

**Memorandum**

Date: June 12, 2025 (UPDATED: July 25, 2025)
To: Economic Development Investment Board
From: Craig Bencz, Administrative Officer Sr.
Re: Public Infrastructure Program Application – The Railyard – 1000 Delaware Ave.

Summary

NOTE: Updated text indicated in **red**.

Project Address: 1000 Delaware Avenue, 40505

Applicant: 1000 Delaware, LLC

Contact/Agent: Will Hanrahan, 1000 Delaware, LLC

Request: 1000 Delaware, LLC (“Applicant”) is requesting \$500,000 in the form of a forgivable loan for the installation of sidewalks, shared/public parking and associated curb and gutter, and exterior lighting improvements for the redevelopment of the site for mixed commercial and residential use. The total construction cost of the project is \$5.5 million, with a total project budget, inclusive of soft costs, of \$6.7 million.

Infrastructure Cost Summary:

Earthwork	\$155,792
Asphalt Paving	\$50,616
Sidewalks	\$21,567
Unit Pavers	\$115,826
Curb & Gutter	\$30,250
Exterior Lighting	\$127,190



Total	\$501,241
Request for PIP Funding:	\$500,000
Total Construction Costs:	\$5,446,220
Request as a Percentage of Total Project Cost	9.2%

Project Location: 1000 Delaware Avenue



Summary Staff Report

Background Information

1000 Delaware, LLC has proposed the development of 32 affordable and market-rate rental units as well as ground-floor commercial space on a 1-acre site located at 1000 Delaware Avenue. The development plan for this project was approved on March 13, 2025 and permitting is being finalized.



The applicant has requested (\$1,095,621.88) or received (\$33,305.75) the following public funding for this project, totaling \$1,128,927.63 in funding received or requested:

- **Lexington-Fayette County Affordable Housing Fund:** \$600,000 in forgivable loans for 12 affordable units, and an additional \$200,000 through the Neighborhood Investment Loan Program, which provides low-interest loans for vacant or blighted properties. Both requests will be considered during the August 20, 2025 Affordable Housing Governing Board meeting;
- **LFUCG Stormwater Quality Incentive Grant Program:** \$13,505.75 awarded in FY25 for a feasibility study; and an additional \$295,621.88 has been requested through in the FY26 program cycle
- **EPA & Kentucky Energy and Environment Cabinet:** \$19,800 awarded for a full cost of a Phase II Environmental study.

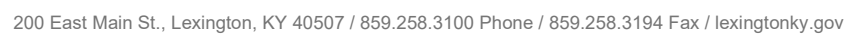
Public Infrastructure Fund Request

The applicant is requesting \$500,000 in Public Infrastructure Program funding for the following improvements:

- Construction of new sidewalks along Delaware Avenue and within the publicly accessible frontage areas of the site;
- Shared/public parking for publicly accessible parking at the front of the site;
- Curb and gutter improvements associated with the above improvements;
- Earthwork associated with the above improvements; and
- Exterior lighting improvements for publicly accessible areas of the site.

The total cost of the infrastructure improvements is \$501,241 million, and this request represents 9.2% of the total project budget for hard costs (\$5.5 million).





Compliance with Program Requirements

The application as proposed meets the following policy criteria established for Public Infrastructure Program fund applications:

- The maximum amount of individual project funding will not exceed the lesser of \$500,000 or 10% of total project costs.
 - The request represents 9.2% of the total project budget, and the applicant has requested \$500,000.
- Program funds must assist applicants with public infrastructure improvements and should provide a public benefit.
 - The improvements included in this request comply with program requirements, with the exception of the lighting improvement request. **Lighting improvements are not an eligible improvement for Public Infrastructure Program funding. Staff recommends program funding in the amount of \$374,051, which removes lighting improvements from the funding recommendation.**
- Program funds must be used only for actual construction costs.
 - The applicant has not proposed reimbursement for any soft costs in this application.
- The Project must comply with the Comprehensive Plan.
 - This project has an approved development plan. The review process for the development plan confirms compliance with the Comprehensive Plan.
- The Project must comply with Engineering manuals and related requirements.
 - The Division of Engineering has reviewed the project as part of the development plan process and has reviewed proposed improvement costs.
- The Project must start construction within one year.
 - The project is expected to start construction in Summer 2025 with a 12-month construction timeline.
- The Project must result in long-term job creation.
 - The application states that long-term job creation will include 6 to 10 long-term jobs created for each of two (2) commercial units (ground floor commercial spaces), and an additional 1-2 permanent roles for on-site property management and maintenance. Based on this information, the project will create a minimum of 13 permanent jobs.
- The applicant must provide evidence of their ability to leverage private or other external (non-LFUCG) funds.
 - The applicant has submitted evidence of project funding commitments.



Staff Recommendation

Staff recommends approval of a forgivable project loan through allocation of Public Infrastructure Program funds in the amount of \$374,051 for site infrastructure improvements with the following conditions:

- Subject to EDIB review and recommendation regarding the loan amount and forgivability of the loan.
- Loan forgiveness is conditioned on the satisfactory completion of the project and compliance with program requirements.
- Disbursement of funds will occur subsequent to proof of expenditure on approved infrastructure.
- Loan funds will be revoked if construction does not commence within 12 months of approval of funding by the Council.
- Loans are to be provided at a rate of 0% interest for a term not to exceed ten years.



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Application for Infrastructure Fund

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Application for Infrastructure Fund

Project name	The Railyard
Project address	1000 Delaware Avenue Lexington, KY 40505
Applicant Company Name	1000 Delaware LLC
Primary Contact Name	Will Hanrahan
Primary Contact Phone	
Primary Contact Email Address	

Project Description

The Railyard is a transformative, mixed-use infill development located at 1000 Delaware Avenue in Lexington, Kentucky. This workforce housing initiative is spearheaded by 1000 Delaware LLC, an entity formed by local developer Will Hanrahan.

The project will deliver 32 thoughtfully designed affordable and market-rate rental units across three newly constructed buildings. It also includes active ground-floor commercial space and pedestrian infrastructure. The Railyard responds directly to Lexington's urgent need for middle-income housing while honoring the site's rich industrial and railroad legacy.

Project Characteristics

- Total Site Area: 1 Acre
- Total Units: 32 residential rental units
- Affordable Units: 12 one-bedroom units at \$1000/month, targeted to households earning up to 80% of Area Median Income (AMI)
- Market-Rate Units: 20 one- and two-bedroom units targeting middle-income workers
- Commercial Space: Two tenant-ready ground-floor retail suites (1500 sq ft each) intended for local entrepreneurs (e.g., coffee shop, yoga, small grocer)
- Construction Type: Type V wood-frame; fire sprinklered
- Design Theme: Urban Industrial, with materials such as corrugated metal arranged in a shipping container-like aesthetic
- Building Height: Each building is three stories with no more than four units per floor above grade; egress by single-stair design, compliant with the 2018 Kentucky Building Code
- Construction Timeline: Targeted groundbreaking in Late Summer 2025, with a 12-month build
- Hard Costs: \$5.5 Million
- Total Development Cost: \$6.7 Million

Location and Surrounding Neighborhood

The site is located in a Justice40-approved disadvantaged census tract, historically underserved and undergoing grassroots revitalization. Situated at 1000 Delaware Avenue, the property lies within a corridor once dominated by railroad and industrial uses. It is just off Winchester Road and within two miles of downtown Lexington, the University of Kentucky, and several major healthcare employers.

The Railyard development is surrounded by a diverse mix of light industrial buildings, longtime small businesses (such as Pasta Garage and Paradise Cycles), churches, and residential neighborhoods. Its immediate neighbors include the Mt. Olivet Baptist Church. The site is part of an Adaptive Reuse Overlay

District and falls under the I-1 zone, accommodating a mix of commercial and residential uses.

This location offers tremendous potential for walkable urban living, with access to Lextran bus routes, the proposed East Lexington Trail, and nearby community institutions such as Ashland Elementary School. It also sits along the CSX freight corridor, emphasizing its industrial heritage.

Site History and Industrial Legacy

The Railyard is deeply rooted in Lexington's rail and manufacturing history. The site was once part of the Chesapeake & Ohio Railway's "Netherland Yard," a hub of passenger and freight activity since the late 19th century. It housed an engine house, coaling tower, turntable, and depot. Remnants of this era, including the still-standing concrete coaling tower and depot-turned-church, contribute to the site's historical narrative.

According to Phase I and Phase II Environmental Site Assessments, the property has hosted various industrial uses since at least the 1930s, including a stone-cutting facility, motor freight station, cement works, junkyard, and automotive repair shop. This brownfield legacy informed the development's aesthetic choices and underscored the need for revitalization efforts in this corridor.

Design and Planning Highlights

- **Adaptive Reuse Integration:** The Railyard development was submitted and approved to amend an existing Adaptive Reuse Final Development Plan for the adjacent Pasta Garage property. This allows the project to preserve the corridor's architectural fabric while integrating modern, code-compliant new construction.
- **Pedestrian and Bike-Friendly Design:** The project includes bike racks, ADA-compliant ramps, dedicated pedestrian pathways, and enhanced landscaping to promote connectivity and safety.
- **Single-Stair:** The upper residential units follow a single-stair typology, with units limited to four per floor and egress distances under 125 feet.
- **Environmental Site Readiness:** A Targeted Brownfield Assessment funded by the EPA through Kentucky's Department for Energy & Environment helped de-risk the site for redevelopment.

Community Impact

The Railyard directly supports Lexington's housing goals, especially around workforce retention, affordability, and equitable land use. Only 12.3% of Lexington's affordable housing stock is available for households earning 80% AMI or more, leaving essential workers like teachers, nurses, and firefighters with few

options. This project helps fill that gap.

Economic and social benefits include:

- Revitalization of a long-vacant brownfield site into active, productive use
- Creation of approximately 50 temporary construction jobs and 20 permanent jobs
- Affordable housing opportunities near employment centers and public transit
- Support for local entrepreneurs through accessible commercial storefronts

Public Infrastructure Proposed for Funding

Publicly Accessible Sidewalks

Division: 32-13-00

Scope: Construction of new sidewalks along Delaware Avenue and within the publicly accessible frontage areas of the site.

These sidewalks will provide continuous, ADA-compliant pedestrian access across the site and connect directly to the existing public sidewalk network. This improves walkability, enhances safety for pedestrians, and encourages multimodal connectivity for residents, workers, and visitors.

Without Program support, there is currently no sidewalk in front of this property. The sidewalks are not exclusive to residents; they serve the public by connecting to transit routes and nearby small businesses.

Shared/Public Parking

Division: 32-12-00

Scope: Construction of asphalt paving dedicated to publicly accessible parking at the front of the site.

This parking is open to everyone: patrons of the commercial storefronts, visitors to neighboring businesses, and guests. By having parking for shared public use, the project supports local economic development and makes the site more inviting and usable by the broader community.

These shared-use parking areas are an important public-facing amenity that helps activate the retail portion of the project. They support long-term job creation by making the storefronts viable for small business tenants and improving customer access. Without infrastructure support, the private development would not be able to subsidize this level of public-access parking.

Curb and Gutter

Division: 32-16-00

Scope: Installation of curb and gutter along public-access drives and walkways.

These features define safe pedestrian and vehicle boundaries, manage stormwater runoff, and are essential to maintaining long-term functionality of the public parking and sidewalk systems.

Curb and gutter systems support broader infrastructure resilience and safety. Their inclusion ensures proper drainage away from public paths and minimizes long-term wear on paved public areas. This work directly benefits the public and supports accessibility for users of all ages and abilities.

Exterior Lighting

Division: 26-56-00

Scope: Installation of lighting to cover all publicly accessible areas of the site including sidewalks, parking, and front-facing pedestrian zones.

Public lighting enhances safety, visibility, and accessibility during evening hours for pedestrians, cyclists, and customers. It helps deter crime, supports after-hours use of local businesses, and contributes to a more welcoming and vibrant streetscape.

Reimbursement ensures the public areas are safely and consistently lit, reinforcing the project's role in neighborhood revitalization and community well-being.

These components serve the public directly, are accessible beyond just private residents, and are essential to activating the commercial spaces and enhancing the public realm. Funding under the Lexington Public Infrastructure Program is the only path to delivering these benefits at the scale needed. Without this funding, this entire project would not be possible, as the \$500,000 request is a vital component of our capital stack.

Expected Impact of Public Infrastructure

The proposed public infrastructure will significantly improve connectivity, safety, and accessibility in an underserved corridor. These improvements fill existing infrastructure gaps, activating a previously vacant site and enhancing walkability in a mixed-use area identified as a priority for infill development.

The new sidewalks will close a long-standing sidewalk gap on Delaware Avenue, linking residents and visitors to nearby transit stops, schools, and businesses. They will also improve pedestrian flow and ADA accessibility within a key section of the Urban Service Area.

Public parking will ease congestion on nearby residential streets and provide convenient access for visitors and customers of on-site and adjacent businesses. This shared-use parking supports a more walkable commercial environment and encourages economic activity in a revitalizing corridor.

Curb and gutter infrastructure will enhance stormwater management by integrating with the city's existing system. This helps reduce runoff issues and protect surrounding streets and sidewalks, contributing to long-term infrastructure sustainability.

Exterior lighting will improve nighttime visibility and reduce safety risks along the corridor. It will also increase the usability of the site after dark, supporting after-hours commercial activity and reinforcing community presence.

Together, these improvements deliver lasting public value by enhancing Lexington's infrastructure network, promoting safe and inclusive transportation options, and directly supporting new job creation through activated commercial space.

Cost Estimate

The total estimated cost of the proposed public infrastructure improvements is \$501,240. These costs represent actual hard construction expenses for publicly accessible infrastructure elements, including sidewalks, public parking, curb and gutter, exterior lighting, and supporting earthwork and pavers.

These improvements are integral to the functionality, accessibility, and public benefit of the Railyard development.

Summary of Costs:

Total Eligible Infrastructure Costs: \$501,240

Total Construction Costs: \$5,446,220

Total Project Budget (Including Soft Costs and Contingencies):
\$6.7 million

Eligible Expenses

1000 Delaware Ave. - Site Paving Budget

Date: 5/12/2025

Project: 25 Misc 02 - Railyard Paving

Division Detail

Division: 26-56-00

Description: Exterior Lighting

Takeoff Quantity: 20,689.00 SF

Cost/Unit: \$6.15 /SF

Total Amount: \$127,190

Division: 31-01-00

Description: Earthwork

Takeoff Quantity: 20,689.00 SF

Cost/Unit: \$7.53 /SF

Total Amount: \$155,792

Division: 32-12-00

Description: Asphalt Paving

Takeoff Quantity: 1,017.00 SF

Cost/Unit: \$49.77 /SF

Total Amount: \$50,616

Division: 32-13-00

Description: Sidewalks

Takeoff Quantity: 1,500.00 SF

Cost/Unit: \$14.38 /SF

Total Amount: \$21,567

Division: 32-14-00

Description: Unit Pavers

Takeoff Quantity: 4,189.00 SF

Cost/Unit: \$27.65 /SF

Total Amount: \$115,826

Division: 32-16-00

Description: Curb & Gutter

Takeoff Quantity: 1,013.00 SF

Cost/Unit: \$29.86 /SF

Total Amount: \$30,250

Estimate Totals

Subtotal: \$501,240

Total: \$501,240

Evidence of new on-site long-term job creation

The Railyard project will generate both temporary construction employment and permanent on-site jobs, directly supporting the goals of the Lexington Public Infrastructure Program.

Approximately 50 temporary construction jobs will be created over the 12-month build timeline, including work for skilled trades, subcontractors, and suppliers. This will provide a short-term economic boost to the local construction workforce.

The project is expected to result in approximately 20 permanent jobs upon completion.

This includes an estimated 6 to 10 long-term jobs created in each commercial unit, through the activation of two ground-floor commercial spaces (totaling 3,000 square feet). These spaces are designed for neighborhood-serving uses such as a café, studio, or local retail each of which typically supports multiple staff positions.

An additional 1-2 permanent roles will be required for on-site property management and maintenance, ensuring continued operations, leasing, resident support, and upkeep.

The remaining jobs are anticipated through tenant hiring, particularly if food or service businesses occupy the storefronts, which tend to maintain higher staffing levels.

By delivering mixed-use space with public-facing infrastructure, the project enables and sustains job creation that would not be possible without this investment.

These jobs will contribute to the long-term vitality of the area and reflect the city's goals of infill development, economic opportunity, and neighborhood revitalization.

Division of Planning Compliance

<https://www.formstack.com/admin/download/file/17996513564>

Stamped Engineering Plans

<https://www.formstack.com/admin/download/file/17996513565>

Evidence of Project Financing

<https://www.formstack.com/admin/download/file/17996513566>

Other LFUCG Funds

- Lexington Affordable Housing Fund: Have submitted an application and are discussing an amount of \$600,000 in forgivable loans (\$50,000 per affordable unit).
- City of Lexington Division of Water Quality: Awarded a Stormwater Quality Incentive Grant for feasibility study. (Fiscal Year 2025 Class B Infrastructure for \$13,503.75. We plan to take our findings from the feasibility study to apply for an implementation grant for 2026.

Other Public Funds

- EPA & Kentucky EEC: Alongside the Bluegrass Area Development District, it funded a Targeted Brownfield Assessment to cover the Phase II Environmental Assessment (\$20,000)

Project Timeline:

- Planning Approval: Development Plan was unanimously approved by the Lexington Planning Commission on March 13, 2025
 - Bid Documents are currently being finalized to put the project out to Bid with General Contractors, for a June bidding process with contractor selection planned for July.
 - Phase II Environmental: Fieldwork completed and a property management plan was accepted by the state to enter the site into the brownfields program
 - Survey: Completed
 - Geotechnical Exploration: Completed
 - Projected Start: Summer 2025
 - Build Timeline: 12 months
 - Site Work Schedule Estimate
 - Earthwork - September to early October 2025
 - Underground Utilities & Electrical Stub Outs - October-November 2025
 - Curb & Gutter + Sidewalk Subgrade Prep - March-April 2026
 - Asphalt Paving + Unit Pavers - June-July 2026
 - Exterior Lighting Final Installation & Activation - July-August 2026
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