas in the Rural Service Area. The community has taken a strong position to protect the agricultural areas which are vitally important to the local economy. This means that developing land within the urban services area must be strongly encouraged and facilitated whenever possible to avoid unnecessary expansion into our agricultural lands which are finite and irreplaceable. The physical development constraints on this property are such that without the proposed financing this property is unlikely to develop. The site lies at the intersection of two of the busiest and most highly developed urban corridors in Lexington, and is one of the few remaining parcels of this size to develop. It is imperative to facilitate developing this site to allow appropriate urban development to occur within the Urban Service Area and reduce the likelihood that there will be pressure in the future to expand the boundary because there are insufficient parcels that are feasible to develop in the current boundary.

2.4 Assurances the Public Benefits of Developing the Development Area as Proposed Justify the Public Costs Proposed. The City finds that the public benefits of developing the Development Area justify the public costs proposed. As detailed in the Commonwealth Economics Report, attached hereto as exhibit "A", (the "Report"), the investment is expected to reach $92.5 million, $66.0 million of which is due to private costs and $26.5 million of which is due to public costs. Over a 20-year period, the project is expected to support over 3,000 jobs annually and $3 billion in total economic impact. While the City will pledge eighty percent (80%) of new ad valorem property taxes and occupational taxes to pay for the public projects proposed, it will generate significant new revenues from the twenty (20%) of those new incremental revenues not pledged and one hundred (100%) of the other local taxes generated from the Project.

The Project is expected to generate much more tax revenue than current use in the Development Area. According to the Report, over a 20-year period, the Project is estimated to generate $160.7 million of eligible state and local tax revenues. This includes $18.5 million in local taxes and $142.2 million in state taxes. By contrast, if the site remains "as-is", tax revenues are estimated to amount to $558,337 in the same, 20-year period. As a result, total incremental tax revenues generated over 20 years are estimated at $160.2 million. After 20 percent is retained, such amount translates to an estimated $113.4 million of cash available for State participation and an estimated $14.7 million for local participation.

Based on research and analysis document in the Report, the Project is estimated to have a significant economic and fiscal impact to the local economy. Its construction is estimated to generate a one-time impact that includes over $92,500,000 of total spending, $40,385,614 of total wages, support for 1,359 jobs, and $152,967,025 in total economic impact. Upon project opening and in the first year of stabilization (year 5), annual economic impact for retail components of project is estimated to include $87,930,376 of total spending, $47,438,438 of increased wages, and support for 2,887 jobs. Annual economic impact of restaurant and entertainment components of project is estimated to include $21,272,117 in revenue and $14,847,937 in wages for 373 jobs.

The estimated annual fiscal impact of the Project includes $5,294,004 in State taxes and $687,350 in Local taxes.

It is proposed that the incremental revenues from the City 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 $26.5 million. It is estimated that approximately $128,130,303 in local and State incremental revenues from the Project will be available over 20 years to pay for approved public infrastructure costs needed for the Project. The net present value of this $128,130,303 is dependent upon many variables in the tax-exempt financing/bonding market.

After subtracting the baseline "old revenues" as required by the Act, the estimated incremental tax revenues generated by the Project throughout the State are $160,162,878.

This amount far exceeds the estimated $26.5 million in approved public infrastructure cost. As a result, the Project represents an enormous benefit to the City and the State.

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 that there are certain special circumstances within the Development Area that would prevent its development without public assistance. The City finds that portions of the area immediately surrounding the Development Area have been subject to growth and development through investment by private enterprise, but that certain special circumstances within the development area would prevent its development without public assistance as follows:

(a) The area is subject to significant storm water runoff from surrounding and nearby developments

(b) Developing the property causes its own storm water drainage issues. The topography requires higher than usual retention, and storm water must be treated before it is taken offsite.

(c) The existing sanitary sewer lines "downstream" from the site are undersized and are currently insufficient for the residential neighborhood they serve. Compliance with the Consent Decree may require the Developer to replace 900 feet of sanitary sewer line in the residential neighborhood behind the site.

(d) There is an existing transmission line running through the site.

Since the line will be extremely difficult to reroute, the site plan must be drawn around it. This inhibits flexibility and therefore makes the design more expensive.

(e) In order to have adequate access to the site, the Developer will have to petition for and install a traffic signal on Nicholasville Rd. Along with the signal, the Developer will be required to create a turn lane off of Nicholasville Rd. that enters the site. There will also be a need to provide a right in & right out on Man O' War Blvd, including a deceleration lane for incoming traffic.

(f) It is unknown at this time how deep the bedrock is at the site, and this uncertainty signals substantial financial risk. From previous reports and comparable pieces of land, there is a chance that some of the bedrock will have to be broken up with dynamite instead of machinery. Since there are now residential units in close proximity, the potential use of dynamite would also require additional financial investment to alleviate any possible impacts to the surrounding area. Machinery is substantially more cost-effective, so the possibility of deep bedrock can increase the cost of construction significantly.

(g) The site varies significantly in elevation. This topographical challenge worsens issues regarding both storm water drainage and foundation construction on uncertain bedrock. In order to economically utilize the site, large retaining walls are going to be needed to combat the large elevation differences from back to front.

2.6 Development Area Description. The Development Area includes the real property within the boundaries described on the site plan and legal description attached hereto as Exhibit "B".

2.7 Existing Uses and Conditions. All of the land within the Development Area is currently vacant except for a small mulching business, as well as some housing which lies near areas which will require sewer and storm drainage improvements.

There are no apparent conditions in the Development Area that would prevent it from being developed as contemplated by this Development Plan with the assistance of state and local government to defray the significant cost of public infrastructure.

2.8 Proposed Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. The Comprehensive Plan recommends mixed use development for the site. Although the site is currently zoned for agricultural-urban (A-U) uses, the Planning Commission held a public hearing on June 27, 2013 and recommended approval of the Developer's application to rezone the property to the Mixed Use (MU-3) zone, which is in agreement with the Comprehensive Plan. No further zoning or other code changes would be needed to develop this project after the property is rezoned.

2.9 Certification of Compliance with the Comprehensive Land-Use Plan. The Summit Lexington Development Plan has been created through the process of the Developer collaborating with the working group that was assembled by the consultant team and representatives from LFUCG. The Development Plan was submitted to the LFUCG for certification of compliance with the duly adopted Comprehensive Plan. The Planning Commission approved such certification at its June 27, 2013 meeting. Attached as Exhibit "C" is the documentation of certification.

3. The Development Program.

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

3.1 Land Preparation and Demolition. The proposed Project will include clearing, demolition, grading, building retaining walls, and site preparation.

3.2 Sewers/Storm Drainage. The Project will need to install significant storm drainage infrastructure and revamp sewers both on the property and in nearby areas.

3.3 Curbs, Sidewalks, Promenades, and Pedways. The Project plans to include a significant amount of pedestrian areas. This public infrastructure includes curbs, sidewalks, inlet tops/throats, and hardscape.

3.4 Roads and Street Lighting. In order to accommodate for increased traffic, the project will need to install street lighting, roads, and other off-site infrastructure

3.5 Provision/Modification of Utilities. The Project requires a variety of additions and modifications of utilities. These include: water system, power, data, phone, cable, and meters.

3.6 Environmental Remediation. The Project must make environmental adjustments to the property, including erosion control, laydown, cleaning, and barricades.

3.7 Public Spaces and Parks. The Project will include outdoor areas for the public; these require investments in landscape and irrigation.

3.8 Public Infrastructure-related Soft Costs. There are additional related costs to public infrastructure construction, including expenses for architecture, engineering, insurance, etc.

3.9 Private Sector Investment. As per current design, the project will include substantial private investment, totaling $66.0 million. These costs include constructing 401,500 square feet of leasable mixed-use space for retail and restaurants; 400 residential units; and parking spaces.

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 a total of $26.5 million, not including interest expenses. The City will pledge eighty percent (80%) of its incremental tax revenues from real property taxes and occupational taxes from the Project for over the applicable 20-year period and, in accordance with the Act; will create a special fund for the deposit of pledged incremental revenues. In addition, the City and/or the Agency will submit an application to the Kentucky Economic Development Finance Administration ("KEDFA") to request State participation in the form of a pledge of eighty (80%) of incremental State tax revenues generated from the Project during the 20-year period.

The LFUCG will establish a special fund for the deposit of pledged incremental revenues. Pledged incremental revenues deposited into this special fund will be used 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 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 $160.7 million in incremental tax revenues over the 20-year period beginning a year after construction. Approximately $128.1 million of this total will be available for debt service ($113.4 million for state participation and $14.7 million for local participation). The "activation date" (as defined in the Act) is expected to occur within a year after completion of the Project, which is projected to be finished in 2015. This sets the timeframe on financial obligations at 20 years, beginning in 2016 and ending in 2036.

5. Conclusions.

The Development Area's mix of private investment and public improvement will allow the City to create a quality area for both residential and retail activity. The proposed assistance is critical to the successful development of the Development Area and the significant amount of private investment that will come with this Project.

List of Exhibits

List of Exhibits

Exhibit A

Commonwealth
Economics

The Summit: Lexington

Tax Increment Financing Analysis

Submitted To:

Bayer Properties

Submitted By:

Commonwealth Economics, LLC

June 2013

Commonwealth Economics

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I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics, LLC was retained by Bayer Properties to conduct a Tax Increment Financing (TIF) analysis[1] of The Summit Lexington Mixed-Use Development (the "Project" or "Summit Lexington") in Lexington, Kentucky. The role of this TIF study is to compare the impact of this new economic activity on state and local tax revenues to the requested amount of the TIF.

Executive Summary

The subject of this analysis is the Summit Lexington mixed-use development project, which is to be located at the intersection of Man-O-War Blvd. and Nicholasville Rd. in Lexington, Kentucky.

The project will include:

- 401,500 square feet of leasable mixed-use space for retail and restaurants
- 400 residential units
- 2,477 parking spaces

Its estimated costs include:

- Total cost of $92.5 million
    - $66.0 million in private costs
    - $26.5 million in public infrastructure costs

The public infrastructure needs in the footprint are significant and are of critical importance to the redevelopment of the location. Many attempts at development have stalled due to the high-cost of infrastructure in the area.

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

Commonwealth Economics utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results. And because events and circumstances frequently do not occur as expected, those differences may be material.

These challenges include:

- Storm water runoff
- Insufficient sanitary sewer
- Utility provisions; burdensome power line
- Challenging topography
- Unpredictable, costly bedrock

These challenges, inherent in the property, have prevented this plat from the same economic growth witnessed by nearly every other nearby location along Nicholasville Rd. Since the construction of Man O' War Blvd. in 1984, the Nicholasville Rd. corridor has seen remarkable commercial growth.

Based on research and analysis documented in this report, the Summit Lexington Mixed-Use Development project is estimated to have a significant economic and fiscal impact to the local economy. In a 20-year period, which begins upon TIF activation, the Summit Lexington footprint is estimated to generate $160.7 million of eligible state and local tax revenues. This includes:

- **Local Taxes** - $18.5 million
    - Property- $5.2 million
    - Withholding- $13.3 million
- **State Taxes** - $142.2 million
    - Property- $3.0 million
    - Sales - $118.1 million
    - Individual Income - $19.6 million
    - Corporate Income - $1.5 million

By contrast, if the site remains "as-is", tax revenues are estimated to amount to $558,337 in the same period. As a result, total incremental tax revenues generated over 20 years are estimated at $160.2 million.

In addition to the $160.2 million in incremental tax revenues, the Project as a whole is expected to have a significant economic impact in the area. Over a 20-year period, the full Project is expected to facilitate:

- Over $3 billion in total economic impact
- 3,000 jobs annually

This report details the Project and its economic impact as it relates to Tax Increment Financing. It will demonstrate that due to the problems inherent with the Property, the benefits that arise from the Project, and the purposes of TIF legislation, the Project should qualify for the TIF program.

II. PROJECT DESCRIPTION

This section provides an overview of the developer, the proposed Project, its land use components, and the market feasibility of each component.

The Developer: Bayer Properties

Established in 1983, Bayer Properties is a commercial real estate development company responsible for over 15 projects across the US. Most of the locations are in the Southeast, and Bayer is headquartered in Birmingham, Alabama. Birmingham is also the location of Bayer's first Summit project. Opened in 1997, this 980,000 square foot development has become Bayer's flagship development. "The Summit" is now Bayer's signature brand, and they have successfully built similar Summit projects in Louisville, Kentucky, and Reno, Nevada. Bayer's Summit locations have attracted the highest quality restaurants and retail outlets available. This is likely due to the fact that, unlike other developers, Bayer retains ownership of its property for the long-term. Rather than "build-and-flip," Bayer retains control in order to maintain quality management and ensure commitment to retailers, residents, and the community as a whole. In addition, Bayer is known for continued pursuit of the trending retailers in order to keep their projects fresh. This keeps revenues stable and prevents retail flight from aging projects.

Background

The Property has a turbulent history of missed opportunity amidst surrounding economic growth. Nicholasville Rd. is now considered the main transportation throughway into Lexington and is the location for the most popular retail centers in town, including Fayette Mall. Yet, despite multiple efforts toward development, the Property has remained untouched. It is now the only undeveloped parcel on Nicholasville Rd. inside Man O' War.

For almost 20 years, repeated efforts toward development have been stymied. From 1994 to 1998, the Bellerive Development Company and the Fritz family were repeatedly denied requests to rezone the property. In 2007, a comprehensive mixed-use plan was finally approved. Still, development plans were met with prohibitive costs—made worse by a nationwide financial crisis. Plans for development sat dormant until 2010, when Bayer Properties reexamined the possibility.

In 2010, Bayer Properties first met with the landowner to consider the development of the property. While there was a clear demand to develop, Bayer Properties faced formidable challenges as discussed above, namely: topography, storm water and sewer systems, management, power line avoidance, traffic, and bedrock issues.

Prior to the economic downturn, large big box retailers would take on these costs as a part of doing business. That economic reality no longer exists. Therefore, it is unlikely that this site will be developed anytime in the near future without using the State's Mixed-Use TIF program to assist in absorbing these high public infrastructure costs, which are expected to cost approximately $26.5 million.

Description of the Summit Lexington Project

Bayer Properties' fourth "Summit" project in the US, the Summit Lexington is a planned mixed-use development strategically located at the intersection of Man O' War Blvd. and Nicholasville Rd. in Lexington, Kentucky. Framed by East Tiverton Way, Walhampton Drive, Tangley Way, and Habersham Drive, the 48.56 acre, "P"-shaped property is settled between Nicholasville Rd., Man O' War Blvd, and residential communities. The land is currently undeveloped, and it remains the only farmland plat on Nicholasville Road within Man O' War Blvd. The surrounding area is heavily trafficked, as Nicholasville Road serves as one of the main thoroughfares into town. Popular commercial centers, such as Fayette Mall, have made it a prime destination for retail.

Planning is currently underway for the development, which will cover the majority of the property. With over 20 separate buildings, the mixed-use development merges retail and residential alongside a greenspace, "new urbanism" setting. In total, the development currently plans to add over 400,000 square feet of retail, 400 units of residential space, and nearly 2,500 parking spaces. Based on construction, site work, and miscellaneous costs, the total construction cost, public and private, is estimated to be approximately $92.5 million.

Overall, the proposed development will have the following components (site plan layout subject to change):

- Large, anchor retail structures (4), 25-40,000 square feet each
- Multi-use structures (4) along the main throughway, consisting of retail shops and restaurants on the first floor and multi-family residential complexes above

- Separate multi-family residential structures (4)
- Freestanding outparcels, used for retail (10+)
- Parking spaces throughout, including parking structures attached to two main, mixed-use buildings; estimated 2,477 spaces in total

The Project is expected to be completed within two years. TIF activation is expected to occur once the entire Project has been completed, so for the purposes of this study, each Project component will come on line at the same time. Below is a summary of the residential, retail, and parking components.

Figure 1

The Summit Lexington Components	
Retail & Restaurants	401,500 Square Feet
Residential	400 Units
Parking	2,477 Spaces

Retail & Restaurants

The proposed development includes approximately 401,500 square feet of space for commercial mixed-use including both retail and restaurant. The revenue generated by the Project is expected to average at least $250 per square foot a year for retail and $350 per square foot a year for restaurant space.

The Project's location along two of the busiest roads in town gives the retail and restaurant components high likelihoods of success. Over the past thirty years, Nicholasville Road has become one of the busiest roads in Lexington. With the likes of Fayette Mall, Lexington Green, and numerous other shopping centers, the corridor has proven to be a hotbed for both retail and restaurants.

Furthermore, Bayer Properties' other Summit projects have retail stores and restaurants that are currently unavailable in Lexington. For example, Pottery Barn, Cheesecake Factory, and Brooks Brothers all have an established presence in Summit locations. High-end stores also have longstanding relationships with Bayer Properties and are found at their premier Summits. The most exclusive retailers know and respect the Summit brand; thus, Lexington can expect that the Summit will bring new stores to an already busy retail area. In addition to traditional retail, the project will also include a grocery store, which will provide an added convenience for the residents in the area.

Given the site location and Bayer Properties' longstanding relationship with numerous retailers, the developer should be able to fill the development spaces. In consideration of these factors, there should be confidence that revenue generated will be on par with expectations.

Residential

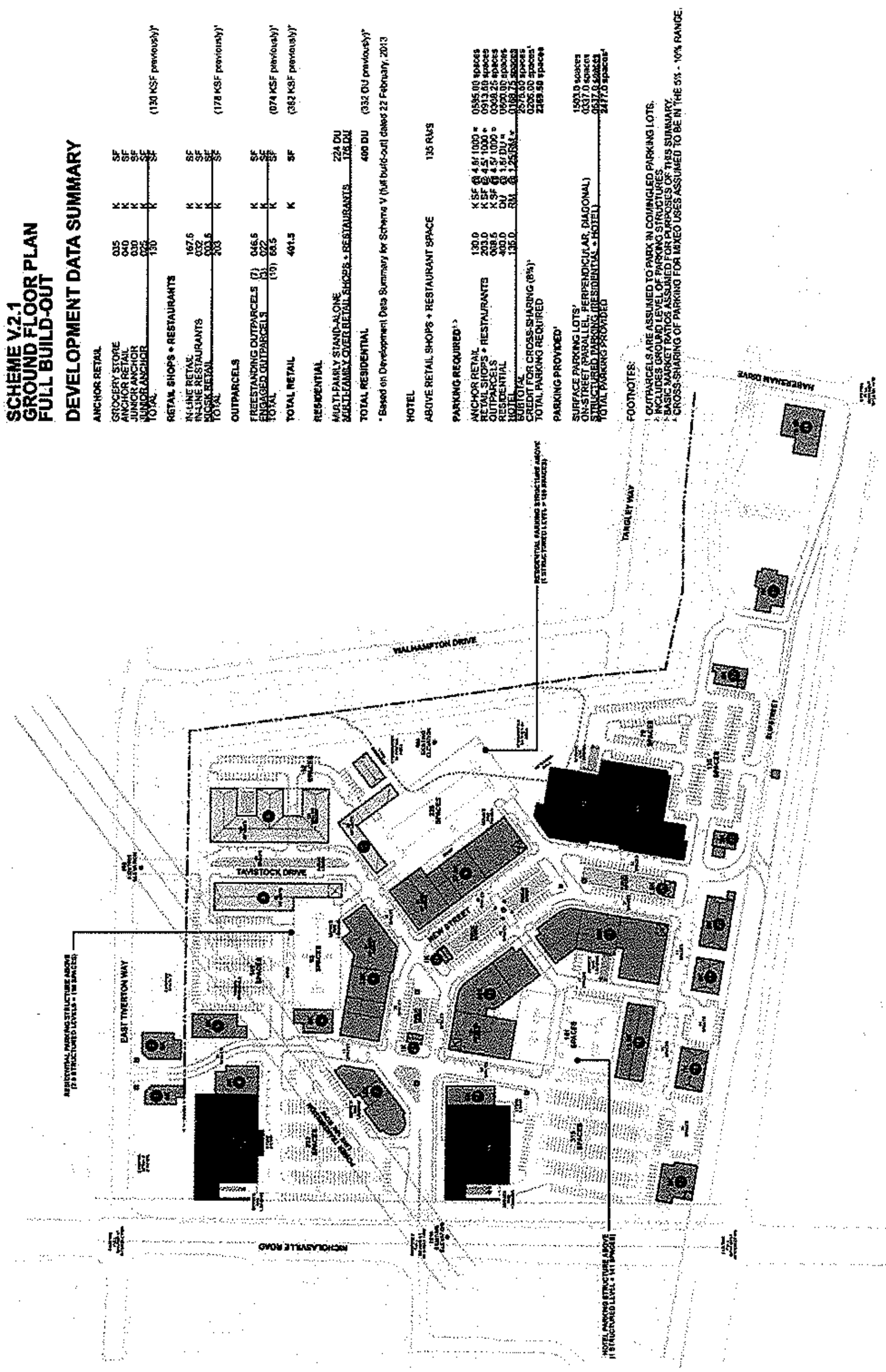
In addition to premium retail vendors, the Project will also provide a unique residential option to Lexington's burgeoning apartment market. Shook Kelley, the lead architect for the project, has a proven reputation for incorporating green, outdoor space, tasteful and locally-influenced architecture, and various public arts pieces. A host of amenities will be within short walking distance to the residential buildings, including restaurants, a grocery store, and shopping outlets. Indeed, this mixed-use arrangement has the advantage of being self-reinforcing: residents will shop in the stores and restaurants; stores and restaurants will attract residents.

The real estate market is favorable as well. The location's proximity to Man O' War Blvd. and Nicholasville Rd. will be a prized convenience, as indicated by the success of multiple residential complexes in the area. The Forty 57 Apartments at Glasford, The Mansion, and the Bridle Creek Apartments, as well as a number of other residential complexes, dot the area around the Project footprint. Summit Lexington will provide a quality, family-oriented alternative that combines unparalleled convenience to brand new restaurants, retail stores, and a grocery store. These attributes certainly set the Summit apart from other residential competition in town and provide confidence that the project will be a success.

Due to the developer's record of successful projects – and its Summit projects in particular – in addition to the location of the property, the nature of the development, and the market as a whole, the Summit Lexington has a high likelihood of success. This type of development can powerfully improve the land's use, surrounding economy, and provide an overall improvement to the community as a whole.

Commonwealth
Economics

FIGURE 2



III. THE HIGH COST OF PUBLIC INFRASTRUCTURE

In order to accommodate numerous commercial, residential, and mixed-use buildings as well as increased activity, the development will require substantial investment in public infrastructure. These investments are both critical and come at a high cost. This is due to the formidable nature and inconvenient location of the property itself. The land suffers from numerous challenges, including: topography, storm water, sanitary sewer, bedrock, and other infrastructure necessities. In the past, these high costs of requisite infrastructure represented a prohibitive barrier to investment.

Below is a description of the most pertinent challenges intrinsic to the property:

- **Storm Water** - The site faces a few different issues from a storm water perspective. First, there is an existing need for more retention/detention due to offsite storm water running through the site. Developments along Nicholasville Rd. do not have adequate systems to deal with the storm water collected on their sites. This runoff water eventually aggregates on the Fritz Property, resulting in substantial flooding within the property and its adjacent residential communities. This has been a longstanding issue in the community surrounding the property and has caused a great amount of burden to the homeowners in the area.

  Second, developing the property causes its own storm water drainage issues. The topography requires higher than usual retention, and storm water must be treated before it is taken offsite. Thus, the nature of the property, its development, and the negligent runoff from other areas in the property's proximity all combine to make storm water a substantive burden.

- **Sanitary Sewer** – The existing sanitary sewer lines "downstream" from the site are undersized and are currently insufficient for the residential neighborhood they serve. The developer may be required to replace 900 feet of sanitary sewer line in the residential neighborhood behind the site.

  Together, the storm water and sanitary sewer system challenges represent heightened examples of an issue that all of Lexington faces. Drainage infrastructure is dangerously insufficient in the city, and sewers often overflow during heavy storms. In 2006, the U.S. Environmental Protection Agency and the Commonwealth of Kentucky filed a lawsuit against Lexington for violations of the Clean Water Act. A consent decree finalized in January 2011 requires a massive upgrade in storm water and sewer infrastructure. As the property receives downstream overflow from much of Nicholasville Rd. development and drainage infrastructure is grossly inadequate, this issue presents an especially expensive and formidable challenge for the Project.

- **Power Line** – There is an existing transmission line running through the site. Since the line will be extremely difficult to reroute, the site plan must be drawn around it. This inhibits flexibility and therefore makes the design more expensive.

- **Traffic Signal & Infrastructure** – In order to have adequate access to the site, the developer will have to petition for and install a traffic signal on Nicholasville Rd. Along with the signal, the developer will be required to create a turn lane off of Nicholasville Rd. that enters the site. There will also be a need to provide a right in & right out on Man O' War Blvd, including a deceleration lane for incoming traffic.

- **Bedrock** – It is unknown at this time how deep the bedrock is at the site, and this uncertainty signals substantial financial risk. From previous reports and comparable pieces of land, there is a chance that some of the bedrock will have to be broken up with dynamite instead of machinery. Machinery is substantially more cost-effective, so the possibility of deep bedrock can increase the cost of construction significantly. The rock problems are further exacerbated by the fact that there are now residential units in close proximity, which eliminates the option of mass rock blasting.

- **Topography** – The site varies significantly in elevation. This topographical challenge worsens issues regarding both storm water drainage and foundation construction on uncertain bedrock. In order to economically utilize the site, large retaining walls are going to be needed to combat the large elevation differences from back to front.

Figure 3

Public Infrastructure	**Budget**	**Comments/Inclusions**
Land Preparation and Demolition	$4,270,246	Clearing, Demo, Grading, Retaining Walls and Site Prep
Sewers/Storm Drainage	$2,982,843	Sanitary and Storm Sewer Systems
Curbs, Sidewalks, Promenades, and Pedways	$2,970,448	Curbs, Sidewalks, Inlet Tops/Throats and Hardscape
Roads and Street Lighting	$1,346,775	Site Lighting and Off-Site Infrastructure
Provision/Modification of Utilities	$1,824,588	Water System & Power, Data, Phone, Cable and Meters
Environmental Remediation	$738,426	Erosion Control, Laydown, Cleaning and Barricades
Public Spaces and Parks	$1,134,000	Landscape and Irrigation
Parking	$8,835,619	Public parking, including surface and structures
Public Infrastructure-related Soft Costs	$2,410,295	Architecture, Engineering, Insurance, etc.
TOTAL	**$26,513,240**	

IV. TAX INCREMENT FINANCING

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

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

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

- It will have a net positive economic and fiscal impact to the Commonwealth.
- The TIF footprint will not include any one retail establishment that exceeds twenty thousand (20,000) square feet of finished square footage.
- It will meet the required minimum capital investment of $20,000,000.
- The development area is less than the maximum three square miles.
- It includes at least two of the following: retail, residential, office, restaurant, or hospitality.
- It is located in an area with blighted conditions and inadequate public infrastructure; or the project is a mixed-use development which includes either or both significant public storm water and sanitary sewer facilities designed to comply with a community-wide court decree mandating corrective action by the local government or an agency thereof.

Because the Summit Lexington project meets the statutory qualifications of the State Mixed-Use TIF program, it is eligible to use certain incremental taxes created by the project to recover up to 100 percent of approved public infrastructure costs, certain soft costs, and costs related to land preparation, demolition and clearance. The recovery period is limited to 20 years.

V. FUTURE TAX REVENUE CALCULATIONS

For the purpose of estimating the amount of potentially available TIF dollars from the footprint that will be available to repay public infrastructure expenditures, it is necessary to calculate the expected tax revenue on the new footprint. Fiscal impact measures TIF applicable tax revenues that result from the spending and income related to the activities at the project. This analysis estimates the fiscal impacts of the TIF applicable tax revenues. Only taxes that are eligible for tax increment financing are used. As such, TIF calculations exclude single retailers of greater than 20,000 square feet.

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

- State taxes:
  - Property Tax .... $0.124 per $100 of assessed value
  - Sales and Use Tax .... 6.00 percent of sales
  - Individual Income Tax .... 4.20 percent of income[2]
  - Corporate Income Tax .... $0.095 per $100 of gross receipts or $0.75 per $100 of profits[3]
- Local tax:
  - Local Property Tax .... $0.358 per $100 of assessed value[4] (City = .208 per $100 and County = .15 per $100)
  - Occupational License Tax .... 2.00 percent of salaries and 2.00 percent of net profit[5]

---

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

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

[4] Including City and County General taxes. Special assessments apply. Assumes full participation by the City and the County.

[5] Local participation capped at 2 percent occupational license tax. Assumes full participation by both the City and the County.

Figure 4 summarizes the estimates of annual fiscal impact of the new Summit Lexington TIF development during a stabilized year of operation (year 1). Future State Sales and Use Tax, State and Local Property Tax, State Individual Income Tax, Corporate Income Tax, and Local Occupational License Tax revenues for the TIF footprint are estimated based on the new The Summit: Lexington pro-forma.

Figure 4

Estimated Annual Direct TIF Fiscal Impact of The Summit: Lexington in Year 1

	TIF Rate	Base Taxable Amount		Tax Revenue
State Property Tax	0.12%	$92,500,000	(private property value)	$112,850
State Sales and Use Tax*	6.00%	$73,275,000	(gross taxable sales)	$4,396,500
State Individual Income Tax**	4.20%	$17,373,750	(gross salaries)	$729,698
Corporate Income Tax***	0.75%	$7,327,500	(gross profits)	$54,956
Local Property Tax	0.21%	$92,500,000	(private property value)	$193,325
Local Occupational License Tax**	2.00%	$24,701,250	(gross salaries and profits)	$494,025
Total Tax Revenues				**$5,981,354**

* Assumes $350 in sales psf for restaurant space and $250 in sales psf for retail.
** Assumes 400 sf per employee for restaurant and retail.
*** Assumes gross profits equal to 10% of gross sales.

As shown in Figure 4, in year 1 of stabilization the new development will produce an estimated $6.0 million in total state and local taxes.

The estimated fiscal impact of the project is based on a number of different assumptions regarding the revenue generated by each component of the Summit Lexington development. The revenue calculations are based on the size of the project component and its estimated sales per a given unit of measure.

The retail component of the project is assumed to average sales of $250 per square foot in the first year of stabilization, with 400 square feet per employee and an average salary of $25,000. Similarly, the restaurant component is assumed to average sales of $350 per square foot in the first stabilized year, with 400 square feet per employee and an average salary of $28,000. Gross profits are used to calculate corporate income for each component, and are assumed to average 10% of that component's gross sales.

The estimated fiscal impacts of each project component are adjusted at the rate of 3% a year over the 20-year period of TIF activation.

Baseline Tax Revenue Calculation

In order to properly estimate the tax revenues that will be available for a mixed-use TIF project, it is necessary to subtract the baseline tax revenues from the expected future revenues. The baseline tax revenues currently generated by the existing site are minimal, making them significantly less than the revenues that will be generated by the new Summit Lexington development.

In calculating the baseline tax revenues, the property tax currently paid on the parcel has been included as well as some rough estimates to account for mulching revenues and operations. Because the current footprint of the new Summit Lexington development contains a mulching business, the sales, income, and occupational taxes currently generated are assumed to be very low. These have been roughly estimated for the purposes of this analysis.

The current taxable value of the Summit Lexington footprint, as shown in Figure 5, is listed by the Fayette PVA at $169,800. The resulting baseline calculations, totaling an estimated $562 in property taxes annually, can be seen in Figure 6. When combined with the estimated sales, income, profit and occupational taxes, the total annual tax baseline has been estimated at $21,512.

Figure 5

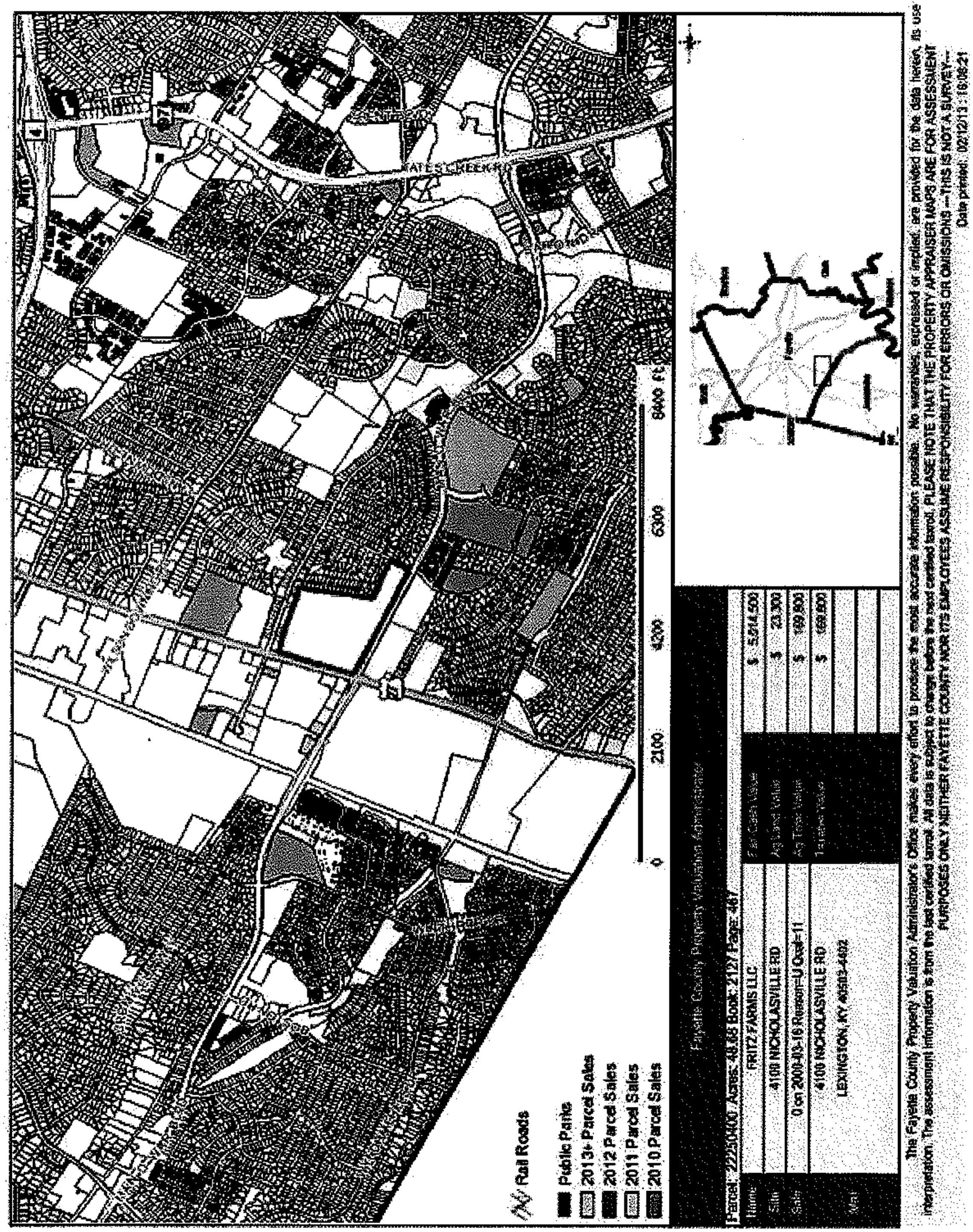

Rail Roads
Public Parks
2013+ Parcel Sales
2012 Parcel Sales
2011 Parcel Sales
2010 Parcel Sales
Fayette County Property Valuation Administrator
FRITZ FARMS LLC
4100 NICHOLASVILLE RD
LEXINGTON, KY 40503-4402
Fair Cash Value
Ag Land Value
Ag Total Value
Taxable Value
$ 5,014,500
$ 23,300
$ 169,800
$ 169,800
0 2100 4200 6300 8400 ft
YATES CREEK
PURPOSES ONLY NEITHER FAYETTE COUNTY NOR ITS EMPLOYEES ASSUME RESPONSIBILITY FOR ERRORS OR OMISSIONS --THIS IS NOT A SURVEY--

Figure 6

Estimated Baseline Taxes Generated by Current Property at The Summit: Lexington				
	TIF Rate	Base Taxable Amount		Tax Revenue
State Property Tax	0.12%	$169,800	(private property value)	$207
State Sales and Use Tax	6.00%	$200,000	(gross sales)	$12,000
State Individual Income Tax	4.20%	$100,000	(gross salaries)	$4,200
Corporate Income Tax	0.75%	$100,000	(gross profits)	$750
Local Property Tax	0.21%	$169,800	(private property value)	$355
Local Occupational License Tax	2.00%	$200,000	(gross salaries & profits)	$4,000
Total Tax Revenues				**$21,512**

Incremental Tax Revenue Calculation

Figure 7 shows the projected TIF revenues resulting from the new Summit Lexington development over a 20-year period. All applicable property, income and sales taxes are included, and the estimated baseline taxes generated by the footprint are subtracted from the total. To account for the potential growth in both the baseline and future tax revenues, all calculations are adjusted at the rate of 3% each year.

Figure 7

The Summit: Lexington
Incremental Tax Revenues Generated for Project

		Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Tax Revenues from Project										
State Tax Revenues										
State Property Tax Revenues		$3,032,322	$112,850	$116,236	$119,723	$123,314	$127,014	$147,244	$197,883	$3,032,322
State Sales and Use Tax Revenues			$4,396,500	$4,528,395	$4,664,247	$4,804,174	$4,948,299	$5,736,435	$7,709,289	$118,135,601
State Individual Income Tax			$729,698	$751,588	$774,136	$797,360	$821,281	$952,090	$1,279,529	$19,607,245
State Corporate Income Tax			$54,956	$56,605	$58,303	$60,052	$61,854	$71,705	$96,366	$1,476,695
Total State Tax Revenues		$142,251,863	$5,294,004	$5,452,824	$5,616,409	$5,784,901	$5,958,448	$6,907,474	$9,283,068	$142,251,863
Local Tax Revenues										
Local Property Tax Revenues		$5,194,715	$193,325	$199,125	$205,098	$211,251	$217,589	$252,245	$338,997	$5,194,715
Local Occupational License Tax			$494,025	$508,846	$524,111	$539,834	$556,029	$644,591	$866,276	$13,274,637
Total Local Tax Revenues		$18,469,352	$687,350	$707,971	$729,210	$751,086	$773,618	$896,836	$1,205,272	$18,469,352
Total Tax Revenues		**$160,721,215**	$5,981,354	$6,160,794	$6,345,618	$6,535,987	$6,732,066	$7,804,310	$10,488,340	$160,721,215
"As-Is" Tax Revenues										
State Tax Revenues										
State Property Tax Revenues		$5,733	$213	$220	$226	$233	$240	$278	$374	$5,733
State Sales and Use Tax Revenues		$322,444	$12,000	$12,360	$12,731	$13,113	$13,506	$15,657	$21,042	$322,444
State Individual Income Tax		$112,856	$4,200	$4,326	$4,456	$4,589	$4,727	$5,480	$7,365	$112,856
Total State "As Is" Tax Revenues		$441,033	$16,413	$16,906	$17,413	$17,935	$18,473	$21,416	$28,781	$441,033
Local Tax Revenues										
Local Property Tax Revenues		$9,822	$366	$376	$388	$399	$411	$477	$641	$9,822
Local Occupational License Tax		$107,481	$4,000	$4,120	$4,244	$4,371	$4,502	$5,219	$7,014	$107,481
Total Local "As Is" Tax Revenues		$117,303	$4,366	$4,496	$4,631	$4,770	$4,913	$5,696	$7,655	$117,303
Total "As-Is" Tax Revenues		$558,337	$20,779	$21,402	$22,044	$22,706	$23,387	$27,112	$36,436	$558,337
Estimated Incremental Tax Revenues		**$160,162,878**	$5,960,575	$6,139,392	$6,323,574	$6,513,281	$6,708,680	$7,777,198	$10,451,904	$160,162,878
(-) Retained by State	at 20%	$28,362,166	$1,055,518	$1,087,184	$1,119,799	$1,153,393	$1,187,995	$1,377,212	$1,850,857	$28,362,166
(-) Retained by Local	at 20%	$3,670,410	$136,597	$140,695	$144,916	$149,263	$153,741	$178,228	$239,523	$3,670,410
Net Incr. Tax Rev. Available from Project		**$128,130,303**	$4,768,460	$4,911,514	$5,058,859	$5,210,625	$5,366,944	$6,221,759	$8,361,523	$128,130,303
Incr. Tax Rev. Available for State TIF Program	at 80%	$113,448,664	$4,222,072	$4,348,734	$4,479,197	$4,613,572	$4,751,980	$5,508,847	$7,403,429	$113,448,664
Incr. Tax Rev. Available for Local Participation	at 80%	$14,681,639	$546,388	$562,779	$579,663	$597,052	$614,964	$712,912	$958,094	$14,681,639

As shown, Figure 7 demonstrates that the potential tax revenues associated with the new Summit Lexington TIF footprint greatly exceed the "as-is" baseline tax collections of the current footprint. Throughout the 20-year projection period, the Summit Lexington is estimated to generate a total of $160.7 million of state and local tax revenues. On the other hand, if the facilities are not redeveloped, the "as-is" state and local tax revenues on the footprint are estimated to amount to only $558,337 over the same 20-year period.

The resulted incremental tax revenues are estimated to amount to $160.2 million during the 20-year period. After 20 percent is retained by state and local authorities, (the 20 percent retained by the state is required by statute and local governments typically retain 20 percent as well), total cash flow available from the TIF is estimated to amount to $128.1 million over the 20-year period. This includes $113.4 million from state participation in the TIF program and $14.7 million from local participation.

VI. ECONOMIC AND EMPLOYMENT IMPACTS

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

For analytical purposes, annual impact is estimated based on component type, such as the retail and restaurant space. Conceptually, annual economic impact would include the "ripple effects" generated from direct spending made by the shoppers and restaurant patrons. This direct spending would then result in indirect spending, induced spending, increased earnings, and employment.

Economic Impact- Definitions

Economic impact reflects the "ripple effect" or "multiplying effect" from initial transaction, or "direct spending," that occurs as a direct result of a project being developed. In the Summit Lexington's case, examples of initial transactions are the shoppers' expenditures in the stores. The "ripples" from these initial transactions include the following:

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

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

One-Time Construction Impact

In addition to the operational aspects of the Project, the initial construction spending will generate a one-time impact to the City and State. Figure 8 shows the estimated economic impacts created solely by the construction of the Project and its ripple effects throughout the economy.

Figure 8

Summary of Impacts - Construction	
Economic Impact	
Total Revenue (Direct)	$92,500,000
Indirect Impact	$31,375,907
Induced Impact	$29,091,119
Total Economic Impact	$152,967,025
Employment	1,359
Wages	$40,385,614

The construction impacts estimated in Figure 8 assume a total construction expenditure of $92,500,000. The impacts associated with this initial injection into the local economy are estimated to create $152.97 million in total economic impact, including total employment for 1,359 people or $40.39 million in total wages.

Economic Impact of Restaurant and Entertainment Space

Spending by diners will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 9 shows the annual and 20-year total estimated economic impacts of the restaurant and entertainment space.

Figure 9

Summary of Economic Impacts - Restaurant						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	$18,900,000	$19,467,000	$20,051,010	$20,652,540	$21,272,117	$507,850,078
Indirect Impact	$8,618,400	$8,876,952	$9,143,261	$9,417,558	$9,700,085	$231,579,635
Induced Impact	$6,520,500	$6,716,115	$6,917,598	$7,125,126	$7,338,880	$175,208,277
Total Economic Impact	$34,038,900	$35,060,067	$36,111,869	$37,195,225	$38,311,082	$914,637,990
Employment	332	342	352	362	373	
Wages	$13,192,200	$13,587,966	$13,995,605	$14,415,473	$14,847,937	$354,479,354

Economic Impact of Retail Space

Spending by shoppers will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 10 shows the estimated economic impacts of the retail space, annually and in a 20-year total. These economic impact calculations also include the "anchor" tenants, which would not be included in the TIF footprint due to the 20,000 square feet maximum for retail establishments under the mixed-use TIF program.

Figure 10

Summary of Economic Impacts - Retail						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	$78,125,000	$80,468,750	$82,882,813	$85,369,297	$87,930,376	$2,099,248,007
Indirect Impact	$27,335,938	$28,156,016	$29,000,696	$29,870,717	$30,766,838	$734,526,878
Induced Impact	$23,148,438	$23,842,891	$24,558,177	$25,294,923	$26,053,770	$622,007,184
Total Economic Impact	$128,609,375	$132,467,656	$136,441,686	$140,534,937	$144,750,985	$3,455,782,069
Employment	2,565	2,642	2,722	2,803	2,887	
Wages	$42,148,438	$43,412,891	$44,715,277	$46,056,736	$47,438,438	$1,132,544,300

VII. CONCLUSION

This Project will provide countless benefits to Lexington and the Commonwealth of Kentucky. The Summit Lexington project will provide new retail and entertainment options in Lexington as well as a unique residential option, which will be located within short walking distance to the restaurants, retail, and a grocery store. This type of mixed-use project does not currently exist in Lexington. However, the Project will need help from both the local and state government to overcome the infrastructure issues that the site faces.

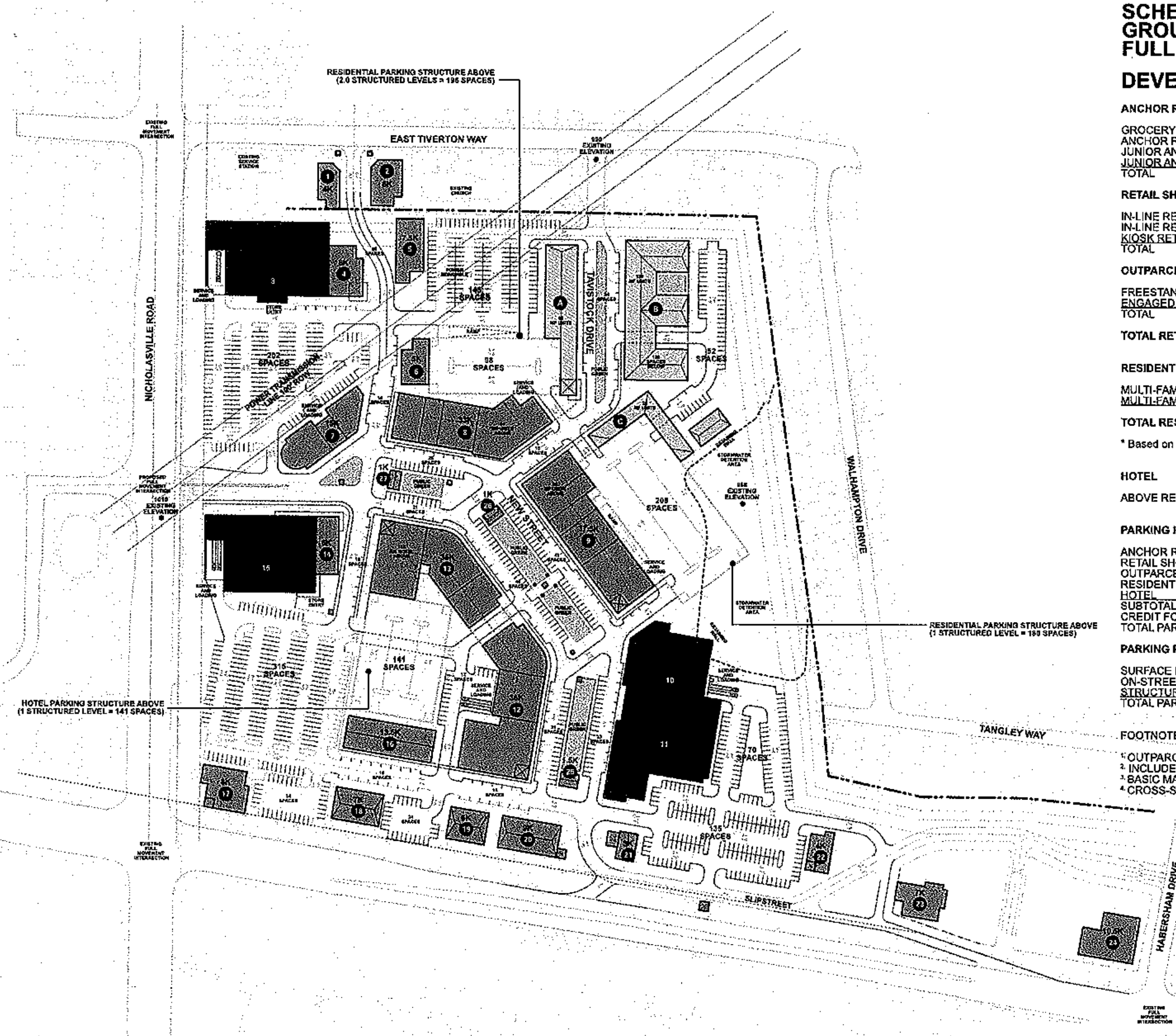
It is important to understand that only the construction costs categorized as "approved public infrastructure" can be financed through the TIF program. The estimated tax revenue generated by this Project far exceeds the estimated $26.5 million in TIF recoverable public infrastructure costs. More importantly, the Project will create an estimated 3,000 jobs and bring a large amount of economic impact and tax revenue to Lexington and Kentucky.

We estimate that up to approximately $160.2 million in incremental tax revenue will be generated within the TIF footprint. After 20 percent is retained by the State and Local governments, approximately $128.1 million of this incremental tax revenue will be available over 20 years through the TIF program to cover costs that qualify as approved public infrastructure. However, the net present value of this $128.1 million is dependent upon many variables in the tax-exempt financing/bonding market.

As a result of the estimated new tax revenue and the approximately 3,000 jobs supported as a result of the Project's impacts throughout the economy, the Project represents an enormous benefit to both the City of Lexington and the Commonwealth of Kentucky.

Exhibit B

THE SUMMIT LEXINGTON



SCHEME V.2.1
GROUND FLOOR PLAN
FULL BUILD-OUT

DEVELOPMENT DATA SUMM

ANCHOR RETAIL

GROCERY STORE	035	K
ANCHOR RETAIL	040	K
JUNIOR ANCHOR	030	K
JUNIOR ANCHOR	025	K
TOTAL	130	K

RETAIL SHOPS + RESTAURANTS

IN-LINE RETAIL	167.5	K
IN-LINE RESTAURANTS	032	K
KIOSK RETAIL	003.5	K
TOTAL	203	K

OUTPARCELS

FREESTANDING OUTPARCELS	(7)	046.5	K
ENGAGED OUTPARCELS	(3)	022	K
TOTAL	(10)	68.5	K

TOTAL RETAIL 401.5 K

RESIDENTIAL

MULTI-FAMILY STAND-ALONE
MULTI-FAMILY OVER RETAIL SHOPS + RESTAURANTS

TOTAL RESIDENTIAL

* Based on Development Data Summary for Scheme V (fu

HOTEL

ABOVE RETAIL SHOPS + RESTAURANT SPACE

PARKING REQUIRED[1,3]

ANCHOR RETAIL	130.0	K SF
RETAIL SHOPS + RESTAURANTS	203.0	K SF
OUTPARCELS	068.5	K SF
RESIDENTIAL	400.0	DU
HOTEL	135.0	RM
SUBTOTAL		
CREDIT FOR CROSS-SHARING (8%)[4]		
TOTAL PARKING REQUIRED		

PARKING PROVIDED[1]

SURFACE PARKING LOTS[2]
ON-STREET (PARALLEL, PERPENDICULAR, DIAGONAI
STRUCTURED PARKING (RESIDENTIAL + HOTEL)
TOTAL PARKING PROVIDED

FOOTNOTES:

1. OUTPARCELS ARE ASSUMED TO PARK IN COMINGLI
2. INCLUDES GROUND LEVEL OF PARKING STRUCTUF
3. BASIC MARKET RATIOS ASSUMED FOR PURPOSES
4. CROSS-SHARING OF PARKING FOR MIXED USES AS

shook kelley

2151 Hawkins Street
Suite 400
Charlotte NC 28203
T 704 377 0661
F 704 377 0953

850 South Robertson Boulevard
Suite One
Los Angeles CA 90035
T 310 659 9482
F 310 659 9529

Prepared for:
BAYER PROPERTIES
2222 Arlington Avenue
Birmingham, Alabama
35205
T 205 939 3111
F 205 939 3149
www.bayerproperties.com

Project Number: 12025

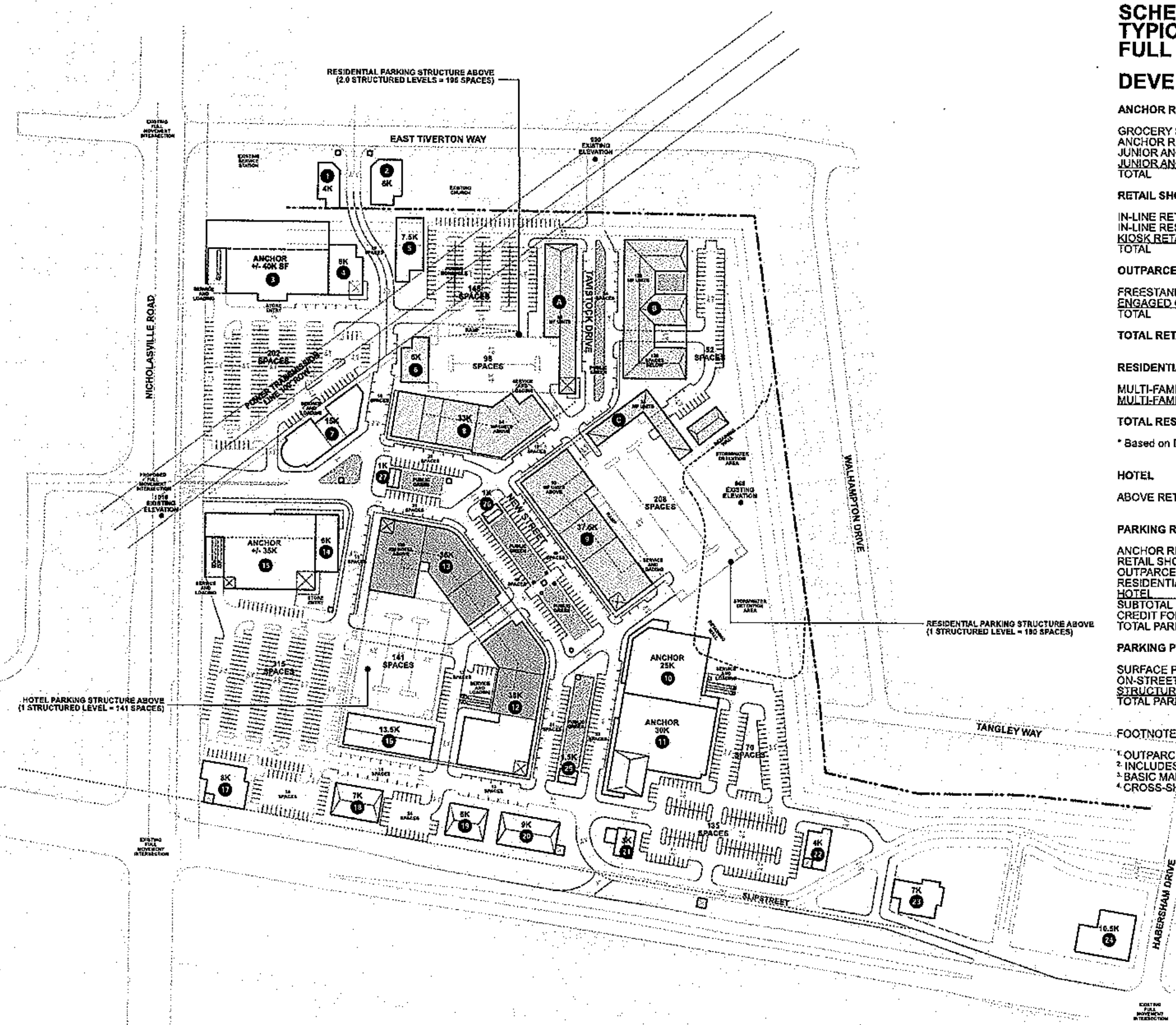
THE SUMMIT LEXINGTON
Fayette County
Lexington, Kentucky

Graphic Scale: 0 50' 100' 200' 300'

NORTH

SCH

THE SUMMIT LEXINGTON



SCHEME V.2.1
TYPICAL UPPER FLOOR PLA
FULL BUILD-OUT

DEVELOPMENT DATA SUMM

ANCHOR RETAIL

GROCERY STORE	035	K
ANCHOR RETAIL	040	K
JUNIOR ANCHOR	030	K
JUNIOR ANCHOR	025	K
TOTAL	130	K

RETAIL SHOPS + RESTAURANTS

IN-LINE RETAIL	167.5	K
IN-LINE RESTAURANTS	032	K
KIOSK RETAIL	003.5	K
TOTAL	203	K

OUTPARCELS

FREESTANDING OUTPARCELS	(7)	046.5	K
ENGAGED OUTPARCELS	(3)	022	K
TOTAL	(10)	68.5	K

TOTAL RETAIL 401.5 K

RESIDENTIAL

MULTI-FAMILY STAND-ALONE
MULTI-FAMILY OVER RETAIL SHOPS + RESTAURANTS

TOTAL RESIDENTIAL

* Based on Development Data Summary for Scheme V (full

HOTEL

ABOVE RETAIL SHOPS + RESTAURANT SPACE

PARKING REQUIRED[1,3]

ANCHOR RETAIL	130.0	K SF @
RETAIL SHOPS + RESTAURANTS	203.0	K SF @
OUTPARCELS	068.5	K SF @
RESIDENTIAL	400.0	DU @
HOTEL	135.0	RM @
SUBTOTAL		
CREDIT FOR CROSS-SHARING (6%)[4]		
TOTAL PARKING REQUIRED		

PARKING PROVIDED[1]

SURFACE PARKING LOTS[2]
ON-STREET (PARALLEL, PERPENDICULAR, DIAGONAL)
STRUCTURED PARKING (RESIDENTIAL + HOTEL)
TOTAL PARKING PROVIDED

FOOTNOTES:

1. OUTPARCELS ARE ASSUMED TO PARK IN COMINGLEI
2. INCLUDES GROUND LEVEL OF PARKING STRUCTURE
3. BASIC MARKET RATIOS ASSUMED FOR PURPOSES O
4. CROSS-SHARING OF PARKING FOR MIXED USES ASS

shook kelley

2151 Hawkins Street
Suite 400
Charlotte NC 28203
T 704 377 0661
F 704 377 0953

850 South Robertson Boulevard
Suite One
Los Angeles CA 90035
T 310 659 9482
F 310 659 9529

Prepared for:
BAYER PROPERTIES
2222 Arlington Avenue
Birmingham, Alabama
35205
T 205 939 3111
F 205 939 3149
www.bayerproperties.com

BAYER PROPERTIES

Project Number: 12025

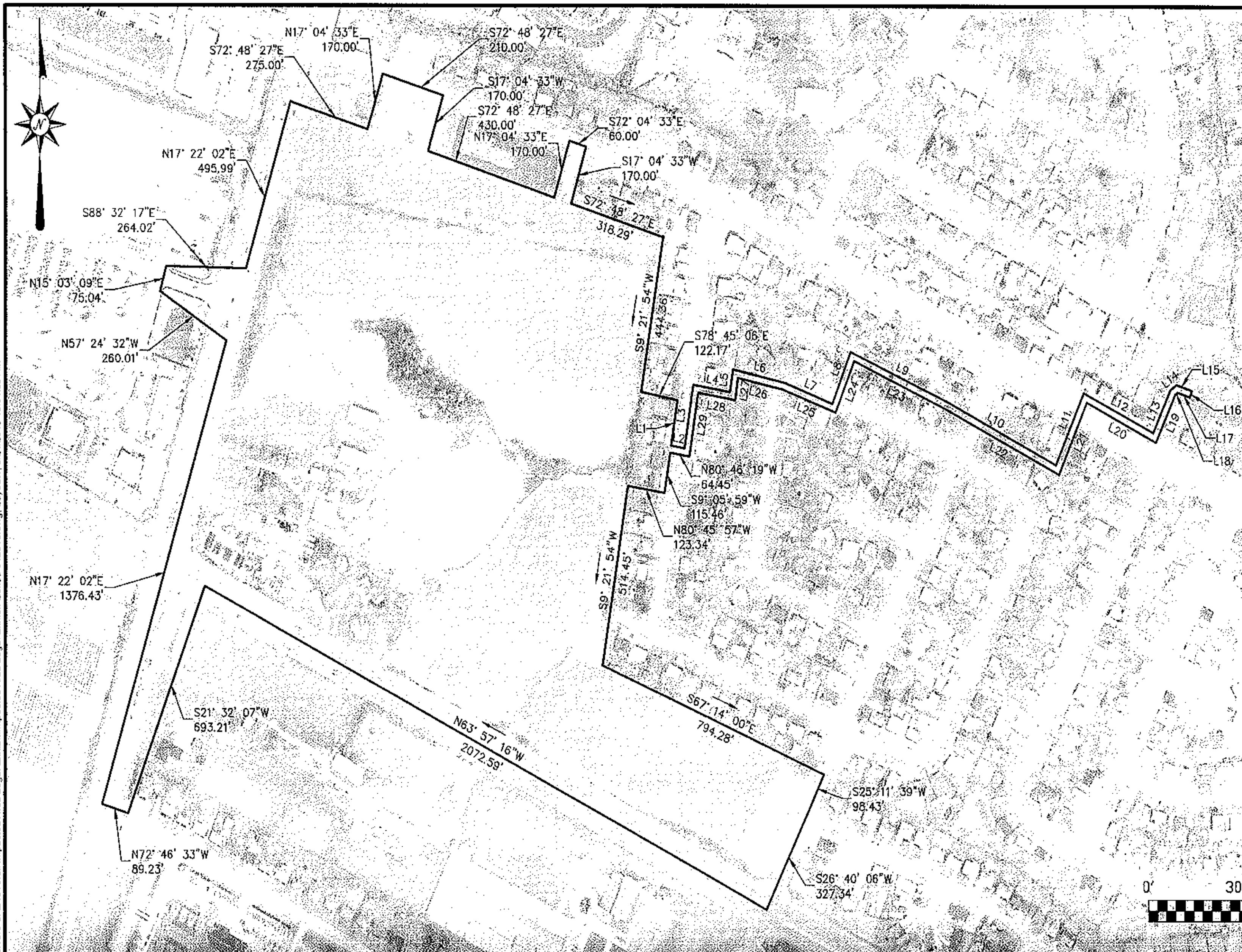
THE SUMMIT LEXINGTON
Fayette County
Lexington, Kentucky

Graphic Scale: 0 50' 100' 200' 300'

NORTH

SCH

L:\2012\Bayer Properties\13.0 CAD\Overall Impacted Area Legal Exhibit\Impacted Area Legal Exhibit-Edited 042913.dwg, Layout1, 5/21/2013 10:04:09 AM



Line Table

Line #	Length	Direction
L1	131.22'	S9° 05' 59"W
L2	44.48'	S80° 46' 19"E
L3	182.22'	N9° 11' 05"E
L4	123.55'	S80° 39' 14"E
L5	65.27'	N8° 42' 10"E
L6	172.82'	S77° 35' 01"E
L7	171.10'	S69° 32' 01"E
L8	159.33'	N22° 39' 29"E
L9	353.72'	S66° 08' 00"E
L10	398.74'	S63° 38' 28"E
L11	224.48'	N24° 06' 22"E
L12	256.28'	S63° 50' 02"E
L13	134.66'	N25° 08' 52"E
L14	25.60'	N52° 41' 48"E
L15	53.36'	S70° 45' 10"E
L16	20.00'	S19° 14' 50"W
L17	42.60'	N70° 45' 10"W
L18	9.94'	S52° 41' 48"W
L19	150.11'	S25° 08' 52"W
L20	255.91'	N63° 50' 02"W
L21	224.58'	S24° 06' 22"W
L22	419.10'	N63° 38' 15"W
L23	332.86'	N66° 08' 00"W
L24	158.15'	S22° 39' 29"W
L25	168.95'	N69° 32' 01"W
L26	150.07'	N77° 35' 01"W
L27	64.15'	S8° 42' 10"W
L28	123.72'	N80° 39' 14"W
L29	182.18'	S9° 11' 05"W

HDR

PROJECT TITLE

THE SUMMIT, LEXINGTON, BAYER PROPERTIES

SHEET TITLE

IMPACTED AREA

PROJECT NUMBER

PROJECT MANAGER

DATE

REFERENCE SHEET

REFERENCE DOCUMENT

EXHIBIT NUMBER

Legal Description of the TIF Boundary

Beginning at a point in the centerline of Nicholasville Road approximately 170' south of the intersection of the centerline of Nicholasville Road and East Tiverton Way. Thence leaving the centerline of Nicholasville Road (US Hwy No. 27) S72°48'27"E a distance of 75.00 feet to a point in the east right of way line of Nicholasville Road and being the northwest corner of the Fritz property and the southwest corner of Devondale Subdivision, Unit 1-A, Plat Cabinet C Slide774. Thence in an easterly direction with the north property line of the Fritz property and the south boundary of Devondale Subdivision Unit 1-A S72°48'27"E a distance of 275.00 feet to a point in the boundary between the Fritz property and Devondale Subdivision, Unit 1-A, corner to lots 1 and 2 of said Devondale Subdivision, Unit 1-A. Thence leaving the Fritz property boundary and following the property line between Lot 1 and Lot 2, N17°04'33"E a distance of 135.00 feet to a point being the corner between Lot 1 and Lot 2 in the south right of way of East Tiverton Way. Thence leaving the south right of way of East Tiverton Drive in a northerly direction N17°04'33"E a distance of 35.00 feet to the centerline of East Tiverton Drive. Thence with the centerline of East Tiverton Way S72°48'27"E (S 73°38' E by plat) a distance of 210.00 feet to a point. Thence leaving the centerline of East Tiverton Way S17°04'33"W (S 16°15' W by plat) a distance of 35.00 feet to a point in the southerly right of way line of East Tiverton Way and being the property corner between Lot 4 and Lot 5, Block B, Unit 1-A, Devondale Subdivision, Plat Cabinet C Slide 774. Thence leaving the southerly right of way line of East Tiverton Way with the boundary between Lots 4 and 5, S17°04'33"W a distance of 135.00 feet to a point in the north boundary of the Fritz property and being the property corner between Lots 4 and 5. Thence with the north property line of the Fritz property and the south boundary of Devondale Subdivision Unit 1-A S72°48'27"E a distance of 430.00 to a point in the west right-of-way of Tavistock Drive. Thence with the west right-of-way of Tavistock Drive and continuing to the centerline of East Tiverton Way N17°04'33"E a distance of 170.00 feet. Thence with the centerline of East Tiverton Way S72°04'33"E a distance of 60.00 feet. Thence S17°04'33"W and continuing with the east right-of-way of Tavistock Drive a distance of 170.00 feet to a point in the north property boundary of the Fritz property and being the southwest corner of Lot 1, Block H of Devondale Subdivision Unit 1-A. Thence with the north property line of the Fritz property and the south boundary of Devondale Subdivision Unit 1-A S72°48'27"E a distance of 318.29 feet the northeast corner of the Fritz property, said point also being the northwest corner of Lot 6 of Unit 1-B of the Devondale Subdivision, Plat Cabinet C Slide 755; thence with the boundary of Unit 1-B of the Devondale Subdivision and the Fritz east property line S 9°21'54"W a distance of 444.36 feet to a point in the Fritz property/Devondale Subdivision Unit 1-B property line and the approximate corner between lots 11 and 12 Block H, Unit 1-B of the Devondale Subdivision. Thence with the approximate line between lots 11 and 12, Block H, Unit 1-B of the Devondale Subdivision S78°45'06"E a distance of 122.17 feet to a point in the west right-of-way of Walhampton Drive. Thence with the west right-of-way of Walhampton Drive S 9°05'59"W a distance of 131.22 feet to a point in the west right-of-way of Walhampton Drive.

Thence following the existing sanitary sewer easement through the Devondale Subdivision (across several Units of the Subdivision) for twenty nine(29) calls: S 80°46'19"E a distance of 44.48 feet to a point; N09°11'05"E a distance of 182.22 feet to a point; S80°39'14"E a distance of 123.55 feet to a point; N08°42'10"E a distance of 65.27 feet to a point; S77°35'01"E a distance of 172.82 feet to a point; S69°32'01"E a distance of 171.10 feet to a point; N22°39'29"E a distance of 159.33 feet to a point ; S66°08'00"E a distance of 353.72 feet to a point; S63°38'28"E a distance of 398.74 feet to a point; N24°06'22"E a distance of 224.48 feet to a point; S63°50'02"E a distance of 256.28 feet to a point; N25°08'52"E a distance of 134.66 feet to a point; N52°41'48"E a distance of 25.60 feet to a point; S70°45'10"E a distance of 53.36 feet to a point; S19°14'50"E a distance of 20.00 feet to a point; N70°45'10"W a distance of 42.60 feet to a point; S52°41'48"W a distance of 9.94 feet to a point; S25°08'52"W a distance of 150.11 feet to a point; N63°50'02"W a distance of 255.91 feet to a point; S24°06'22"W a distance of 224.58 feet to a point; N63°38'15"W a distance of 419.10 feet to a point; N66°08'00"W a distance of 332.86 feet to a point; S22°39'29"W a distance of 158.15 feet to a point; N69°32'01"W a distance of 188.95 feet to a point; N77°35'01"W a distance of 150.07 feet to a point; S08°42'10"W a distance of 64.15 feet to a point; N80°39'14"W a distance of 123.72 feet to a point; S09°11'05"W a distance of 182.18 feet to a point; N80°46'19"W a distance of 64.45 feet to a point in the west right-of-way of Walhampton Drive.

Thence with the west right-of-way of Walhampton Drive S09°05'59"W a distance of 115.46 feet to a point in the west right-of-way of Walhampton Drive being the approximate corner of lots 15 and 16, Block H, Unit 1-B of the Devondale Subdivision. Thence with the approximate line between lots 15 and 16, Block H, Unit 1-B of the Devondale Subdivision N80°45'57"W a distance of 123.34 feet to a point in the Fritz property east property line and being the approximate corner of lots 15 and 16, Block H, Unit 1-B of the Devondale Subdivision. Thence with the east property line of Fritz and the west property line of Devondale Subdivision Unit 1-B S09°21'54"W a distance of 514.45 feet to a point, said point being the southwest corner of lot 12, Block M, Unit 1-B of the Devondale Subdivision. Thence with the south line of Devondale Subdivision Unit 1-B S67°14'00"E a distance of 794.28 feet to the centerline of Habersham Drive. Thence with the centerline of Habersham Drive for two (2) calls: S25°11'39"W a distance 98.43f

feet and S26°40'06"W a distance of 327.34 feet to the centerline of Man-o-War Blvd. Thence with the centerline of Man-o-War Blvd. N63°57'16"W a distance of 2,072.59 feet to a point on the centerline of Man-o-War Blvd. Thence leaving the centerline of Man-o-War Blvd. through the Fritz property S21°32'07"W a distance of 693.21 feet to a point in Toronto Road. Thence in a westerly direction N72°46'33"W a distance of 89.23 feet to a point in the centerline of Nicholasville Road (US Hwy. No. 27). Thence in a northerly direction with the centerline of Nicholasville Road (US Hwy. No. 27) N17°22'02"E a distance of 1,376.43 feet to a point on the centerline of Nicholasville Road. Thence through the lands of Walmart for three (3) calls: N57°24'32"W a distance of 260.01 feet to a point, N15°03'09"E a distance of 75.04 feet and S88°32'17"E a distance of 264.02 feet to a point in the centerline of Nicholasville Road (US Hwy. No. 27). Thence with the centerline of Nicholasville Road (US Hwy. No. 27) N17°22'02"E a distance of 495.99 feet to the Point of Beginning, containing approximately 60.29 Acres. This comprises the area impacted by the development for the purposes of the TIF submittal.

Exhibit C

STATEMENT OF COMPLIANCE WITH COMPREHENSIVE PLAN PROPOSED BAYER PROPERTIES' DEVELOPMENT OF THE SUMMIT: LEXINGTON DEVELOPMENT AREA

BACKGROUND

An application has been made to create a "Mixed Use Redevelopment" Tax Increment Financing ("TIF") Development Area, as permitted under current state statutes. This type of TIF District has the following requirements: it must have a net positive economic and fiscal impact to the Commonwealth; the TIF Footprint cannot include any one retail establishment that exceeds 20,000 square feet of finished square footage; it must meet the required minimum capital investment of $20,000,000; the development area must be less than the maximum 3 square miles; it must include at least two of the following: retail, residential, office, restaurant or hospitality; and it must either be located in an area with blighted conditions and inadequate public infrastructure, or be a mixed-use development that includes either or both significant public storm water and sanitary sewer facilities designed to comply with a community-wide court decree mandating corrective action by the local government or an agency thereof.

The TIF Development Area creation process provides a mechanism for financing public improvements within the development area, such as roads; utilities; sanitary and storm sewers, as well as other public improvements. A percentage of the future increases in taxes collected from revenues created on the TIF Footprint become the mechanism for paying for the improvements. As applied locally, the statutory process provides that the Urban County Council must review and hold a public hearing on the proposed TIF Development Area. If approved at the local level, the project is submitted to, and reviewed by, the state Economic Development Cabinet. If approved, the Commonwealth of Kentucky and the LFUCG then enter into a formal agreement and implement the District.

Because the "Summit: Lexington" project meets the required statutory qualifications for a "Mixed Use Redevelopment" TIF, it is eligible to use "certain incremental taxes created by the project to recover certain public infrastructure costs; certain soft costs; and certain costs related to land preparation, demolition and clearance." The recovery period is limited to 20 years.

PLANNING COMMISSION ROLE

The state statutes make one provision for review of the proposed plan for the TIF Development Area by the Planning Commission. As a part of the list of materials and documents that comprise the "development plan" for the TIF Development Area, the statute provides that the local Planning Commission must certify that it has reviewed the plan for compliance with the community's adopted Comprehensive Plan; and, in this particular case, the *South Nicholasville Road Small Area Plan*, which is an adopted element of the *2007 Comprehensive Plan.*

PROPOSED DISTRICT - AREA

The proposed Development Area for review has been titled "The Summit: Lexington" Development Area.

The boundary area of the Development Area, which contains over 50 acres (well less than the allowable three square miles), is for properties located at the northeast corner of Nicholasville Road and Man o' War Boulevard, as well as three adjoining properties on East Tiverton Way.

The exact boundary of the Development Area is shown on the attached Exhibit 1.

PROPOSED DISTRICT - ELIGIBLE IMPROVEMENTS

The proposed projects that are eligible for funding through the TIF Development Area are:

- Transportation Corridor Expansion - improved access to the property from both Man o' War Boulevard (right-in/right-out only) and Nicholasville Road (full signaled intersection near the mid-point of the property, across from South Farm Marketplace)
- Storm Sewer Improvements - repairs and construction, as well as a large detention basin, which will help with area flooding issues
- Sanitary Sewer Improvements - downstream upgrades (at least 500, possibly up to 900 feet) will bring the parts of the system that cannot handle the flow from the subject property up to current standards; pipes will be upgraded to the next larger size than needed in order for the system to function properly
- Utility Provision, Modification and Burial - overhead utilities will likely be placed underground; utility relocations along Nicholasville Road will be done for the road widening; gas and water will likely be relocated as well.
- Access Roads and Street Lighting; Curbs and Sidewalks, etc.
- New Parking - structure and surface spaces (2,477 parking spaces)
- Public Spaces and Parks (landscaped public plazas and other spaces accessible to the public; landscaping and irrigation; possibly space for public art)
- Land Preparation and Demolition (clearing, demo, grading, retaining walls and site prep)
- Geotechnical Services; Environmental Remediation; Other Contingencies and Soft Costs (architecture, engineering, insurance, etc.)

PROPOSED DISTRICT – NON-ELIGIBLE IMPROVEMENTS

Private development/improvements are to include:

- Residential Dwelling Units with Courtyards (total of 400 residential units)
- Retail, Hotel and Restaurant Uses (total construction - 401,500 square feet)
- Outdoor Restaurant Dining Areas

Final project approval is subject to the approval of the Urban County Council.

COMPREHENSIVE PLAN

Many adopted elements of the *2007 Comprehensive Plan* speak to the types of improvements proposed as part of this TIF Development Area. The Mission Statement of the Comprehensive Plan and the "Vision for Lexington-Fayette County" supply the basis for land use decisions and development, including urban design. The Mission of Lexington's planning efforts is to provide a "vision for physical development that will allow Lexington to grow and prosper, promoting economic development and viable job development" while, at the same time, preserving its quality of life; historic character and amenities; and other elements that make it a desirable place to live and work. The proposed TIF Development Area is intended and designed to implement this vision.

The *2007 Comprehensive Plan* lays out several themes as part of the "Vision for Lexington-Fayette County." Six of those themes are applicable to the "Summit: Lexington" TIF Development Plan:

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

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

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

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

- *Ensuring the availability of well-designed, affordable housing in an aesthetically satisfying environment, including housing opportunities in all price ranges that meet the needs of all citizens.*

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

During the development of the *2007 Comprehensive Plan*, several areas were identified for further study and evaluation, resulting in a recommendation that Small Area Plans be done for those areas. The Small Area Plan process involves substantial public input, research and analysis, as well as approval by the Planning Commission for inclusion in the currently adopted Comprehensive Plan. The South Nicholasville Road area, between Tiverton Way (near Man o' War Boulevard) and the Fayette/Jessamine County line, was one such recommended study, and resulted in the *South Nicholasville Road Small Area Plan*. That plan was adopted in 2009 as an element of the *2007 Comprehensive Plan*. One of its recommendations was that this property be developed as mixed use. An Urban Village type of development, to contain residential, retail and other commercial uses, was the concept relayed in the Small Area Plan. What the developer proposes is to provide residential and retail uses, as well as a hotel, which will help to implement this recommendation.

The *2007 Comprehensive Plan* contains a total of twenty-one (21) Goals, each of which has Objectives to help facilitate implementation. Several Goals and Objectives of the 2007 Plan are specifically referenced in the *South Nicholasville Road Small Area Plan*. Not all of those that were referenced directly apply to this project; however, several others (not specifically referenced in the text of the Small Area Plan) relate to the proposed improvements. Many support, or are supported by, the proposed improvements specific to the TIF. All that are applicable, whether cited in the Small Area Plan or not, are listed below.

Objective D of Goal 2:

> D. *Pursue intergovernmental planning processes and integrated land use, transportation, sanitary sewers, and storm water planning of potential development along each of Fayette County's borders and the radial arterial road corridors connecting adjacent counties with Lexington.*

One Objective of Goal 3 is particularly applicable to the proposed project:

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

Goal 4, Objective F also clearly applies:

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

Seven of the Objectives of Goal 7 either support or are supported by the proposed development of the property:

A. Support development of the Urban Service Area as planned, reserving the Rural Service Area for the uses and activities outlined in the Rural Service Area Land Management Plan.

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

E. Encourage new development to be compact and contiguous.

F. Evaluate the costs and impacts of future urban development alternatives, and proposed preferred means for guiding the future development of the entire County.

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

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

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

Although Goal 8 does not specifically apply to the TIF Development Area, eight of its Objectives are directly related to it, particularly as they reference adequate infrastructure and support of infill projects, whether within or outside of the defined Infill and Redevelopment Area:

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

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

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

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

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

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

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

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

Goal 11 and seven of its related Objectives are directly related to, and are supported by, the proposed TIF Development Plan:

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

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

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

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

H. Permit only economic development activities that are consistent with, and complementary to, the protection of the built and the natural environment and human resources.

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

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

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

The following Goals and Objectives that were specifically cited in the *South Nicholasville Road Small Area Plan* clearly relate to the proposed project:

Three of the Objectives of Goal 13:

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

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

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

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

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

Related Objectives:

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

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

Goal 15 does not directly relate to the proposed project, but two of its Objectives are relevant:

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

L. Enhance the visual quality of arterial and collector streets with street trees and with landscape buffers along neighborhood streets and back yards that border major arterials, where feasible.

Goal 16 and its associated Objective D are clearly relevant and are supported by the proposed project:

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

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

Goal 18 and three of its Objectives are clearly relevant to the proposed project, especially as they relate to sanitary and storm sewer repair:

<u>Goal 18</u>: Provide and maintain essential public services and facilities.

Relevant Objectives:

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

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

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

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

<u>Goal 19</u>: Provide and maintain a comprehensive transportation system.

Relevant Objectives:

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

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

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

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

Goal 20 and three of its Objectives also clearly relate to the proposed project:

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

Relevant Objectives:

B. Promote local and regional cultural facilities and activities.

C. Promote, support, and encourage public art, including adequate funding from both the public and private sectors.

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

There are also several Goals and Objectives of the 2012/2013 Comprehensive Plan that either support, or are supported by, the proposed TIF Development Area:

- ***A.1.b.:*** *Plan for housing that addresses the market needs for all of Lexington-Fayette County's residents; including, but not limited to, mixed use and housing near employment and commercial areas.*
- ***A.2.:*** *Support infill and redevelopment throughout the Urban Service Area as a strategic component of growth.*
- ***A.3.a.:*** *Enable existing and new neighborhoods to flourish through improved regulation, expanded opportunities for neighborhood character preservation, and public commitment to expanded options for mixed use and mixed-type housing throughout Lexington-Fayette County.*
- ***C.1.a.:*** *Strengthen efforts to develop a variety of job opportunities that lead to prosperity for all.*
- ***C.1.d.:*** *Foster the success and growth of large employment sectors; protect and provide readily available economic development land to meet the needs for jobs; and enable infill and redevelopment that creates jobs where people live.*

- ***E.1.b.:*** *Encourage compact, contiguous, and/or mixed-use sustainable development within the Urban Service Area, as guided by market demand, to accommodate future growth needs.*

- ***F.1.d.:*** *Collaborate with other agencies in Lexington-Fayette County to meet local standards in order to achieve compatible developments and accomplish the community's vision as articulated in Destination 2040.*

In the Comprehensive Plan's Land Use Chapter, it describes various principles that are used to formulate the Plan and states that the Land Use Chapter "represents the preferred development pattern for the community" to implement its long-term goals. "It is built upon the Goals and Objectives, plan concepts, sound land use principles and other factors." Several of those principles are supported by and/or directly relate to what is proposed for the property. Reflecting the principles contained in the *2007 Comprehensive Plan,* when the *South Nicholasville Small Area Plan* was formulated, several guiding principles were incorporated into the text of that plan that apply to the proposed project:

- Cluster like intensity land uses. Generally, high intensity uses should be located adjacent to each other and not adjacent to or adjoining low intensity uses (unless the distance across a street is very wide), and vice versa; however, the compatibility of the specific uses should be considered.

- Relate intensity of the land use to the street functional classification (i.e., higher intensity uses should be located adjacent to expressways; lesser intensity uses should be located adjacent to arterials and collectors, and low intensity uses should be located on local streets).

- Use the arterial roads, public transportation routes, and pedestrian ways and bikeways effectively by strategically locating higher intensity uses along these corridors and by designing transportation and land use relationships to effectively link employment and housing.

- Design collector roads, access points and related features in a manner which does not impede traffic flow and efficiency.

- Transition effectively or buffer between different intensities of adjacent land uses.

- Ensure that proposed commercial, industrial and other higher intensity land uses are appropriately sized by considering the impact the proposed development would have on the surrounding existing land uses and street network and on the proposed land uses and transportation improvements for the area.

- Locate employment areas and residential areas to obtain a geographic balance and to effectively and efficiently use the street network.

- Ensure that infill and redevelopment is compatible with surrounding land uses and neighborhoods.

- Provide convenient and adequate access to commercial and employment sites; provide for neighborhood commercial areas within walking distance of most residents.

- Provide interconnectivity of neighborhood streets.

It states in the Comprehensive Plan: "In order to maximize the opportunities for infill and redevelopment, it will be necessary to enable and provide incentives for near-urban and suburban infill, redevelopment and densification.

As residential infill opportunities are considered for the entire Urban Service Area, it is also important to understand the opportunities for non-residential infill and redevelopment, both downtown and throughout the urban area. The expected benefits include employment and neighborhood-supporting commercial uses that could serve a variety of public purposes, including those related to transportation efficiencies and air quality.

There is substantial literature on best practice methods for infill and redevelopment and densification. **The local challenges lie in addressing inadequate infrastructure, including storm and sanitary sewers and roads and open space** (emphasis added) as well as the adequacy of public schools. Neighborhood residents and historic preservation officials have expressed concern about the design, use and density of new construction and the compatibility with existing conditions in developed areas."

Bayer Properties, the developer of the property, proposes a mixed-use project that will consist of retail and other commercial (at least one restaurant and a hotel); and residential units (which could provide "live where you work" space for anyone who wishes to take advantage of that opportunity). As part of the development, space will be made available for public art, although, at this point, none is specifically designated as such. The entire development, aside from the provision of space for public art, has the potential to add to the cultural experience of the Lexington community, as well as to promote tourism. This will support several Goals and Objectives of the *2007 Comprehensive Plan*, particularly Goals 10 and 20 and their related Objectives.

The 2007 Land Use Map, which is one component of the Land Use Element, recommended this property for medium- and high-density residential land use. Once the *South Nicholasville Road Small Area Plan* was adopted, the land use recommendation changed to mixed use, which is a category that encourages a variety of professional office and retail/commercial uses, with a residential component. Mixture may occur either horizontally (adjacent uses) or vertically (different floors). Shared parking provisions are recommended in order to encourage the mixed uses. The current zoning of the properties (A-U and R-1D) is not reflective of either the previous or the existing land use recommendation, which is often the case, as neither zone allows the uses that are proposed as part of TIF Development Plan; however, what is proposed will coincide with the "mixed use" land use recommendation that resulted from the Small Area Plan process.

For the purpose of studying existing conditions and formulating recommendations, there were four subareas contained in the *South Nicholasville Road Small Area Plan.* The subject properties comprise a large chunk of land within Subarea IV. There are three recommendations for this subarea that directly apply to this project. One recommendation has been at least substantially completed in anticipation of storm water improvements that are proposed as part of the overall project, and the remaining two are reflected on the preliminary development plan for the property:

- Conduct a storm water study for 4100 Nicholasville Road and the properties surrounding it, including directly across the rights-of-way prior to any new development.

- Construct "residential only" structures as a buffer to existing residential uses throughout Subarea IV.

- Place non-residential structures at the intersection of Nicholasville Road and Man o' War Boulevard and along Nicholasville Road to buffer noise.

The subject property is currently undeveloped, with the exception of the Fritz family home and accessory farm structures, as well as a small garden center and mulch business. It was noted in the Small Area Plan that this is the largest parcel within Subarea IV; and, because of this, in conjunction with the high level of traffic, the site has been (and continues to be) attractive to potential commercial development. It was noted that, even with the mixed use recommendation, the agricultural uses of the property "could continue without adverse effects until agriculture is no longer paramount to the property owners." Apparently that time has arrived, as the property is now proposed for a high-end mixed-use development.

CONCLUSION

As part of its certification of compliance with the Comprehensive Plan, any recommendation(s) regarding re-zoning, text amendments or other changes needed to accommodate the proposed TIF Development Plan are to be included. A zone change is needed, as the primary parcel is zoned A-U (Agricultural Urban), and the three lots on East Tiverton are zoned R-1D (Single Family Residential). Neither zoning category will allow the components proposed as part of this redevelopment/TIF Development Area. As designed, the development includes on-site multi-family residential uses – not single family detached (one dwelling unit per property), which is what would be allowed in the existing zones. An application is currently being considered by the Planning Commission for a zone change to MU-3 (Mixed-Use Community), which must still be approved by the Urban County Council, to allow the development to occur as proposed.

A preliminary development plan, which indicates potential uses and estimated square footages for proposed and existing buildings on the subject property, will be before the Planning Commission for review at its June 27 public hearing, in conjunction with the proposed zone change. A final development plan for this mixed-use project will also need to be approved at a later date, which will allow building permits to be issued and other improvements to be made, assuming the TIF application is approved by the State.

There are no known environmental issues related to the properties within the TIF Development Area, such as a designated floodplain or other environmentally sensitive areas; however, topography (significant variations in elevation from front to back) and depth to bedrock will likely pose development challenges. Flooding has occurred on the subject property, as well as adjoining residential properties to the east, which will be mitigated with the proposed improvements. If any issues are discovered during the development process, which includes demolition of the existing residential and farm buildings, as well as land preparation, appropriate mitigation must be provided. Water quality, off-site storm water management and sanitary sewer improvements are the only known issues, and are expected to be addressed in more detail at the time a final development plan is filed for the property. Assuming the TIF is approved by the State, and the property is developed as proposed, downstream problems should be mitigated.

With regard to compliance with the Comprehensive Plan, Goal 3 and its Objectives provide the framework or basis for the environmental stewardship required by the Plan as it relates to development within Fayette County. Goal 3, which is to "Promote land uses that are sensitive to the natural and built environment," contains two Objectives that are relevant:

F. *Use available natural and built resource inventories and environmental impact analyses to help determine land use plans.*

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

In order to ensure that the Goals and Objectives of the Comprehensive Plan are met with regard to any type of mitigation or improvements that may be needed, the natural environment should be respected and even enhanced during this process inasmuch as possible. Open space and additional landscaping are planned for that purpose, as well as for the purpose of protecting/buffering the single family residential properties that adjoin the development area.

The "Vision for Lexington-Fayette County" states that the built areas of Lexington are a collection of diverse neighborhoods, each of which has an individual identity and, together, form the building blocks of community throughout both the urban and rural areas. "It is through these neighborhoods ... that Lexingtonians experience an uncommon quality of life every day. Each neighborhood has value for Lexington, and all neighborhoods should be healthy, vibrant and desirable places to live." ... "The challenge of planning efforts will be to sustain this extraordinary development pattern while preserving, enhancing and allowing for redevelopment of the built environment and maintaining a high quality of life for current and future residents."

The creation of the TIF Development Area and the implementation of the proposed project fit this vision and will help to implement the cited Goals and Objectives of the Comprehensive Plan. Additionally, the improvements proposed as part of this TIF District have been designed to comply with the consent decree "entered in the case of the United States of America and the Commonwealth of Kentucky v. Lexington-Fayette Urban County Government."

CERTIFICATION OF COMPLIANCE

The Lexington-Fayette County Planning Commission finds that the proposed Bayer Properties Development of "The Summit: Lexington" Development Plan for the proposed TIF Development Area is hereby certified as being in compliance with the adopted 2007 Comprehensive Plan Update for Lexington and Fayette County, as well as the adopted 2012 Themes, Goals and Objectives; 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 JUNE 27, 2013.

L. Michael Owens, Chair

Christopher D. King, Secretary

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Exhibit D

Public Infrastructure	Budget	Comments/Inclusions
Land Preparation and Demolition	$4,270,246	Clearing, Demo, Grading, Retaining Walls and Site Prep
Sewers/Storm Drainage	$2,982,843	Sanitary and Storm Sewer Systems
Curbs, Sidewalks, Promenades, and Pedways	$2,970,448	Curbs, Sidewalks, Inlet Tops/Throats and Hardscape
Roads and Street Lighting	$1,346,775	Site Lighting and Off-Site Infrastructure
Provision/Modification of Utilities	$1,824,588	Water System & Power, Data, Phone, Cable and Meters
Environmental Remediation	$738,426	Erosion Control, Laydown, Cleaning and Barricades
Public Spaces and Parks	$1,134,000	Landscape and Irrigation
Parking	$8,835,619	Public parking, including surface and structures
Public Infrastructure-related Soft Costs	$2,410,295	Architecture, Engineering, Insurance, etc.
TOTAL	**$26,513,240**	