Tax Increment Financing Development Plan

For

The Thistle Station Development Area

1. Introduction.

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

The Project proposed by the Developer or its affiliate is expected to include a variety of uses including some retail and restaurant space, but the focus of the Project will be a 16-story residential apartment building expected to include approximately 202 units.

The Project is also expected to include railroad safety and sound mitigation, right-of-way and roadway improvements, new and improved sidewalks/trails and bike paths, utility improvements (including possible burial and/or relocation) and various green space and/or park improvements. In order to help ensure the success and support of the Project and encourage other investment in and related to the Development Area, and to encourage and support development within the territorial limits of Lexington, certain public improvements are needed within the Development Area.

1.2. Size and Location. The Thistle Station Development Area is approximately 8.03 acres located along Newtown Pike, between West Fourth Street and West Third Street, bordering the western end of Downtown Lexington. The Development Area is located in an area that is undergoing a transformation as a number of public projects have recently been completed, such as the expansion of the Kentucky Community and Technical College System campus and the relocation of the Lexington Division of Police's training academy, both located across West Fourth Street from the Development Area. The Development Area itself is currently comprised of abandoned and completely rundown industrial and commercial buildings. The Development Area is described more particularly herein and in the site plan and legal description attached as Exhibit "A."

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

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

2. The Development Area

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

(a) The Development Area is a contiguous area consisting of 8.03 acres, more or less, which is less than three square miles in area;

(b) The establishment of the Development Area will not cause the assessed taxable value of real property within the Development Area and within all "development areas" and "local development areas" established by the LFUCG (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Lexington. The assessed value of taxable real property within the Development Area for calendar year 2014 was $515,400. The LFUCG has previously established six other development areas pursuant to the Act, the Phoenix Park/Courthouse Development Area, the Red Mile Development Area, the Turfland Town Center Development Area, the 21C Lexington Development Area, the Summit Lexington Development Area, and the Midland Avenue Development Area. The combined taxable 2014 real property assessed valuation for those development areas is approximately $57,205,400 and when combined with the real property assessed value for the proposed Development Area, the total taxable 2014 real property assessed value for all development areas established by the LFUCG will be approximately $57,720,800. The total assessed value of taxable real property within Lexington for the calendar year 2014 is approximately $25 Billion. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Lexington; and

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

2.2. Statement of Conditions and Findings Regarding the Development Area. Pursuant to KRS 65.7049(3), a development area shall exhibit at least two (2) of the following conditions to qualify for designation as a "development area" under the Act and to qualify for a pledge of State incremental revenues pursuant to KRS 154-30.060:

(a) Substantial loss of residential, commercial, or industrial activity or use;

(b) Forty percent (40%) or more of the households are low-income households;

(c) More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;

(d) Substantial abandonment of residential, commercial, or industrial structures;

(e) Substantial presence of environmentally contaminated land;

(f) Inadequate public improvements or substantial deterioration in public infrastructure; or

(g) Any combination of factors that substantially impairs or arrests the growth and economic development of the city or county; impedes the provision of adequate housing; impedes the development of commercial or industrial property; or adversely affects public health, safety, or general welfare due to the development area's present condition and use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3. Assurances the Development Area Is Not Reasonably Expected to Develop Without Public Assistance. The LFUCG finds that the Development Area is not reasonably expected to be developed without public assistance. Despite its appealing location at the edge of Downtown Lexington, no interest has been shown in redeveloping the property to bring new economic activity to the area, other than the proposed Project. The public infrastructure costs associated with any successful redevelopment of the Development Area are too high to occur without the help of the public. It is estimated that the total cost of public infrastructure improvements needed within the Development Area to successfully redevelop the site as an urban mixed-use development is at least $2.7 million. Without public funding, including the critical pledge of State incremental revenues under the Commonwealth Participation Program for State Real Property Ad Valorem Tax Revenues, as provided in the Act, the proposed Project within the Development Area would not be possible.

2.4. Assurances the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. The LFUCG finds that the public benefits of redeveloping the Development Area justify the public costs proposed. As detailed in the Commonwealth Economics Report, attached hereto as Exhibit "B", (the "Report"), the public investment is expected to reach $2.7 million, but the private investment within the Development Area is estimated to reach $31.3 million. While the LFUCG will pledge one-hundred percent (100%) of new ad valorem property taxes from the general county and urban services categories to pay for the public projects proposed, it will generate significant new revenues from one-hundred (100%) of the other local ad valorem property taxes and occupational taxes generated from the Project.

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

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

2.5. Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise, or, if the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, that there are certain special circumstances within the Development Area that would prevent its development without public assistance. The LFUCG finds that none of the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, and that certain special circumstances within the Development Area, as listed in section 2.2, would prevent its development without public assistance.

2.6. Development Area Description.

The Development Area includes the real property within the boundaries described on the site plan and legal description attached hereto, and incorporated herein, as Exhibit "A".

2.7. Existing Uses and Conditions.

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

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

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

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

The Thistle Station Development Plan has been created through a collaborative process involving the Developer, its working group of economic consultants and legal team, and LFUCG representatives. The collaborative effort created transparency in the process by allowing stakeholders to voice their opinions and offer input regarding the development concepts presented to them. After working group sessions and a series of meetings and discussions with LFUCG officials, the Development Plan was submitted to the LFUCG Planning Commission for certification of compliance with the duly adopted Comprehensive Plan.

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

3. The Development Program.

The Project proposed for the Development Area includes the following approved public infrastructure and public improvement elements, in addition to the private portions of the Project, as described more particularly in the Commonwealth Economics report attached hereto as Exhibit "B".

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

3.2 Public Infrastructure and Improvements.

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

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

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

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

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

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

4. Development assistance and Finance Plan.

The Proposed "development assistance", as defined in the Act, to be provided in the Development Area is estimated to cost at least $2.7 million, not including interest/financing expenses. The LFUCG will pledge one-hundred percent (100%) of its incremental tax revenues from real property ad valorem taxes from the general and urban services categories over the applicable 20-year period and, in accordance with the Act; will create a special fund for the deposit of pledged incremental revenues. In addition, the LFUCG and/or the Agency will submit an application to the Kentucky Economic Development Finance Administration ("KEDFA") to request State participation in the form of a pledge of one-hundred (100%) of incremental State ad valorem property tax revenues generated from the Project during the same 20-year period.

The LFUCG will establish a special fund for the deposit of pledged incremental revenues. Pledged incremental revenues deposited into this special fund will be used first to reimburse LFUCG for administration expenses related to administering the TIF program, then to reimburse the private financing and/or upfront expenditure by private parties on "approved public infrastructure costs" or to pay directly for such redevelopment assistance and approved public infrastructure costs, and any other purposes in compliance with this Development Plan, the Act, and all agreements and documents entered into in connection therewith. It is anticipated that private parties shall pay for public improvements within the Development Area and seek reimbursement in conformity with the TIF statutes and agreements between the Developer and the government. No bond funding is currently being requested to pay for the public improvements as proposed by the Developer. The LFUCG will enact an ordinance establishing the Development Area and adopting this Development Plan. The development ordinance will designate the Department of Finance and Administration (the "Agency"), organized by the LFUCG, to oversee, administer and implement the development ordinance.

As set forth in more detail in the Report, the Project is estimated to directly generate approximately $2.6 million in TIF-eligible incremental tax revenues over a 20-year period ($970,485 for state participation and $1.6 million for local participation).

5. Conclusions.

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

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

EXHIBIT A

THE DEVELOPMENT AREA

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

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

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

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

1. South 72° 49' 39" East 85.52 feet to a point on the southern Right-Of-Way line of the L & N Railroad; thence with said L & N Railroad Right-Of-Way line for one (1) call:

2. North 62° 18' 09" East 891.36 feet to a point on the southern Right-Of-Way line of West Fourth Street, said point; thence crossing said West Fourth Street and continuing with L & N Railroad Right-Of-Way for one (1) call:

3. North 48° 59' 28" East 50.00 feet to a point on the northern Right-Of-Way line of said West Fourth Street, said point being South 83° 31' 21" East 33.24 feet from the calculated centerline intersection of West Fourth Street and the L & N Railroad; thence with said northern Right-Of-Way line for one (1) call:

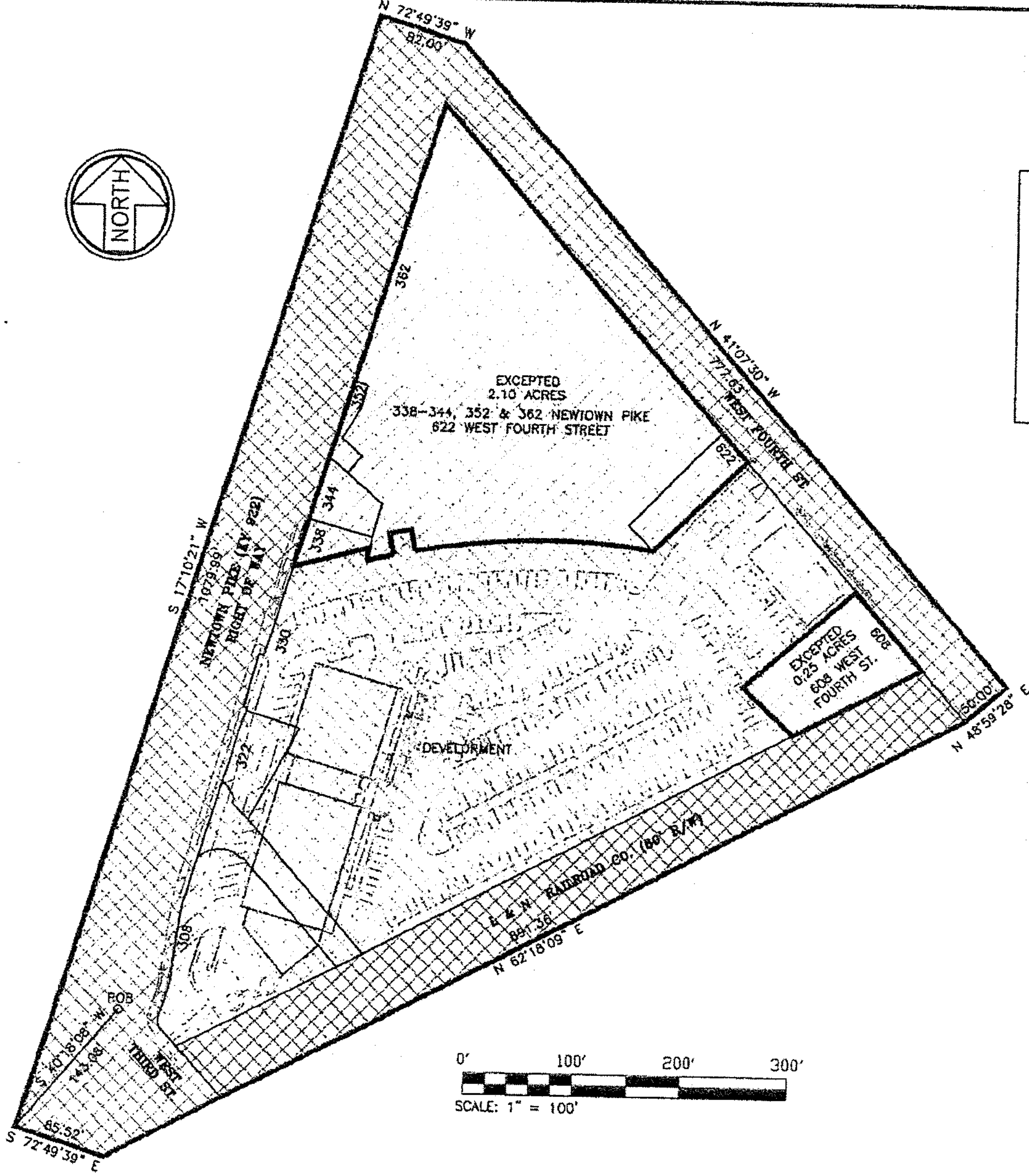
4. North 41° 07' 30" West 777.63 feet to a point on the eastern Right-Of-Way line of said Newtown Pike; thence crossing Newtown Pike for one (1) call:

5. North 72° 49' 39" West 82.00 feet to a point on the western Right-Of-Way of said Newtown Pike, said point being North 60° 50' 49" West 56.99 feet from the calculated centerline intersection of said Newtown Pike and West Fourth Street; thence with the western Right-Of-Way Line of said New Town Pike for one call (1);

6. South 17° 10' 21" West 1079.99 feet to the Point of Beginning.

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

It is the intent of this proposed Tax Increment Financing Development Area boundary to include all the area encompassed on the northeast by the northern Right-Of-Way line of West Fourth Street, on the northwest by the western Right-Of-Way line of Newtown Pike (State Route 922) and on the southeast by the southern Right-Of-Way line of the L & N railroad Right-Of-Way excluding exceptions listed above containing 10.38 Gross Acres, and 8.03 Net Acres.



LEGEND

BOUNDARY OF PROPOSED TAX INCREMENT FINANCING DEVELOPMENT AREA.

PROPERTIES INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA, 308-310, 322 & 330 NEWTOWN PIKE (3.90 ACRES)

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

L&N RAILROAD RIGHT OF WAY INCLUDED IN THE TAX INCREMENT FINANCING DEVELOPMENT AREA. (1.08 ACRES)

338-344, 352 & 362 NEWTOWN PIKE, 608 & 622 WEST FOURTH STREET ARE EXCLUDED FROM THE TAX INCREMENT FINANCING DEVELOPMENT AREA. (2.35 ACRES)

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

EXHIBIT B

TIF IMPACT REPORT

Commonwealth
Economics

Thistle Station™

Tax Increment Financing Impact Analysis

Submitted To:

Thistle Holdings

Submitted By:

Commonwealth Economics

May 2015

TABLE OF CONTENTS

I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics, LLC was retained by Thistle Holdings, LLC to conduct a Tax Increment Financing (TIF) impact analysis[1] of the Urban Edge Living at Thistle Station™ project (the "Project" or "Thistle Station™") in Lexington, Kentucky. The purpose of this TIF study is to compare the incremental increase in real property Ad-Valorem state and local tax revenues to the requested amount of the TIF.

Executive Summary

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

This project is expected to include approximately:

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

Its estimated construction costs include:

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

[1] The results presented herein are fair and reasonable. Project scope and cost estimates were provided by development team and used as the basis for this analysis. Commonwealth Economics utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results. And because events and circumstances frequently do not occur as expected, those differences may be material.

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

These challenges include:

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

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

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

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

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

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

II. PROJECT DESCRIPTION

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

Description of the Thistle Station™ Project

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

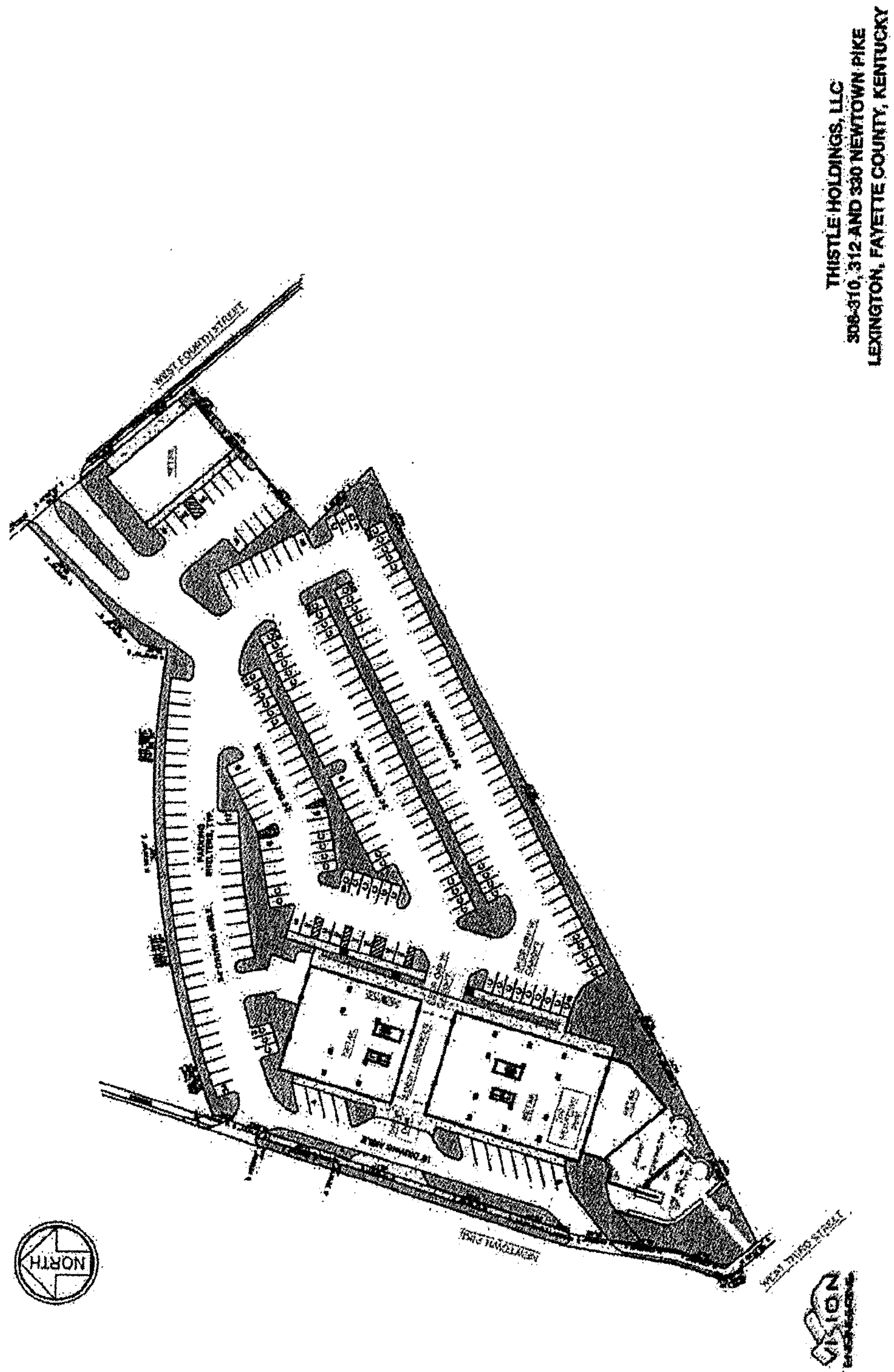
In addition, the Project has been designed with a "friendly front yard" in mind. This will include bike and pedestrian lanes, landscaping, seating areas and a continuation of, or connection to, Lexington's popular Legacy Trail. The project also lies directly on mass transit routes and is in close proximity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

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

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

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

Figure 1


THISTLE HOLDINGS, LLC
308-310, 312 AND 330 NEWTOWN PIKE
LEXINGTON, FAYETTE COUNTY, KENTUCKY
WEST FOURTH STREET
WEST THIRD STREET
NEWTOWN PIKE
NORTH

III. THE HIGH COST OF PUBLIC INFRASTRUCTURE

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

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

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

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

Figure 2

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

IV. TAX INCREMENT FINANCING

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

State Real Property Ad Valorem Tax Program

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

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

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

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

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

V. INCREMENTAL TAX REVENUE CALCULATIONS

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

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

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

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

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

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

Figure 3

Thistle Station™ Project
Incremental Tax Revenues Generated by Project - Ad Valorem Program

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

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

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

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

Figure 4

Thistle Station™

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

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Local Property Tax Revenues - After New Development									
County/General Service	$242,799	$10,500	$10,658	$10,817	$10,980	$11,144	$12,006	$13,933	$242,799
Public Library	$404,664	$17,500	$17,763	$18,029	$18,299	$18,574	$20,009	$23,222	$404,664
School	$5,819,071	$251,650	$255,425	$259,256	$263,145	$267,092	$287,734	$333,927	$5,819,071
Extension Services	$27,517	$1,190	$1,208	$1,226	$1,244	$1,263	$1,361	$1,579	$27,517
Soil & Water Conservation	$4,047	$175	$178	$180	$183	$186	$200	$232	$4,047
Health Department	$226,612	$9,800	$9,947	$10,096	$10,248	$10,401	$11,205	$13,004	$226,612
Lextran	$485,597	$21,000	$21,315	$21,635	$21,959	$22,289	$24,011	$27,866	$485,597
Urban Services - Full	$1,406,613	$60,830	$61,742	$62,669	$63,609	$64,563	$69,552	$80,718	$1,406,613
Total Local Property Tax Revenues	$8,616,919	$372,645	$378,235	$383,908	$389,667	$395,512	$426,079	$494,482	$8,616,919
"As-Is" Local Property Tax Revenues - Without Development									
County/General Service	$3,575	$155	$157	$159	$162	$164	$177	$205	$3,575
Public Library	$5,959	$258	$262	$265	$269	$274	$295	$342	$5,959
School	$85,690	$3,706	$3,761	$3,818	$3,875	$3,933	$4,237	$4,917	$85,690
Extension Services	$405	$18	$18	$18	$18	$19	$20	$23	$405
Soil & Water Conservation	$60	$3	$3	$3	$3	$3	$3	$3	$60
Health Department	$3,337	$144	$146	$149	$151	$153	$165	$191	$3,337
Lextran	$7,151	$309	$314	$319	$323	$328	$354	$410	$7,151
Urban Services - Full	$20,713	$896	$909	$923	$937	$951	$1,024	$1,189	$20,713
Total Local "As-Is" Property Tax Revenues	$126,890	$5,487	$5,570	$5,653	$5,738	$5,824	$6,274	$7,282	$126,890
Local Property Taxes Retained									
County/General Service	$3,575	$155	$157	$159	$162	$164	$177	$205	$3,575
Public Library	$404,664	$17,500	$17,763	$18,029	$18,299	$18,574	$20,009	$23,222	$404,664
School	$5,819,071	$251,650	$255,425	$259,256	$263,145	$267,092	$287,734	$333,927	$5,819,071
Extension Services	$27,517	$1,190	$1,208	$1,226	$1,244	$1,263	$1,361	$1,579	$27,517
Soil & Water Conservation	$4,047	$175	$178	$180	$183	$186	$200	$232	$4,047
Health Department	$226,612	$9,800	$9,947	$10,096	$10,248	$10,401	$11,205	$13,004	$226,612
Lextran	$485,597	$21,000	$21,315	$21,635	$21,959	$22,289	$24,011	$27,866	$485,597
Urban Services	$20,713	$896	$909	$923	$937	$951	$1,024	$1,189	$20,713
Total Local Taxes Retained	$6,991,797	$302,365	$306,901	$311,504	$316,177	$320,920	$345,722	$401,224	$6,991,797
Local Incremental Property Taxes Available for TIF Participation									
County/General Service	$239,223	$10,345	$10,501	$10,658	$10,818	$10,980	$11,829	$13,728	$239,223
Urban Services - Full	$1,385,899	$59,934	$60,833	$61,746	$62,672	$63,612	$68,528	$79,530	$1,385,899
Total Local Taxes Contributed to TIF Reimbursement	$1,625,122	$70,280	$71,334	$72,404	$73,490	$74,592	$80,357	$93,258	$1,625,122

Commonwealth

VI. CONCLUSION

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

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

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

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

EXHIBIT C

STATEMENT OF COMPLIANCE WITH COMPREHENSIVE PLAN

CERTIFICATION OF COMPLIANCE

The Lexington-Fayette County Planning Commission finds that the Thistle Station Conceptual Plan for the proposed TIF Development Area is hereby certified as being in compliance with the adopted 2013 Comprehensive Plan Update for Lexington and Fayette County, as well as the Central Sector Small Area Plan, an adopted element of both the 2007 and the 2013 Comprehensive Plans; and adopts this report as its official statement to be included as a part of the development plan as it is forwarded to the Lexington-Fayette Urban County Council for consideration.

Adopted and Approved by the Lexington-Fayette Urban County Planning Commission on August 27, 2015.

L Michael Owens

L. Michael Owens, Chair

Christopher D. King

Christopher D. King, Secretary