



Development Plan

For The

Downtown Frankfort Development Area

1. Introduction.

1.1 Purpose. The City of Frankfort, Kentucky (the “City”), with participation by the County of Franklin, Kentucky (the “County”), intends to establish the Downtown Frankfort 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 plans on requesting funding from the Commonwealth of Kentucky (the “State”) to support public infrastructure and the associated interest expenditures necessary to support a mixed-use redevelopment (the “Project”) within the Development Area being undertaken by CRM Companies, and its assigns and affiliates (the “Developer”).

The Project proposed by the Developer includes the reimagining of the Capital Plaza Hotel, convention and meeting space, a brand-new YMCA, new office space, new retail/restaurant space, and new residential units, along with related site improvements and amenities, including structured parking. The City and County intend to support the Project and provide redevelopment assistance through a pledge of certain City and County incremental tax revenues generated from the Project within the Development Area and to undertake certain public infrastructure improvements needed within the Development Area.

Certain local special taxing districts, that may legally pledge incremental taxes pursuant to the Act (the “Special Taxing Districts”), but not the Frankfort Independent Board of Education, will also be requested to participate with a pledge of their incremental real property taxes.

In addition, to support from the City, County and the Special Taxing Districts, the City plans to seek a pledge of State incremental tax revenues under one of the State Participation Programs (the Mixed-Use Program or the Real Property Tax Program), as provided in the Act, to reimburse approved public infrastructure costs in accordance with the Act, as to ensure the success and support of the Project and the revitalization of a crucial section of the City’s downtown, a variety of public infrastructure improvements are needed within the Development Area.

In the alternative, the Developer may apply to obtain a reimbursement of State sale taxes generated by the Project pursuant to the Tourism Development Act set forth in KRS Chapter 148.

1.2 Size and Location. The Development Area consists of approximately 18.1 acres and is strategically positioned in the City’s downtown, and located on Parcels B and C in Frankfort, Kentucky near the newly developed Mayo-Underwood Building and across the Kentucky River from the State Capitol Building. The proposed Development Area is generally located between St. Clair Street and Wilkinson Boulevard, as more clearly described on Exhibit B.

1.3 Current Uses. The Development Area is currently zoned as a Special Government District (SG) and primarily includes the blighted YMCA, the underdeveloped

Capital Plaza Hotel, multiple dilapidated parking structures, and a disconnected Washington Street, as well as a few areas on which public infrastructure improvements may be needed.

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 approximately 18.1 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 City (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within the City. The assessed value of taxable real property within the Development Area for calendar year 2019 was \$4.0 million. The City has not previously established any other local development areas or development areas pursuant to the Act. The total assessed value of taxable real property within the City for the calendar year 2019 is approximately \$1.7 billion. Therefore, the assessed value of taxable real property within all development areas is less than twenty percent (20%) of the assessed value of taxable real property within the City; 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 must 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 154-30.010 to 154-30.090 (three conditions necessary for projects applying for incentives under 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 City has reviewed and analyzed the conditions within the Development Area and finds that the Development Area exhibits at least four (4) of the qualifying characteristics as follows:

(1) **The has been a substantial loss of commercial activity within the Development Area.** Commercial activity within the Development Area has been in a state of economic decline for years. Presently, only some of the parcels within the Development Area are being used for commercial purposes, while the majority contain underutilized or deteriorating structures. The existing YMCA can no longer support program offerings desired by the community. In fact, the YMCA has significantly scaled back its program offerings to fit the inadequate and deteriorating space and is at risk of scaling back even more programs. The Development Area also includes the former site of the demolished Frankfort Convention Center. Losing a convention space that generated significant business activity was detrimental to the Capital Plaza Hotel which was already experiencing a significant decline in business. As a result of the loss of YMCA programs, the Frankfort Convention Center, and Capital Plaza Hotel business, the number of employees working within the Development Area has declined. This, combined with the structurally failing parking garages, has negatively impacted business activity within the Development Area.

(2) **More than fifty percent (50%) of the residential, commercial, or industrial structures within the Development Area are deteriorating or**

deteriorated. Based on the City's Nuisance Code, which sets forth minimum standards for maintenance of existing properties, over 50% of the structures within the Development Area require minor to major assistance. A handful of structures are considered beyond a state of good repair and require demolition. In addition, the Development Area consists mostly of structures that are nearly 50 years of age. Therefore, even those structures within the Development Area that are reasonably well-maintained exhibit significant signs of age and deterioration. Furthermore, the buildings that comply with the Property Maintenance Code require upgrades to meet what is expected for the future use of the property, including upgraded meeting space, parking, plumbing facilities, fixture requirements, mechanical and electrical wiring, etc.

(3) **Public improvements and public infrastructure within the Development Area are inadequate.** The area is lacking in terms of the infrastructure needed to support and attract the investment that the planned redevelopment within the Development Area requires. The Development Area will require significant new investment in public infrastructure, including, but not necessarily limited to:

- **Parking** – As downtown develops, the Development Area will face an increasing deficiency in the number of parking spots available to support future projects. Most of the parking in Frankfort is surface parking that takes up significant valuable acreage, which is an inefficient solution due to the reduced density it creates in the downtown area, and which utilizes parcels with the most economic potential in a least impactful way. Structured parking will be required to accommodate both the new and existing businesses,

particularly during peak traffic times related to events and conferences as the Project and Development Area is redeveloped. This investment will allow the area to attract vertical redevelopment, maximizing the land use located next to a newly developed state office building, and allowing a level of density that a successful redevelopment will require.

- **Connectivity Improvements and Public Space** – The possible re-connecting of existing roadways, various streetscape improvements, and the creation of new pathways and walkways to accommodate increased pedestrian traffic from Washington Street and through the Development Area to the edge of the riverfront. These improvements will attract visitors and residents, alike, to Frankfort by creating an inviting pedestrian environment with outdoor space.

- **Site Prep and Utility Improvements** – The Project will require significant expenditures to support the Development Area for vertical development, as well as provision of upgraded utility connections and capabilities.

- **Demolition** – The Development Area will require demolition of blighted structures that are failing. As a non-exclusive example, the existing YMCA is deteriorating and unable to support a desire for more childcare options, health and fitness programs, and sports and recreation activities. Absent of a new facility, program offerings are at risk of being outsourced to other locations or canceled due to inadequate space. Furthermore, the

adjoining parking structures behind the existing YMCA and on the other side of Clinton Street are structurally failing and require a plan for reconstruction to complement future economic development.

(4) **There are a combination of factors that substantially impairs growth and economic development of the Development Area.** The challenges of encouraging the redevelopment of an older city's downtown, including the increased costs associated with redeveloping sites, building within the constraints of an established area, and the high cost of infrastructure needed to support new development in this downtown setting, represent unique circumstances that impede the redevelopment of the Development Area and arrests the development of the City and County. A mixed-use redevelopment could be highly impactful within the Development Area and to the region, but these various factors have prevented such growth from occurring and will remain a barrier to achieving meaningful private investment in Frankfort's downtown core without financial assistance from public sources.

2.3 Assurances the Development Area Is Not Reasonably Expected to be Developed Without Public Assistance. The City finds that the Development Area is not reasonably expected to be developed without public assistance. The public infrastructure costs within the Development Area are too high for the Project to occur without public assistance, particularly as relates to the lack of structured parking and pedestrian connectivity throughout the Development Area. It is estimated that the development costs of the public infrastructure improvements planned within the Development Area is approximately \$10.6 million, even before considering financing and other soft costs. Without public funding,

including State assistance under the Commonwealth Participation Programs, or the Tourism Development Act, the proposed Project within the Development Area would not be possible.

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 redeveloping the Development Area justify the public costs proposed. As detailed in the Commonwealth Economics Report, attached hereto as Exhibit “A”, (the “Report”), the new capital investment related to the Project is expected to reach \$86.9 million, \$76.4 million of which relates to private costs, and \$10.6 million of which is expected to be spent on public infrastructure costs. Over a 20-year period, the proposed Project is estimated to support over 450 jobs annually and account for over \$800 million in total economic impact. While the City, County, and the Special Taxing Districts may pledge certain new ad valorem property taxes and occupational taxes to pay for the proposed public infrastructure, the Project, net of any assistance from the City, County, and the Special Taxing Districts, will generate increased tax revenues, including insurance premium taxes, transient room taxes, and tangible property taxes, the incremental taxes not pledged, and other special district and school taxes. The Project will also jump start and encourage additional downtown develop, leverage state tax dollars with private investment.

The Project is expected to generate much more tax revenue than is currently being generated within the Development Area. According to the Report, over a 20-year period, the Project is estimated to generate \$60.8 million of on-site eligible state and local tax revenues. This includes \$13.1 million in local taxes and \$47.7 million in state taxes. After subtracting the estimated baseline tax revenues, total incremental tax revenues generated within the Development Area are estimated at approximately \$52.2 million over a 20-year period. After

20 percent is retained by the State, assuming State incentives are granted under the Mixed-Use Program, such amount translates to an estimated \$32.3 million available for State participation and an estimated \$11.8 million for local participation, and addition to school district and transient room taxes, which will amount to over \$15 million in additional local tax revenue that is not pledged as a TIF incentive.

Based on research and analysis document in the Report, the Project is estimated to have a significant economic and fiscal impact to the regional economy. Its construction, alone, is estimated to generate a one-time impact that includes approximately \$41.9 million of total wages and support for 862 total jobs.

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 very few portions of the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise without the use of incentives, and certainly none to the extent contemplated by this Project. Additionally, certain circumstances within the development area would prevent its redevelopment without the use of public assistance, due to the infrastructure needs as described in Section 2.2.

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. The Development Area is currently zoned as a Special Government District (SG) that allows for governmental activity. The Development Area primarily includes the blighted YMCA, the underdeveloped Capital Plaza Hotel, multiple dilapidated parking structures, and a disconnected Washington Street, as well as a few areas on which public infrastructure improvements may be needed. Without public investment, the deteriorating structures will continue to underperform and become an eventual safety concern. The lack of sufficient infrastructure in the area has prevented interested developers in pursuing redevelopment projects due to the prohibitively high costs associated with the deteriorating structures, the provision of adequate structured parking, and developing attractive streetscapes and walking paths.

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 the state and local governments 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. It is anticipated that the Development Area will require a zone change from a Special Government District (SG) to Urban Mixed Use (UM) in order to implement the Development Plan as currently contemplated.

2.9 Certification of Compliance with the Comprehensive Land-Use Plan. The Development Plan has been created as a result of interested Developers collaborating with local officials and interested parties. The plans were submitted for

certification of compliance with the duly adopted Comprehensive Plan. Attached as Exhibit “C” is the documentation of certification.

3. The Development Program.

The Project proposed for the Development Area is expected to include public infrastructure elements, in addition to the various private components, as described more particularly in the report attached hereto as Exhibit “A”. While the final Project elements and scope may vary from what is described herein, in general, the proposed Project would provide a reimagined the Capital Plaza Hotel, a brand-new YMCA building, new office space, new retail space, new restaurant space, and new residential units, with total new capital investment of approximately \$87 million. Qualifying public infrastructure expenditures necessary to support the Project and the private investment is estimated at \$10.6 million within the Development Area. The goal is to provide public infrastructure assistance which will allow the private sector to develop a very impactful Project within the Development Area.

4. Redevelopment assistance and Finance Plan.

The Proposed “redevelopment assistance”, as defined in the Act, to be provided in the Development Area is estimated to support approximately \$10.6 million in public infrastructure development costs, including any additional interest expenditures for public infrastructure. The City, County, and Special Districts may legally pledge up to one-hundred percent (100%) of their incremental tax revenues from real property taxes (excluding school district taxes) and occupational taxes from the project for up to a 20-year period and, in

accordance with the Act. The City will create a special fund for the deposit of pledged incremental revenues. In addition, the City and/or an agency thereof will submit an application to the Kentucky Economic Development Finance Administration (“KEDFA”) to request State a pledge of up to eighty percent (80%) of incremental State tax revenues, for an application under the Mixed-Use Program, or one-hundred percent (100%) of State incremental real property taxes under the Real Property Tax Program, generated from the Project for up to a 20-year period. In the event the Project qualifies for incentives under the Tourism Development Act, the request for State incremental revenues will be through the Real Property Tax Program.

The City will establish a special fund for the deposit of pledged incremental revenues. Pledged incremental revenues deposited into this special fund will be used to provide “redevelopment assistance” and to reimburse the financing and/or upfront expenditure by private parties and/or the City or County on “approved public infrastructure costs” or to pay directly for such redevelopment assistance and 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 in some cases private parties will pay for the public improvements within the Development Area and seek reimbursement in conformity with the TIF statutes and agreements between the Developers and the government. The City will enact an ordinance establishing the Development Area and adopting this Development Plan. The development ordinance will designate an agency, commission, or non-profit of the City’s choosing to oversee, administer and implement the TIF ordinances and agreements.

As set forth in more detail in the attached report, the Project (as contemplated within)

is estimated to directly generate approximately \$44.1 million in incremental tax revenues over a 20-year period. Approximately \$11.8 million of this estimated total is from local entities and could be available for debt service related to the Project as may be participated through the TIF agreements.

5. Conclusions.

The Development Area's mix of private investment and public improvement will allow the for the continued revitalization of Frankfort's downtown in creating a unique destination for visitors and residents, alike. The proposed assistance related to the public infrastructure improvements is critical to successful redevelopment of the Development Area and will act to facilitate the significant amount of private investment that will come with this Project.

List of Exhibits

Exhibit A – Commonwealth Economics Report – July 2020

Exhibit B – Map and Legal Description of Development Area

Exhibit C – Certification of Compliance with Comprehensive Plan

Exhibit A



Downtown Frankfort Redevelopment Project Economic and Fiscal Impact Analysis

Submitted to:
CRM Companies

Submitted by:
Commonwealth Economics

July 2020

TABLE OF CONTENTS

I. INTRODUCTION AND EXECUTIVE SUMMARY

II. PROJECT DESCRIPTION

III. METHODOLOGY OF IMPACT ESTIMATES

IV. ECONOMIC AND FISCAL IMPACT ESTIMATES

V. CONCLUSION

APPENDIX: TIF-ELIGIBLE INCREMENTAL TAX REVENUE ESTIMATES

I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics (“CE”) was retained by CRM Companies (the “Developer”) to conduct an economic and fiscal impact analysis of the proposed Downtown Frankfort Redevelopment Project (the “Project”) in Frankfort, Kentucky.¹ The purpose of this analysis is to estimate the Project’s impacts and the related state and local tax revenues.

Executive Summary

The subject of this analysis is the Downtown Frankfort Redevelopment Project, which is to be constructed by CRM Companies on parcels b and c between West Broadway Street and Mero Street in Frankfort, Kentucky.

The proposed redevelopment of parcels b and c is anticipated to include a reimagining of the Capital Plaza Hotel, a brand-new YMCA building, new office space, new retail/restaurant space, and new residential units. However, successful redevelopment of the site will require various public infrastructure expenditures that may make the necessary financing difficult to achieve. Through better utilization of parcels b and c, the Project has the potential to revive blighted properties, safely replace dilapidated structures, and support and attract various new business activity to the area.

Highlights

- **Project cost** - Total construction cost, public and private, is estimated to be approximately \$86.9 million. Of this amount, approximately \$10.6 million are related to public infrastructure costs.
- **Necessary public infrastructure expenditures** - The Project may not happen as planned without significant expenditures on public infrastructure. The Project

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 Frankfort 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. Additionally, this analysis uses data and assumptions based on economic activity prior to COVID-19 shifts in economic behavior and, accordingly, assumes that economic activity and behavior will return to normal by the time this Project is completed and open. Should pandemic factors continue to affect economic industries, including travel, retail, dining, etc., the differences in realized Project impacts could be significant.

includes multiple public infrastructure elements, such as; a new parking garage, site prep, increased public spaces and amenities, Washington Street improvements, and demolition of various failing structures (existing YMCA building, old parking structures, etc.).

- **Project could generate substantial tax revenue** – Over a 20-year period, it is estimated that \$81.8 million in state and local tax revenue could be directly generated by the Project (Figure ES-1).

Figure ES-1

Downtown Frankfort Redevelopment Project			
Estimated Direct Tax Revenues Generated from Project			
	Tax Rate	10-Year Total	20-Year Total
Estimated Direct Tax Revenues from Project			
State Tax Revenues			
Property Tax	0.1220%	\$808,600	\$1,794,278
Sales Tax	6.0%	\$15,712,880	\$34,866,794
Individual Income Tax	4.6%	\$4,479,050	\$9,938,987
Transient Room Tax	1.0%	\$740,197	\$1,624,802
Total State Tax Revenues		\$21,740,727	\$48,224,861
Local Tax Revenues			
Franklin County General Property Tax	0.1870%	\$1,239,411	\$2,750,246
Other District Taxes			
Extension Property Tax	0.0162%	\$107,040	\$237,521
Health Property Tax	0.0725%	\$480,520	\$1,066,272
Library Property Tax	0.0850%	\$563,369	\$1,250,112
Soil Conservation Property Tax	0.0090%	\$59,651	\$132,365
Independent School Property Tax	0.9900%	\$6,561,587	\$14,560,126
Transient Room Tax	4.0%	\$2,960,789	\$6,499,206
Frankfort Property Tax	0.1980%	\$1,312,317	\$2,912,025
Occupational Tax*	1.95%		
Franklin County		\$767,109	\$1,702,210
Frankfort		\$1,131,619	\$2,511,056
Total Local Tax Revenues		\$15,183,413	\$33,621,140
Direct Tax Revenues Generated from Project		\$36,924,140	\$81,846,000
State Tax Revenues		\$21,740,727	\$48,224,861
Franklin County Tax Revenues		\$2,006,520	\$4,452,456
Other District Tax Revenue**		\$10,732,956	\$23,745,602
Frankfort Tax Revenues		\$2,443,937	\$5,423,082

*Excluding the hotel, all businesses locating into the district are assumed to be new and therefore subject to an equal City/County split of the City Occupational Tax.

**Includes property tax revenue from the independent school, extension, health, library, and soil conservation property taxing districts, as well as transient room tax revenue.

- **Initial injection into the economy** – During construction, the Project is estimated to generate one-time impacts, directly supporting an estimated 696 construction jobs in Frankfort-Franklin County, while indirectly supporting an additional 166 jobs throughout the area. These jobs are estimated to generate approximately \$41.9 million in wages in Frankfort-Franklin County and throughout the area.

- **Ongoing impact to the economy** – Over a 20-year period, the full Project (upon completion) is estimated to directly support 403 jobs in Frankfort-Franklin County, while indirectly supporting an additional 66 jobs throughout the area. These jobs are estimated to generate approximately \$269.2 million in wages in Frankfort-Franklin County and throughout the area.

II. PROJECT DESCRIPTION

This section provides an overview of the proposed Downtown Frankfort Redevelopment Project (the “Project”) to be located on parcels b and c in Frankfort, Kentucky, including a description of the proposed Project scope, amenities, and site development costs.

Downtown Frankfort Redevelopment Project

CRM Companies (the “Developer”) is planning to redevelop blighted properties and failing structures into a mixed-use development that attracts consistent year-round commercial activity. The existing YMCA on parcel c is deteriorating and unable to support a desire for more childcare options, health and fitness programs, and sports and recreation activities. Absent of a new facility, program offerings are at risk of being outsourced to other locations or canceled due to inadequate space. The adjoining parking structures behind the existing YMCA and on the other side of Clinton Street are also structurally failing and require a plan for reconstruction that will complement future economic development on parcels b and c.

The proposed redevelopment of parcels b and c is anticipated to include a reimagining of the Capital Plaza Hotel, a brand-new YMCA building, office space, retail-restaurant space, and new residential units that could encourage individuals to live and work in downtown Frankfort. However, successful redevelopment of the site will require various public infrastructure improvements that may make the necessary financing difficult to achieve. These improvements are necessary to meet the increasing demand for safe demolition of the existing YMCA and parking structures, adequate structured parking, fluid connections between parcels b and c, and more walkable space on Washington Street.

Based on construction, site work, and miscellaneous costs, the total construction cost, public and private, is estimated to be approximately \$86.9 million. Of this amount, public infrastructure expenditures are estimated at approximately \$10.6 million, including: parking garage (parcel b) at \$6.0 million, site prep/public spaces at \$3.1 million, Washington Street improvements at \$937,500, and demolition at \$500,000.

For the purposes of this analysis, each Project component is shown as being completed and opening for operations at the same time. It is important to note, however, that certain Project components may be phased in depending on demand, financing,

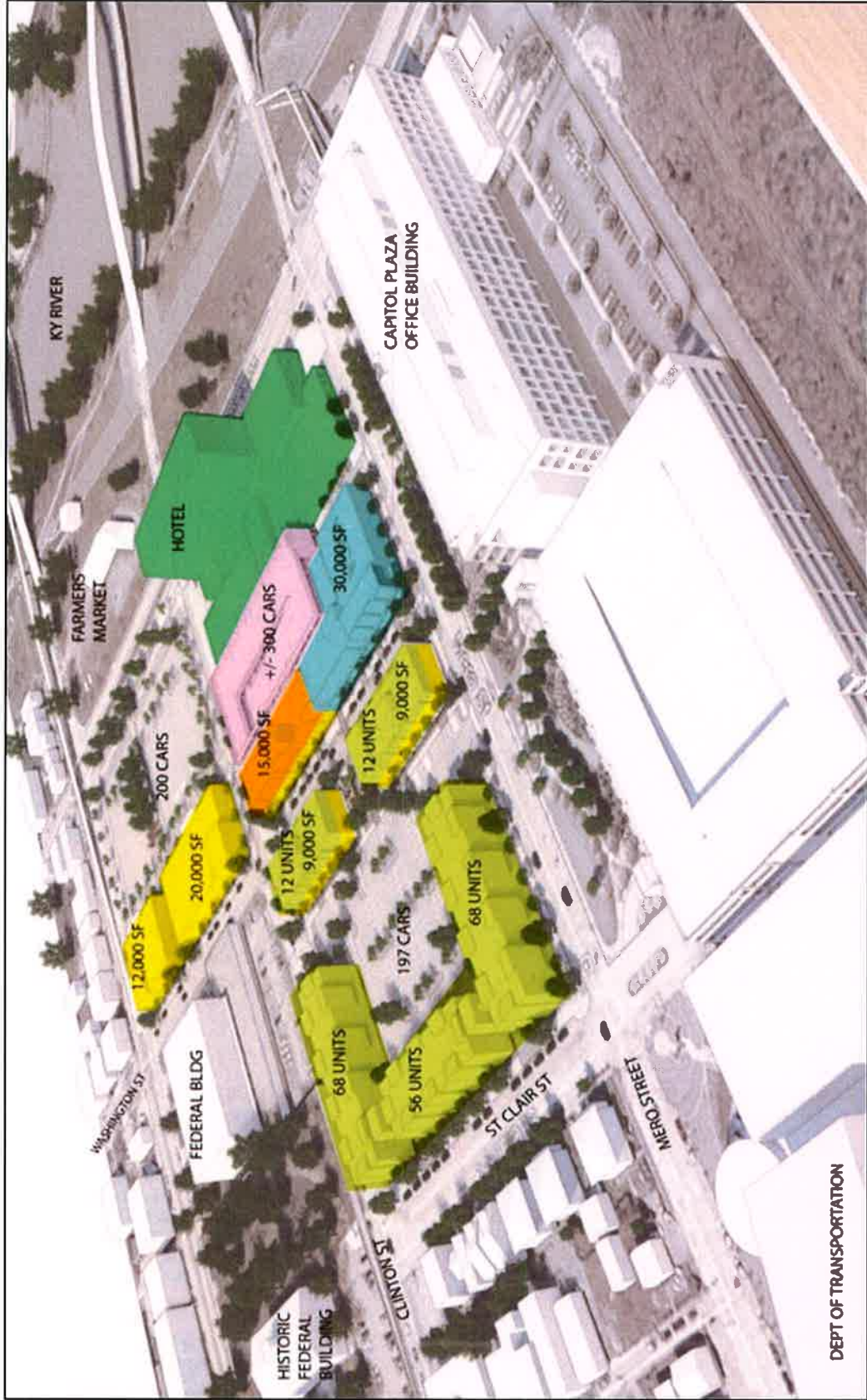
construction timing/ability, etc. This can result in a slightly lower overall amount of incremental revenue being generated during this timeframe as any components that are built-in or open at later dates will have less time to generate incremental tax revenues. A summary of the Project’s anticipated components upon completion can be found below.

Figure 1

Downtown Frankfort Redevelopment Project Estimates		
	<i>Component Cost</i>	<i>Unit Measure</i>
<u>Public Infrastructure</u>		
Parking garage (parcel B)	\$6,000,000	300 Spaces
Site prep/public space	\$3,125,000	
Washington Street	\$937,500	
Demolition	\$500,000	
<i>Sub-total</i>	\$10,562,500	
<u>Private Components</u>		
Hotel (162 rooms)	\$14,000,000	181,300 Sq Ft*
YMCA	\$11,250,000	30,000 Sq Ft
Retail	\$5,578,125	32,500 Sq Ft
Restaurant	\$5,578,125	32,500 Sq Ft
Office	\$2,343,750	15,000 Sq Ft
Residential (216 units)	\$37,600,000	188,000 Sq Ft
<i>Sub-total</i>	\$76,350,000	479,300 Sq Ft
<i>Grand-total</i>	\$86,912,500	479,300 Sq Ft

**Includes 20,000 square feet of meeting space*

Figure 2



III. METHODOLOGY OF IMPACT ESTIMATES

When construction of the proposed Project is complete, the hotel, restaurants, retail stores, office space, and various activities and transactions occurring within the improved site will generate ongoing, annual economic and fiscal impacts to the state and local economies. Initial transactions occurring within the Project will ripple out into the state and local economies and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues resulting from these activities. It is important to understand that these impacts include economic and fiscal activity that may take place outside of the Project footprint. These impact estimates, however, assist in quantifying the Project's overall economic role within the local community and the Commonwealth.

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 Methodology

Economic impact reflects the "ripple effect" or "multiplying effect" from the initial transaction or "direct spending" that occurs as a direct result of a project being developed. As relates to the Project, examples of initial transactions are the visitors' expenditures during their time in Frankfort at the Project's hotel, restaurants, retail stores, and office space. The "ripples" from these initial transactions include the following:

- **Indirect Spending** – consists of the re-spending of the initial or direct expenditures. For example, a visitor'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, and state economies is counted as an indirect economic impact.
- **Induced Spending** – represents changes to 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 Kentucky's 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 as a result of the Project.
- **Increased Employment** – measures the change in number of jobs, area-wide, that result from the initial spending activities that occur as a result of the Project.

Indirect spending, induced spending, increased earnings, and employment impacts 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.

Fiscal Impact Methodology

Fiscal impact measures tax revenues that result from the spending and income related to the activities at the Project. This analysis estimates the full fiscal impact of the proposed Project and separates the various state and local tax revenues.

Below is a breakdown of the tax rates used to estimate the fiscal impacts of the Project:

- **State taxes:**
 - Sales Tax 6.0 percent of sales
 - Property Tax \$0.1220 per \$100 of assessed value
 - Individual Income Tax 4.6 percent of income²
 - Transient Room Tax 1.0 percent of sales
- **Local taxes:**
 - Franklin County General Property Tax \$0.1870 per \$100 of assessed value
 - Other District Taxes
 - Extension Property Tax \$0.01615 per \$100 of assessed value
 - Health Property Tax..... \$0.0725 per \$100 of assessed value
 - Library Property Tax \$0.085 per \$100 of assessed value
 - Soil Conservation Property Tax \$0.009 per \$100 of assessed value
 - Independent School Property Tax \$0.9900 per \$100 of assessed value
 - Transient Room Tax 4.0 percent of sales

² Given the recent tax code changes in Kentucky, Commonwealth Economics is using an effective income tax rate of 4.6 percent on all income earned in the State.

- Frankfort Property Tax \$0.1980 per \$100 of assessed value
- Occupational Tax 1.95 percent of salaries³

Tax rates were obtained from the Kentucky Department of Revenue, the City of Frankfort, and Franklin County. Estimated future tax revenues were generated using the following input assumptions based on industry averages, discussions with the Project team, and direct impact multipliers generated by the IMPLAN modeling software for Frankfort-Franklin, Kentucky.

Downtown Frankfort Redevelopment Project Assumptions⁴

- **Hotel ~ 162 rooms or 181,300 sq ft (meeting space ~ 20,000 sq ft)**
 - RevPAR ~ \$81
 - Catering revenue / per meeting space sq ft ~ \$100
 - Rooms / employee ~ 2.5
 - Average salary ~\$26,345
- **Retail ~ 32,500 sq ft**
 - Sales / sq ft ~ \$325
 - Occupancy ~ 90%
 - Sq ft / employee ~ 233
 - Average salary ~\$15,206
- **Restaurant ~ 32,500 sq ft**
 - Sales / sq ft ~ \$250
 - Occupancy ~ 90%
 - Sq ft / employee ~ 206
 - Average salary ~\$20,179
- **Office space ~ 15,000 sq ft**
 - Occupancy ~ 90%
 - Sq ft / employee ~ 339 sq ft
 - Average salary ~ \$46,930

³ All new businesses (excludes hotel) locating into the district are subject to an equal City/County split of the City Occupational Tax.

⁴ This analysis uses data and assumptions based on economic activity prior to COVID-19 shifts in economic behavior and, accordingly, assumes that economic activity and behavior will return to normal by the time this Project is completed and open. Should pandemic factors continue to affect economic industries, including travel, retail, dining, etc., the differences in realized Project impacts could be significant. As a result of the COVID-19 pandemic and the related actions under the state of emergency in the Commonwealth of Kentucky, many major events and routine activities scheduled within the boundaries of the Frankfort and Franklin County have been cancelled, postponed or rescheduled. These cancellations and postponements have resulted in a corresponding decline in demand, which has and may continue to result in a decline in corresponding tax collections, which may be significant.

IV. ECONOMIC AND FISCAL IMPACT

The following subsections estimate the initial and ongoing economic and fiscal impacts of the Project.

Impact Analysis of Construction

The construction of the Downtown Frankfort Redevelopment Project will create a one-time influx of spending, which will ripple throughout the economy and result in indirect output, induced output, increased wages, and employment, and will result in additional tax revenues from this increased economic activity.

There are two key impacts from construction to both Frankfort-Franklin County and the Commonwealth of Kentucky. First, the construction will directly create construction jobs, which are subject to state individual income and local occupational taxes. Second, construction spending will generate indirect output due to spending on materials, induced output, increased earnings, and employment throughout the economy, as well as state sales tax revenues associated with spending on materials and the induced impacts. Figure 3, below, conceptually illustrates the flows of construction impacts, as well as the assumptions and tax rates utilized for the impact calculation.

Figure 3

Downtown Frankfort Redevelopment Project		
Conceptual Diagram of One-Time Economic and Fiscal Impact from Construction		
Sources of Impact	Economic and Fiscal Impact	Rate
Total Construction Costs		
» Employment and Income Impacts		
	» State Individual Income Tax on Total Wages	4.6%
	» Occupational Tax on Direct Wages	1.95%
» Materials and Induced Output		
	Taxable Induced Spending Estimate	50%
	Taxable Materials Spending Estimate	25%
	» Sales & Use Tax on Materials and Induced Spending	6.0%

Figure 4, on the next page, shows the IMPLAN-calculated impacts derived from construction costs of the Project in order to estimate the resulting direct, indirect, and induced impacts.

Figure 4

Impact Summary - Construction Only				
Impact Type	Employment	Wages	Total Value Added	Output
Direct Effect	696	\$34,250,814	\$44,228,909	\$86,912,500
Indirect Effect	64	\$3,921,794	\$6,122,710	\$10,968,219
Induced Effect	101	\$3,726,255	\$6,721,290	\$12,106,126
Total Effect	862	\$41,898,863	\$57,072,908	\$109,986,845

Shown in Figure 4, the \$86.9 million of capital investment is estimated to generate 862 jobs (696 direct construction jobs and 166 indirect and induced jobs). These jobs are estimated to generate approximately \$41.9 million of total wages (\$34.3 million of direct wages and \$7.6 million of indirect and induced wages).

The one-time influx of these economic impacts will “ripple” throughout the economy and result in indirect increased earnings and employment, both of which generate tax revenues. These fiscal impacts are described in detail in Figure 5 on the next page, which shows the taxes derived from the IMPLAN model results generated using the estimated construction costs of the various Project components.

Figure 5

Downtown Frankfort Redevelopment Project	
Estimates of One-Time Economic and Fiscal Impacts of Construction	
Full Project	
Economic Impact	Total
Direct	\$86,912,500
Indirect	\$10,968,219
Induced	\$12,106,126
Total Output	\$109,986,845
Construction Materials	\$21,728,125
Total Employment	862
Direct Employment	696
Total Wages	\$41,898,863
Direct Wages	\$34,250,814
Fiscal Impact (Tax Revenues)	
State Tax Revenues	
State Sales and Use Tax	
On Induced Spending	\$363,184
On Material Spending	\$1,303,688
State Individual Income Tax	
On Total Wages	\$1,927,348
Total State Tax Revenues	\$3,594,219
Local Tax Revenues	
Occupational Tax	
On Direct Wages	\$667,891
Total Local Tax Revenues	\$667,891
Total Tax Revenues	\$4,262,110

As shown in Figure 5, the one-time impact of construction, alone, is estimated to generate \$110.0 million of total output, \$41.9 million of total wages, 862 jobs, and \$4.3 million of state and local tax revenues during the construction period.

Annual Operational Impact

Upon completion of Project construction, the new hotel, restaurants, retail stores, and office space will generate annual impacts to the local community and the state.

Economic Impact of Hotel

Spending at the hotel will support direct jobs and wages and will also have indirect and induced impacts on both wages and jobs throughout the area. Figure 6 shows the estimated economic impacts of the hotel, annually, and in a 20-year total.

Figure 6

Downtown Frankfort Redevelopment Project Summary of Economic Impacts - Hotel							
	Year 1	Year 2	Year 3	Year 4	Year 5	10-Year Total	20-Year Total
Economic Impact							
Total Revenue (Direct)	\$6,759,965	\$6,895,164	\$7,033,068	\$7,173,729	\$7,317,204	\$74,019,731	\$157,489,404
Indirect Impact	\$1,438,919	\$1,467,697	\$1,497,051	\$1,526,992	\$1,557,532	\$15,755,759	\$33,523,023
Induced Impact	\$752,006	\$767,046	\$782,387	\$798,035	\$813,995	\$8,234,255	\$17,519,759
Total Economic Impact	\$8,950,890	\$9,129,907	\$9,312,506	\$9,498,756	\$9,688,731	\$98,009,744	\$208,532,186
Total Employment	83	83	83	83	83		
Total Wages	\$2,459,913	\$2,509,111	\$2,559,293	\$2,610,479	\$2,662,689	\$26,935,359	\$57,309,498

Economic Impact of Restaurant Space

Spending by visitors on restaurant dining will support direct jobs and wages and will also have indirect and induced impacts on both wages and jobs throughout the area. Figure 7 shows the estimated economic impacts of the restaurant space, annually and in a 20-year total.

Figure 7

Downtown Frankfort Redevelopment Project Summary of Economic Impacts - Restaurants							
	Year 1	Year 2	Year 3	Year 4	Year 5	10-Year Total	20-Year Total
Economic Impact							
Total Revenue (Direct)	\$7,312,500	\$7,458,750	\$7,607,925	\$7,760,084	\$7,915,285	\$80,069,835	\$170,362,017
Indirect Impact	\$1,396,515	\$1,424,445	\$1,452,934	\$1,481,993	\$1,511,633	\$15,291,452	\$32,535,130
Induced Impact	\$1,111,198	\$1,133,422	\$1,156,090	\$1,179,212	\$1,202,796	\$12,167,305	\$25,887,985
Total Economic Impact	\$9,820,213	\$10,016,617	\$10,216,950	\$10,421,289	\$10,629,714	\$107,528,592	\$228,785,132
Total Employment	178	178	178	178	178		
Total Wages	\$3,973,392	\$4,052,860	\$4,133,917	\$4,216,595	\$4,300,927	\$43,507,533	\$92,569,581

Economic Impact of Retail Space

Spending within the retail space will support direct jobs and wages and will also have indirect and induced impacts on both wages and jobs throughout the area. Figure 8 shows the estimated economic impacts of the retail space, annually and in a 20-year total.

Figure 8

Downtown Frankfort Redevelopment Project Summary of Economic Impacts - Retail Space							
	Year 1	Year 2	Year 3	Year 4	Year 5	10-Year Total	20-Year Total
Economic Impact							
Total Revenue (Direct)	\$9,506,250	\$9,696,375	\$9,890,303	\$10,088,109	\$10,289,871	\$104,090,785	\$221,470,622
Indirect Impact	\$1,333,560	\$1,360,231	\$1,387,435	\$1,415,184	\$1,443,488	\$14,602,105	\$31,068,429
Induced Impact	\$784,499	\$800,189	\$816,193	\$832,517	\$849,167	\$8,590,045	\$18,276,763
Total Economic Impact	\$11,624,309	\$11,856,795	\$12,093,931	\$12,335,809	\$12,582,525	\$127,282,935	\$270,815,814
Total Employment	156	156	156	156	156		
Total Wages	\$2,763,469	\$2,818,739	\$2,875,114	\$2,932,616	\$2,991,268	\$30,259,219	\$64,381,568

Economic Impact of Office Space

Spending within the office will support direct jobs and wages and will also have indirect and induced impacts on both wages and jobs throughout the area. Figure 9 shows the estimated economic impacts of the office space, annually and in a 20-year total.

Figure 9

Downtown Frankfort Redevelopment Project Summary of Economic Impacts - Office							
	Year 1	Year 2	Year 3	Year 4	Year 5	10-Year Total	20-Year Total
Economic Impact							
Total Revenue (Direct)	\$3,113,973	\$3,176,252	\$3,239,777	\$3,304,573	\$3,370,664	\$34,097,133	\$72,547,376
Indirect Impact	\$689,470	\$703,259	\$717,325	\$731,671	\$746,304	\$7,549,504	\$16,062,837
Induced Impact	\$640,164	\$652,967	\$666,027	\$679,347	\$692,934	\$7,009,619	\$14,914,141
Total Economic Impact	\$4,443,607	\$4,532,479	\$4,623,129	\$4,715,591	\$4,809,903	\$48,656,256	\$103,524,354
Total Employment	51	51	51	51	51		
Total Wages	\$2,359,642	\$2,406,835	\$2,454,972	\$2,504,071	\$2,554,152	\$25,837,421	\$54,973,452

Summary Economic Impacts of Project

The combined estimated economic impacts of all components over a 20-year period are shown below in Figure 10.

Figure 10

Downtown Frankfort Redevelopment Project Summary of Economic Impacts - Total							
	Year 1	Year 2	Year 3	Year 4	Year 5	10-Year Total	20-Year Total
Economic Impact							
Total Revenue (Direct)	\$26,692,688	\$27,226,542	\$27,771,072	\$28,326,494	\$28,893,024	\$292,277,484	\$621,869,418
Indirect Impact	\$4,858,463	\$4,955,633	\$5,054,745	\$5,155,840	\$5,258,957	\$53,198,819	\$113,189,419
Induced Impact	\$3,287,867	\$3,353,624	\$3,420,697	\$3,489,111	\$3,558,893	\$36,001,224	\$76,598,648
Total Economic Impact	\$34,839,018	\$35,535,798	\$36,246,514	\$36,971,445	\$37,710,874	\$381,477,527	\$811,657,486
Total Employment	469	469	469	469	469		
Total Wages	\$11,556,416	\$11,787,544	\$12,023,295	\$12,263,761	\$12,509,036	\$126,539,532	\$269,234,098

The combined operational economic impacts over a 20-year period are estimated to include approximately \$621.9 million in direct impact and \$811.7 million in total economic impact throughout the area. Ongoing employment is expected to support an additional 469 jobs and a total of \$269.2 million in wages over the 20 years.

Summary of Fiscal Impact from Project Operations

Figure 11, on the next page, summarizes the direct fiscal impact of the Project over 20 years of operations, once all of the anticipated Project elements have come online. State and local tax revenues for the proposed Project site are estimated based on the scope of the Project components discussed in Section II.⁵ To account for the potential growth in future tax revenues, all calculations are adjusted for inflation at a rate of 2.0% each year.

Throughout the 20-year period, it is estimated that the Project could generate approximately \$81.8 million in state and local tax revenues (state: \$48.2 million; local: \$33.6 million).

⁵ It is expressly acknowledged that Commonwealth Economics cannot guarantee and shall face no liability regarding the success of any proposed project, bond issue, loan, grant, the ability to obtain funding from any source or the accuracy of any estimated revenue stream. Commonwealth Economics utilized second and third-party sources including CRM Companies, deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this report are based on trends and assumptions (outlined in detail within this document), 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. This study is not intended to focus on the extent to which the Project will bring "net new" activity to the area. It should be understood that the "net new" economic impacts of certain redeveloped Project components will vary.

Figure 11

Downtown Frankfort Redevelopment Project Estimated Direct Tax Revenue Generated from Project								
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	10-Year Total	20-Year Total
Estimated Future Tax Revenues from Project								
State Tax Revenues								
Sales Tax	\$34,866,794	\$1,435,003	\$1,463,703	\$1,492,977	\$1,522,836	\$1,553,293	\$15,712,880	\$34,866,794
Property Tax	\$1,794,278	\$73,847	\$75,324	\$76,830	\$78,367	\$79,934	\$808,600	\$1,794,278
Individual Income Tax	\$9,938,987	\$409,056	\$417,237	\$425,582	\$434,094	\$442,775	\$4,479,050	\$9,938,987
Transient Room Tax	\$1,624,802	\$67,600	\$68,952	\$70,331	\$71,737	\$73,172	\$740,197	\$1,624,802
Total State Tax Revenues	\$48,224,861	\$1,985,505	\$2,025,215	\$2,065,720	\$2,107,034	\$2,149,175	\$21,740,727	\$48,224,861
Local Tax Revenues								
Franklin County General Property Tax	\$2,750,246	\$113,191	\$115,455	\$117,764	\$120,119	\$122,522	\$1,239,411	\$2,750,246
Other District Taxes								
Extension Property Tax	\$237,521	\$9,776	\$9,971	\$10,171	\$10,374	\$10,581	\$107,040	\$237,521
Health Property Tax	\$1,066,272	\$43,884	\$44,762	\$45,657	\$46,570	\$47,502	\$480,520	\$1,066,272
Library Property Tax	\$1,250,112	\$51,451	\$52,480	\$53,529	\$54,600	\$55,692	\$563,369	\$1,250,112
Soil Conservation Property Tax	\$132,365	\$5,448	\$5,557	\$5,668	\$5,781	\$5,897	\$59,651	\$132,365
Independent School Property Tax	\$14,560,126	\$599,247	\$611,232	\$623,457	\$635,926	\$648,644	\$6,561,587	\$14,560,126
Transient Room Tax	\$6,499,206	\$270,399	\$275,807	\$281,323	\$286,949	\$292,688	\$2,960,789	\$6,499,206
Frankfort Property Tax	\$2,912,025	\$119,849	\$122,246	\$124,691	\$127,185	\$129,729	\$1,312,317	\$2,912,025
Occupational Tax*								
Franklin County	\$1,702,210	\$70,057	\$71,459	\$72,888	\$74,345	\$75,832	\$767,109	\$1,702,210
Frankfort	\$2,511,056	\$103,347	\$105,414	\$107,522	\$109,672	\$111,866	\$1,131,619	\$2,511,056
Total Local Tax Revenues	\$33,621,140	\$1,386,648	\$1,414,381	\$1,442,669	\$1,471,522	\$1,500,953	\$15,183,413	\$33,621,140
Direct Tax Revenues Generated from Project	\$81,846,000	\$3,372,154	\$3,439,597	\$3,508,389	\$3,578,556	\$3,650,127	\$36,924,140	\$81,846,000
State Tax Revenue	\$48,224,861	\$1,985,505	\$2,025,215	\$2,065,720	\$2,107,034	\$2,149,175	\$21,740,727	\$48,224,861
Franklin County Tax Revenue	\$4,452,456	\$183,248	\$186,913	\$190,652	\$194,465	\$198,354	\$2,006,520	\$4,452,456
Other District Tax Revenue**	\$23,745,602	\$980,204	\$999,808	\$1,019,804	\$1,040,200	\$1,061,004	\$10,732,956	\$23,745,602
Frankfort Tax Revenue	\$5,423,082	\$223,196	\$227,660	\$232,213	\$236,858	\$241,595	\$2,443,937	\$5,423,082

*Excluding the hotel, all businesses locating into the district are assumed to be new and therefore subject to an equal City/County split of the City Occupational Tax.

**Includes property tax revenue from the independent school, extension, health, library, and soil conservation property taxing districts, as well as transient room tax revenue.

V. CONCLUSION

This Project will provide a variety of benefits to Frankfort-Franklin County and the surrounding region of Kentucky. The proposed investment will bring new energy to one of Frankfort's oldest areas by reimagining the Capital Plaza Hotel, building a new YMCA facility, building a new parking structure, and redeveloping blighted properties into new residential, dining, shopping, and office space options for patrons and businesses.

In year five, annual economic and fiscal impacts from activities occurring as a result of the Project are estimated to include \$37.7 million of total economic output, \$12.5 million of wages, support for 469 jobs, and \$3.7 million in state and local tax revenues.

Over the 20-year period following Project completion, the anticipated development is estimated to represent \$811.7 million of total economic output, sustain 469 jobs annually, and support approximately \$269.2 million in wages throughout the area, creating a 20-year total of about \$81.8 million in state and local tax revenues.

Successful redevelopment of the site requires various public infrastructure improvements that are necessary to meet the increasing demand for safe demolition of the existing YMCA and parking structures, adequate structured parking, fluid connections between parcels b and c, and more walkable space on Washington Street. These improvements could make the necessary financing difficult for the Project to achieve without other sources of funding.

APPENDIX: TIF-ELIGIBLE INCREMENTAL TAX REVENUE ESTIMATES

	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Downtown Frankfort Redevelopment Project									
TIF-Eligible Incremental Tax Revenues Generated from Project									
Estimated Future Tax Revenues									
State Tax Revenues	\$1,794,278	\$73,847	\$75,324	\$76,850	\$78,367	\$79,934	\$88,254	\$107,581	\$1,794,278
Property Tax	\$34,866,794	\$1,433,003	\$1,463,703	\$1,492,977	\$1,522,836	\$1,553,293	\$1,714,961	\$2,090,328	\$34,866,794
Sales Tax	\$9,938,987	\$409,056	\$417,237	\$425,582	\$434,094	\$442,775	\$488,860	\$595,917	\$9,938,987
Individual Income Tax	\$46,600,059	\$1,917,905	\$1,956,264	\$1,995,389	\$2,035,297	\$2,076,003	\$2,292,075	\$2,794,026	\$46,600,059
Total Future State Tax Revenues									
Local Tax Revenues	\$2,750,246	\$113,191	\$115,455	\$117,764	\$120,119	\$122,522	\$135,274	\$164,898	\$2,750,246
Franklin County General Property Tax									
Other District Property Tax	\$237,521	\$9,776	\$9,971	\$10,171	\$10,374	\$10,581	\$11,683	\$14,241	\$237,521
Extension	\$1,066,272	\$43,884	\$44,762	\$45,657	\$46,570	\$47,502	\$52,446	\$63,951	\$1,066,272
Health	\$1,250,112	\$51,451	\$52,480	\$53,529	\$54,600	\$55,692	\$61,488	\$74,954	\$1,250,112
Library	\$132,365	\$5,448	\$5,557	\$5,668	\$5,781	\$5,897	\$6,311	\$7,956	\$132,365
Soil Conservation	\$2,912,025	\$119,849	\$122,246	\$124,691	\$127,185	\$129,729	\$143,231	\$174,598	\$2,912,025
Frankfort Property Tax									
Occupational Tax*	\$1,702,210	\$70,057	\$71,459	\$72,888	\$74,345	\$75,832	\$80,725	\$102,060	\$1,702,210
Franklin County	\$2,511,056	\$103,347	\$105,414	\$107,522	\$109,672	\$111,866	\$123,509	\$150,357	\$2,511,056
Frankfort	\$12,361,807	\$527,003	\$537,343	\$547,890	\$558,647	\$569,620	\$617,866	\$753,175	\$12,361,807
Total Future Local Tax Revenues									
Total Estimated Future Tax Revenues	\$9,161,866	\$2,134,908	\$2,183,606	\$2,213,279	\$2,283,944	\$2,365,623	\$2,909,941	\$3,517,202	\$9,161,866
Estimated "Baseline" Tax Revenues									
State Tax Revenues	\$118,371	\$4,880	\$4,978	\$5,077	\$5,179	\$5,282	\$5,832	\$7,109	\$118,371
Property Tax	\$5,603,789	\$230,634	\$235,246	\$239,951	\$244,750	\$249,645	\$275,628	\$335,990	\$5,603,789
Sales Tax	\$1,033,301	\$42,527	\$43,378	\$44,245	\$45,130	\$46,033	\$50,824	\$61,954	\$1,033,301
Individual Income Tax	\$6,755,661	\$278,041	\$283,602	\$289,274	\$295,059	\$300,940	\$332,285	\$403,053	\$6,755,661
Total State Tax "Baseline"									
Local Tax Revenues	\$181,744	\$7,480	\$7,630	\$7,782	\$7,938	\$8,097	\$8,939	\$10,897	\$181,744
Franklin County General Property Tax									
Other District Property Tax	\$15,696	\$646	\$659	\$672	\$686	\$699	\$772	\$941	\$15,696
Extension	\$70,462	\$2,900	\$2,958	\$3,017	\$3,078	\$3,139	\$3,466	\$4,225	\$70,462
Health	\$82,611	\$3,400	\$3,468	\$3,537	\$3,608	\$3,680	\$4,063	\$4,953	\$82,611
Library	\$8,747	\$360	\$367	\$375	\$382	\$390	\$430	\$524	\$8,747
Soil Conservation	\$192,435	\$7,920	\$8,078	\$8,240	\$8,405	\$8,573	\$9,465	\$11,538	\$192,435
Frankfort Property Tax									
Occupational Tax	\$438,000	\$18,028	\$18,388	\$18,756	\$19,131	\$19,514	\$21,545	\$26,263	\$438,000
Frankfort	\$989,726	\$40,734	\$41,549	\$42,380	\$43,227	\$44,092	\$48,681	\$59,342	\$989,726
Total Local Tax "Baseline"									
Total Estimated "Baseline" Tax Revenues	\$7,745,387	\$318,775	\$325,130	\$331,653	\$338,286	\$345,052	\$380,965	\$464,395	\$7,745,387
TIF-Eligible Incremental Tax Revenue Generated from Project	\$43,447,600	\$1,788,161	\$1,823,924	\$1,860,402	\$1,897,610	\$1,935,563	\$2,137,017	\$2,605,012	\$43,447,600
State TIF-Eligible Incremental Tax Revenue	\$31,875,519	\$1,311,892	\$1,338,130	\$1,364,892	\$1,392,190	\$1,420,034	\$1,567,832	\$1,911,179	\$31,875,519
Franklin County TIF-Eligible Incremental Tax Revenue	\$4,270,712	\$175,768	\$179,284	\$182,870	\$186,527	\$190,257	\$210,060	\$256,061	\$4,270,712
Other District TIF-Eligible Incremental Tax Revenue**	\$2,508,753	\$102,252	\$105,317	\$107,423	\$109,572	\$111,763	\$123,396	\$150,419	\$2,508,753
Frankfort TIF-Eligible Incremental Tax Revenue	\$4,792,617	\$197,248	\$201,193	\$205,217	\$209,322	\$213,508	\$235,730	\$287,354	\$4,792,617

*Excluding the land, all businesses bearing into the district are assumed to be new and therefore subject to an equal City/County split of the City Occupational Tax.

**Includes TIF-eligible incremental property taxes from extension, health, library, and soil conservation property in taxing districts.

Baseline Tax Revenue Calculation

To properly estimate the tax revenues that will actually be available for a Tax Increment Financing (“TIF”) project, it is necessary to subtract the baseline tax revenues from the expected future revenues. Most of the land within the Project’s footprint is currently owned by the Commonwealth of Kentucky, making them exempt from paying state and local property taxes. However, the Project footprint does include a private hotel, so the amount of property tax revenues currently being generated by the hotel has been estimated, as well as other eligible tax revenues the hotel is currently generating.

Commonwealth Economics and the Project team have estimated a total current assessed value of \$4.0 million for the hotel using the Franklin County PVA database, total existing wages of \$924,506, and total existing sales of \$3.7 million. Based on this analysis, the resulting property, sales, income, and occupational tax baseline calculation for the footprint totals an estimated \$318,775 annually, as shown in Figure 12.

Figure 12

Estimated On-Site Baseline Taxes - Downtown Frankfort Redevelopment Project				
	TIF Rate	Base Taxable		Tax Revenue
		Amount		
State Property Tax	0.1220%	\$4,000,000	(private property value)	\$4,880
State Sales Tax	6.00%	\$3,660,850	(gross sales)	\$230,634
State Individual Income Tax	4.60%	\$924,506	(gross salaries)	\$42,527
City of Frankfort Property Tax	0.1980%	\$4,000,000	(private property value)	\$7,920
Franklin County General Property Tax	0.1870%	\$4,000,000	(private property value)	\$7,480
Other District Property Tax				
Extension	0.0162%	\$4,000,000	(private property value)	\$646
Health	0.0725%	\$4,000,000	(private property value)	\$2,900
Library	0.0850%	\$4,000,000	(private property value)	\$3,400
Soil Conservation	0.0090%	\$4,000,000	(private property value)	\$360
Occupational Tax				
Frankfort	1.95%	\$924,506	(gross salaries & profits)	\$18,028
Total Tax Revenues				\$318,775

Exhibit B

An area to be known as the Downtown Frankfort Development Area containing 18.1 acres located in downtown Frankfort more particularly described as follows:

Beginning at a point at the north eastern edge of the right-of-way of the intersection of St. Clair Street and Mero Street bordering the parcel containing the Kentucky Transportation Cabinet; thence following the northern edge of right-of-way of Mero street in front of the Mayo Underwood Building in a north westerly direction to a point at the north western edge of right-of-way of Wilkinson Blvd adjacent to the corner of the City park property; thence following the western edge of right-of-way of Wilkinson Blvd in a south westerly direction until meeting with the railroad trestle on Broadway Street; thence following along with the center of the railroad tracks in a south easterly direction to a point at the intersection of Broadway and Washington Street even with the property line between the YMCA property and Federal property; thence following said property line in a north easterly direction until a point at the southern edge of right-of-way of Clinton Street; thence following the southern edge of right-of-way of Clinton Street in a south easterly direction until reaching a point on the southern edge of the right-of-way of Clinton Street at the South eastern edge of the intersection of Clinton Street and St. Clair Street; thence following the eastern edge of right-of-way of St. Clair street in a north easterly direction to the point of beginning containing approximately 18.1 acres as shown on the attached map.

Downtown Frankfort Development Area

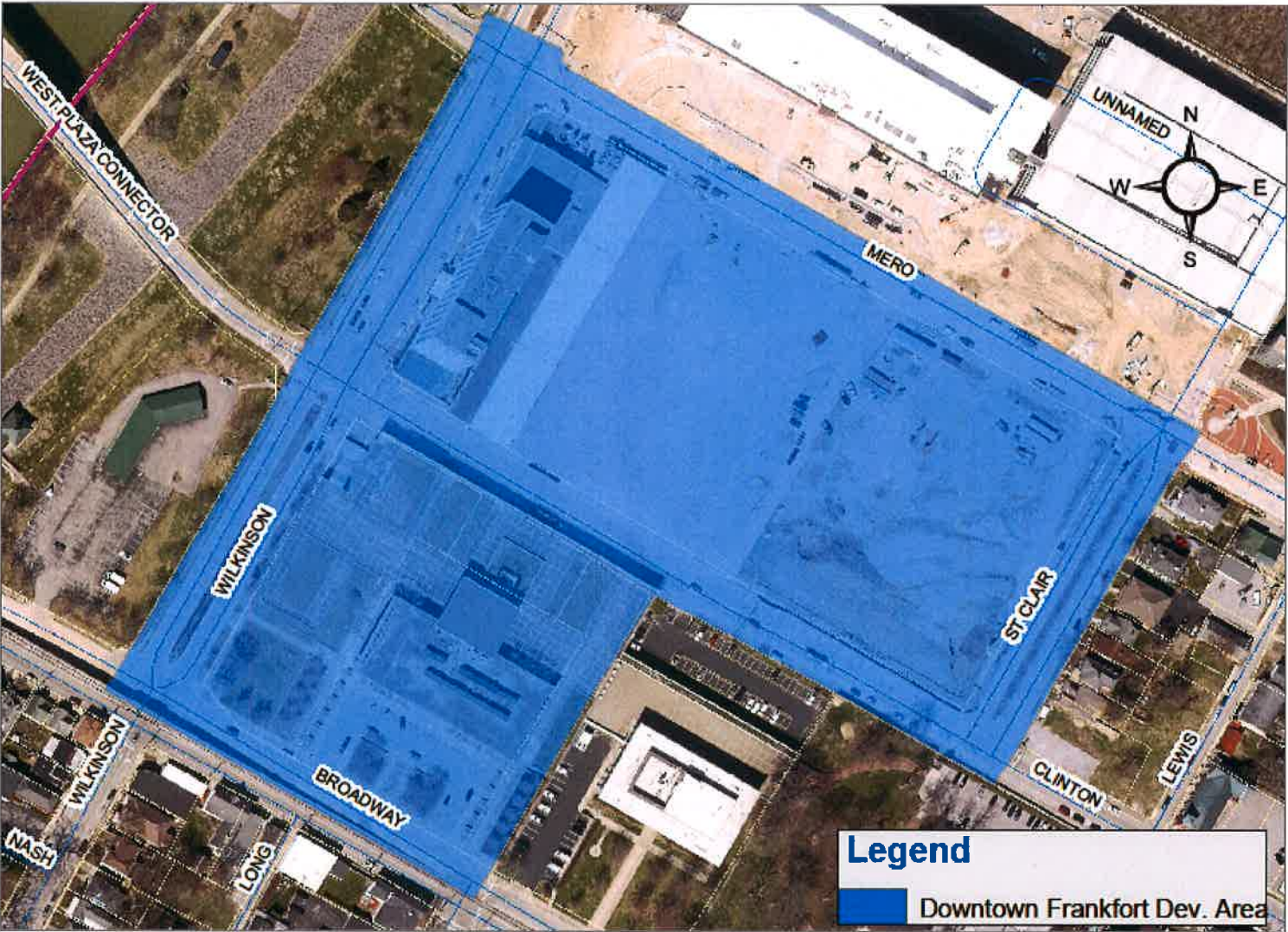


Exhibit C

City of Frankfort

Capital of Kentucky

815 West Second Street, P.O. Box 697
Frankfort, Kentucky 40602
(502) 875-8500

Where History Is Made Every Day

Mayor
William L. May, Jr.

Commissioners

John R. Sawyer
Scott Tippet
Kathleen Walckridge
Eric R. Whisman

May 17, 2020

Re: Proposed TIF Development Plan for Downtown Frankfort Development Area

The City of Frankfort Planning staff has reviewed the Development Plan created for the proposed Downtown Frankfort Development Area TIF District also known as "Parcels B and C". The proposed development is a mixed-use development with a series of uses including but not limited to residential, hotels, retail, restaurants and office uses. Upon reviewing the proposal, planning staff has determined that the proposed development is not in conflict with the Downtown Master Plan or the Comprehensive Plan. The Comprehensive Plan supports Mixed Use development in the downtown area generally and the Downtown Master Plan specifically recommended a similar mixed-use development regime for the subject property.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Eric Cockley, Director
Planning & Community Development

