AECOM Economics

Analysis of the Amended Phoenix Park/ Courthouse Signature TIF

Prepared for

Kentucky UNBRIDLED SPIRIT

Kentucky Cabinet for Economic Development
June 2013

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Executive Summary

This report evaluates the amended application submitted by the Lexington-Fayette Urban County Government (LFUCG) to the Kentucky Economic Development Finance Authority (KEDFA) for the Phoenix Park/Courthouse Signature Tax Increment Financing (TIF) Project. In September 2009, KEDFA awarded the project up to $69,778,000 in TIF funds. Since then, the project struggled to secure financing while the capital and real estate markets collapsed. The project also underwent significant design revisions. The passage of House Bill 260 by the Kentucky General Assembly in March 2013 allowed previously approved Signature TIF projects to reduce the minimum capital investment required from $200 million to $150 million. As a result, an amended application was submitted to KEDFA in May 2013 with a redesigned project and lower capital investment. The LFUCG is requesting $45.5 million in state and local TIF agreements for necessary public infrastructure as well as $47.7 million in financing costs associated with this public infrastructure.

Project Overview

The proposed 14.25 acre site is located in downtown Lexington. The proposed mixed use development includes:

- 286 key, full-service hotel which includes 8 condominiums
- 96 apartments with 10,700 square feet of ground floor retail space
- Office building with 157,710 square feet of Class A office space as well as restaurant and retail space
- 2 story retail building with a roof top café/bar
- Galleria
- 3 story underground parking garage with 701 spaces.

Additions to public infrastructure include an underground parking garage and enhancements to the public space and parks.

Acquisition of the land and demolition of existing buildings occurred in 2008. Construction is estimated to begin in January 2014 and last for two years. The Applicant requests that the TIF begin September 23, 2013 lasting 30 years, ending in September 23, 2043.

Proposed Investment

The total project cost, including capital investment, public infrastructure and financing costs, is estimated at $393.9 million. The estimated capital investment for this project is $193.3 million which includes $45.5 million in public infrastructure costs. The majority of the public infrastructure budget, $31.9 million, will be used to build a three-story underground parking garage with 701 spaces.

Market Research

AECOM reviewed the current market conditions in the Lexington MSA to understand the economic environment in which the project will operate and evaluate whether market conditions are supportive of the proposed components.

- The MSA population is concentrated in Fayette County, where there has been continued growth.
- Average household size in the MSA is the smallest in Fayette County, which reflects the more urban nature of the county as well as the growing population of young professionals.
- Median household income is projected to grow at a healthy rate of 2.7 percent annually from 2012 through 2017. The number of households with between $50,000 and $75,000 in income is projected to grow 4.4 percent annually over this time period.
- Unemployment rates in Lexington have consistently been at, or more often, below, national and state rates since 1990. Unemployment peaked in 2009 at 8.4 percent, much lower than the double digit levels experienced in most other Kentucky metro areas. In 2012, the average unemployment rate in Lexington was 6.6 percent compared to 8.2 percent in the state and 8.1 percent nationally.
- The economy is diverse with several sectors including government, education and health services as well as professional and business services growing during the recent economic downturn.

Hotel Performance

- There are 67 hotel properties in Lexington providing 7,638 rooms. Of those., 27 hotels have been built since 1990 adding 2,576 rooms. Hotel demand has been growing in Lexington, surpassing 2010 levels when Lexington hosted the Alltech FEI World Equestrian Games (WEG).
- Among Upper Upscale properties in Lexington, comparable to that being proposed, demand has been flat since 2000. However, based on information from the Lexington Convention and Visitors Bureau, we anticipate the addition of this hotel may generate demand for additional regional and national conventions.

Real Estate Markets

- Downtown, there are 258 properties with nearly 5 million square feet of office space, the majority of which is Class B. Currently there are approximately 1.5 million square feet of Class A, with the lowest vacancy rate downtown, 9.2 percent as of the first quarter of 2013. Leases are averaging $17.82 per square foot, compared to an average of $15.28 for the entire Lexington market. According to local economic developers and real estate consultants, there is demand for additional Class A office space downtown since there is not enough contiguous space available for companies to locate downtown.

- There are 3 million square feet of retail space downtown with a vacancy rate of 3 percent and leases averaging $13.55 per square foot compared to a regional average of $12.83 per square foot.

Economic and Fiscal Impacts

AECOM estimated the potential net new economic and fiscal impacts of the proposed Phoenix Park/Courthouse Signature TIF project over the life of the TIF, October 2013 through September 2043. It is assumed that the project will open all at once in 2016, not in phases. The project components that were determined to generate new revenue within the State of Kentucky include:

- Construction
- Hotel
- Office
- Restaurant
- Retail
- Visitor Spending

Visitor spending is associated with additional meeting and convention attendees as a result of the hotel property being added downtown. The other project components such as residential and community services were determined to either generate little new revenue or represent transfer spending, spending that would have occurred elsewhere in the State.

Net New Fiscal Impacts

	30 Year Total
Fiscal Impacts by Type of Tax	
Ad Valorem Tax	$9,321
Corporation Income Tax	$1,062
Individual Income Tax	$26,265
Sales Tax	$29,489
Total	$66,136
Fiscal Impacts by Project Component	
Construction	$13,835
Hotel	$14,844
Office	$18,311
Restaurant	$8,270
Retail	$3,892
Visitor spending	$6,984
Total	$66,136
Fiscal Impacts from Baseline	
Ad Valorem Tax	$433
Corporation Income Tax	$0
Individual Income Tax	$1,737
Sales Tax	$15,134
Total	$17,304
Total Net New Fiscal Impacts	**$48,833**

Note: Totals may not add due to rounding.
All dollars in thousands.

Since this is an amended application, AECOM used the projected a baseline from the original application. Here we estimated the potential impact on the site if the development were not to occur. These impacts are subtracted out from the impacts of the proposed development resulting in net new fiscal impacts. The fiscal impacts capture state property tax, personal income tax, corporate income tax and sales tax.

TIF impacts were measured from October 2013 through September 2043. The potential new fiscal impact from this development is $66,136,000. When accounting for the baseline, a total of $17,304,000, the net new fiscal impact to the State of Kentucky is $48,833,000.

Conclusion

Based on the information provided in the application, in conjunction with AECOM's interviews with the development team and local officials, AECOM concludes that the proposed development will not occur on this site as outlined in the application without the use of state TIF funds.

01

Introduction

This report evaluates the amended application submitted by the Lexington-Fayette Urban County Government (LFUCG) to the Kentucky Economic Development Finance Authority (KEDFA) for the Phoenix Park/Courthouse Signature Tax Increment Financing (TIF) Project. KEDFA granted this project preliminary approval in February 2009 and final approval in September 2009. Since that time, the design of the project has changed considerably with several smaller buildings rather than a single tower as originally proposed. In May 2013, an amended application was submitted for review. The project is located on 14.25 acres in downtown Lexington, Kentucky and includes a variety of uses including hotel, office, residential, restaurants and retail. It also includes an underground parking garage.

The State's Cabinet for Economic Development has contracted with AECOM to provide an independent economic and fiscal impact analysis of the proposal. The purpose of this report is to gauge, independently, the likely economic and fiscal impact of the project, net of any substitutions that may be made. The conclusions of this report will be presented to the Kentucky Economic Development Finance Authority, which will consider the conclusions of this report when determining how much tax increment financing, if any, to award the applicant.

This report is divided into the following sections:

- Overview of TIF Program
- Project Overview
- Market Research
- Sources of Economic and Fiscal Impacts
- Economic and Fiscal Impact Model Results

02

Overview of TIF Program

The purpose of this report is to evaluate the Application submitted by the Lexington-Fayette Urban County Government based on guidelines set out in Chapter 154, Subchapter 30 of the Kentucky Revised Statutes (KRS). The relevant sections to this report are:

- KRS 154.30-030 which sets out the requirements of the independent consultant's report and
- KRS 154.30-050 Signature Project Program, which establishes and sets guidelines for the Signature Project Program TIF.

Program Overview

The program under consideration here is tax increment financing, wherein future tax revenues on a site are pledged toward economic development incentives. The incentives are for the public infrastructure of the proposed development. The program is designed to provide economic assistance to projects that require some public participation for infrastructure components, without which development would be infeasible.

The Signature Project Program, established in KRS 154.30-050, aims to assist in projects representing at least $200 million in total capital investment that will have a "significant impact" on the state and that will improve the surroundings so as to justify "extraordinary public support." The TIF incentive is limited to 30 years under this enabling legislation.

Project Requirements

There are several requirements for a Signature Project:

- The project must represent new activity in the state.
- It must be at least a $200 million total capital investment.
- Only 20 percent of the project – measured in terms of capital investment or finished square footage – is permitted to be devoted to retail.
- The project must generate a net positive economic and fiscal impact to the state, taking into account the potential adverse effects on other businesses, what is termed in this report "substitute spending."

Changes enacted by the 2010 Kentucky General Assembly enable proposed projects located on vacant land to be considered for state TIF participation if they are within three miles of a military base that houses, deploys or employs at least 25,000 military personnel, their families, military retirees or civilian employees per KRS 65.7049(3)(b)2.

In March 2013, House Bill 260 was passed in the Kentucky General Assembly signed by the Governor. The bill amends KRS 154.30-050 and allows the Kentucky Economic Development Finance Authority to reduce the minimum capital investment required on certain Signature TIF projects with an existing agreement from $200 million to $150 million. These projects have to meet the following criteria:

- Approved to proceed with a project after January 1, 2008, but before January 1, 2013, that, at the time of approval pledged to make the $200 million investment requirement; and
- Had a consultant report prepared pursuant to KRS 154.30-030(6).

The minimum capital investment could be reduced to an amount not less than $150 million and is subject to a corresponding adjustment of the maximum incremental revenue available for recovery as appropriate, based upon the recommendation of the consultant who prepared the report pursuant to KRS 154.30-030(6).

State Participation

The State's three TIF programs, including the Signature Project Program, are designed to operate in concert with a local taxing jurisdiction. A city or county government may apply for state participation after the local jurisdiction has established a development area. The local jurisdiction is required to certify that the development area is not reasonably expected to be developed absent public participation per KRS 65.7049. The State then joins the local jurisdiction in committing future tax revenues (the increment) to retiring debt to cover initial improvements. The program limits the amount of State participation in any given Signature Project: the State incentive can only be used for a limited amount of approved costs. These are:

- All public infrastructure costs, net of sales tax paid on the materials.
- Signature project costs, which often include land acquisition costs.
- Financing (interest) costs associated with the TIF.

The state limits its participation to the public infrastructure costs and the signature project costs. Public infrastructure costs are generally interpreted to be utilities (including water and sewer), street construction, parks, landscaping in public places, parking, curbs, sidewalks and other elements that enhance the public way. Signature costs are other necessary project elements that are not necessarily public infrastructure, but are nonetheless considered by the Kentucky Economic Development Finance

Authority (KEDFA) to represent a unique challenge such that the project could not be developed without incentives according to KRS 154.30-010. Land acquisition is the most common type of signature cost.

Process

KEDFA is the state agency that supervises the Signature Project Program. A city or county government must apply for state participation in a TIF district. Once that application is filed, the authority reviews it for preliminary approval. Part of this preliminary approval is to establish the approved public infrastructure, signature, and financing costs; in this way, the authority sets the maximum level of state participation in the program.

After a project has been granted preliminary approval, it proceeds to an independent consultant, in this case AECOM, for review. As the selected consultant, AECOM is charged with ensuring that the proposed project would provide a net positive economic impact to the state, taking into account the potential for economic substitutions. Several executive branch agencies, including the Office of the State Budget Director, the Finance and Administration Cabinet, and the Cabinet for Economic Development, work with the consultant before the final report is issued to ensure that the report meets the requirements (outlined below). Once this independent study is complete, the authority meets to review the consultant's report and considers giving its final approval to the project.

Requirements of the Consultant Report

- Report the development costs approved in advance by the authority during the preliminary review period. This would include public infrastructure, land preparation, demolition, and clearance costs.
- Establish the feasibility of the project to guard against state participation in a project that carries an undue amount of risk.
- Estimate the local and state tax revenues that would be generated inside the development area net of any tax revenue likely to have been displaced from other areas of the state.
- Establish a likely baseline – the amount of tax revenue that would have been generated in the development area absent the proposed project. This includes the tax revenue likely to be generated by the existing users on the site.
- Determine, on the basis of net new fiscal impact, whether the proposed project represents a positive benefit to the state.
- Determine whether the project would occur without the state's participation in the program.

The requirements set out in KRS 154.30-030 form the basis of this report.

03

Project Overview

In September 2009, the Kentucky Economic Development Finance Authority approved the Lexington-Fayette Urban County Government's (LFUCG) application for the Phoenix Park/Courthouse Signature Tax Increment Financing (TIF) project. The project was awarded up to $69,778,000 in TIF funds which included $36,885,000 for proposed public infrastructure, $1,125,00 for signature costs and $32,893,000 for recoverable financing costs. Since then, the project struggled to secure financing while the capital and real estate markets collapsed in the recent recession. The project also underwent significant design revisions. The passage of House Bill 260 by the Kentucky General Assembly in March 2013 allowed previously approved Signature TIF projects to reduce the minimum capital investment required from $200 million to $150 million. As a result, an amended application was submitted to KEDFA in May 2013 with a redesigned project and lower capital investment.

The proposed 14.25 acre site is located in downtown Lexington between Mill Street on the east, Limestone Street on the west, Vine Street on the south and Short Street on the north, though not every parcel bounded by these streets is in the development area. A detailed map is in the Appendix. The proposed mixed use development includes office, residential (both condominiums and apartments), retail, restaurants and a full-service hotel with a spa. Additions to public infrastructure include an underground parking garage and enhancements to the public space and parks for an estimated $45.5 million.

The original project was a nearly $300 million investment with a 250 room hotel, 12,000 square foot spa, 42,000 square feet of Class A office space, 89 luxury condominiums and 30,000 square feet of ground floor retail space, highlighted by a 35 story high rise. Public infrastructure included an underground parking garage, pedway, restoration of the Fayette County Courthouse and other improvements to parks, streetways and utilities in the TIF footprint.

The development area remains unchanged from the original application. However, the design has changed significantly with the high rise tower replaced with smaller buildings for hotel, office and retail space. There are fewer condominiums but more office space. The total investment is $193,326,257. Specifically the project includes:

- 286 key, full-service hotel which includes 8 condominiums
- 96 apartments with 10,700 square feet of ground floor retail space
- Office building with 157,710 square feet of Class A office space as well as restaurant and retail space
- 2 story retail building with a roof top café/bar
- Galleria
- 3 story underground parking garage with 701 spaces.

Acquisition of the land and demolition of existing buildings occurred in 2008. Construction is estimated to begin in January 2014 and last for two years. The Applicant requests that the TIF begin in September 2013 lasting 30 years, ending in September 2043.

Table 1: Project Timeline

Project Component	Timeline
Acquisition of all property within development area	May 2008
Demolition of existing structures	August 2008
Construction begins	January 2014 (estimated)
Construction ends	January 2016 (estimated)
TIF begins	September 23, 2013
TIF ends	September 23, 2043

Source: Amended TIF application

Proposed Investment

The $193.3 million project will be supported by $40 million in equity or cash with the remainder, approximately 80 percent of the costs, to be covered by debt issuance supported by state and local TIF and private sources.

Table 2: Sources of Funds

Funding Source	Amount	Share
Equity or cash	$40,000,000	20.7%
Proceeds from debt issuance		
Supported by State TIF participation	$27,471,556	14.2%
Supported by local TIF participation	$18,030,666	9.3%
Supported by private sources	$107,824,035	55.8%
Total estimated sources of funds	$193,326,257	100.0%

Source: Amended TIF application

The public investment of $45.5 million would be split between the state and the LFUCG with approximately 60 percent of the costs ($27.5 million) covered by the state TIF.

Table 3: Estimated Capital Investment Costs

Cost	Amount	Share
Labor	$63,801,985	33.0%
Land acquisition	$16,000,000	8.3%
Contract bonds	$3,067,742	1.6%
Architectural/engineering services	$8,865,673	4.6%
Contractual	$93,309,720	48.3%
Other estimated costs	$8,281,137	4.3%
Total capital investment	$193,326,257	100.0%

Source: Amended TIF application

Total capital investment is estimated at $193.3 million. Contractual costs, which include all costs that are required to be paid under the terms of any contract(s) for the acquisition, construction, installation, equipping and rehabilitation of the project, make up the largest share of the budget, 48.3 percent.

Table 4: Estimated Public Infrastructure Costs

Cost	Amount	Share
Public buildings/structures	$7,500,000	16.5%
Curbs, sidewalks, promenades and pedways	$600,000	1.3%
Roads	$2,000,000	4.4%
Street lighting	$500,000	1.1%
Public spaces or parks	$3,000,000	6.6%
Parking	$31,902,222	70.1%
Total estimate public infrastructure costs	$45,502,222	100.0%

Source: Amended TIF application

Public infrastructure costs include all costs associated with the acquisition, installation, construction or reconstruction of public works, public improvements and public buildings including planning and design costs associated with the development of such amenities. Public infrastructure costs are estimated at $45.5 million. The majority, $31.9 million, will be used to build a three-story underground parking garage with 701 spaces. There is considerable demand for additional parking in downtown Lexington. The proposal also includes renovating the Fayette County courthouse.

Table 5: Estimated Total Project Costs

Cost	Amount	Share
Public infrastructure	$45,502,222	11.6%
Signature costs	$0	0.0%
Other capital investment	$147,824,035	37.5%
Financing costs		
Public infrastructure	$47,733,947	12.1%
Signature costs	$0	0.0%
Other capital investments	$152,848,380	38.8%
Total estimated uses of funds	$393,908,584	100.0%

Source: Amended TIF application

The total project cost, including capital investment, public infrastructure and financing costs, is estimated at $393.9 million.

Based on the information provided in the application, in conjunction with AECOM's interviews with the development team and local officials, AECOM concludes that the proposed development will not occur on this site as outlined in the application without the use of state TIF funds.

04

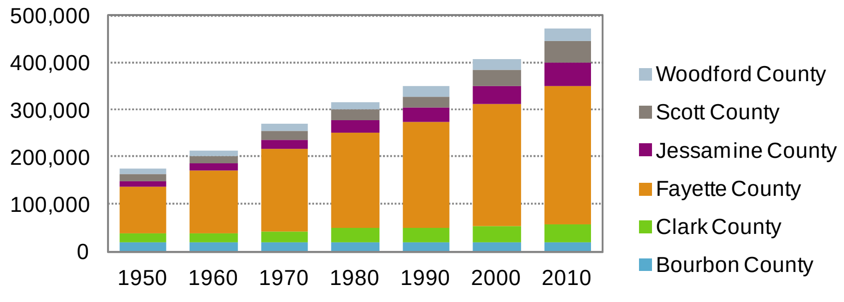
Market Research

This section provides information on the demographics, economic conditions and real estate markets in Lexington, Kentucky to understand the economic environment in which the project will operate and evaluate whether market conditions are supportive of the proposed components.

Demographics

The Lexington metro area is made up of five counties surrounding Fayette county.

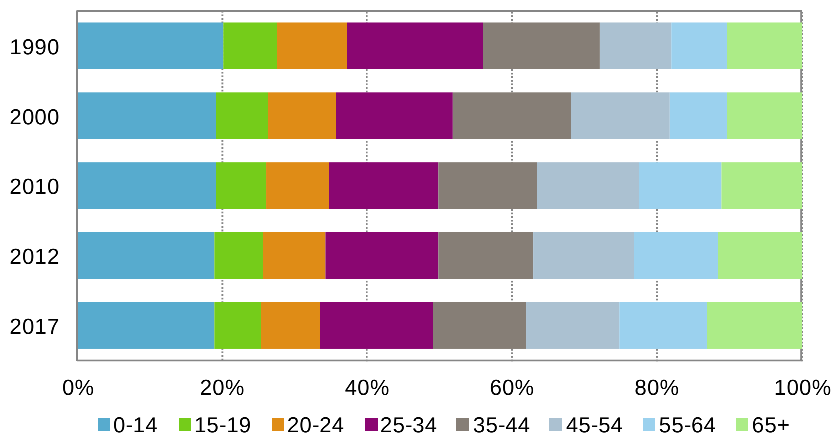
Figure 1: Lexington MSA Population by County



Source: U.S. Census Bureau

Since 1950, the Lexington MSA population has more than doubled, with 472,099 residents in 2010. Most of that growth occurred in Fayette County, where the majority of residents live (63 percent). In recent decades, population growth has been stronger in Jessamine and Scott counties though population size is comparatively small. Population projections from the Kentucky State Data Center at the University of Louisville indicate that the MSA population could surpass 700,000 by 2045.

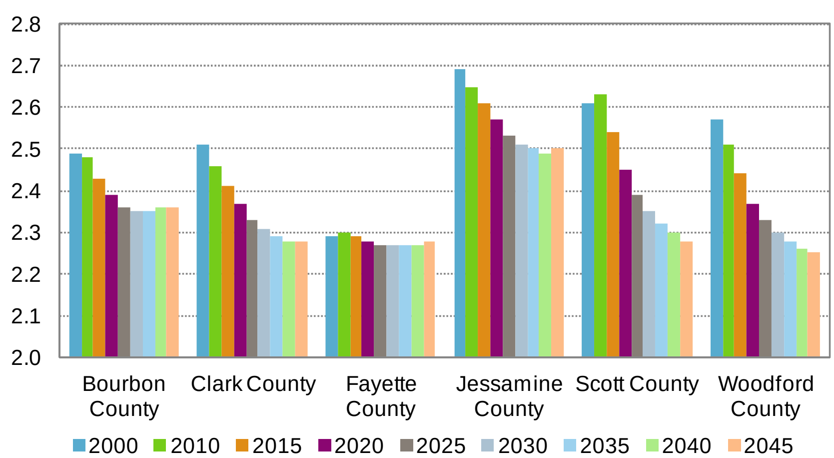
Figure 2: Lexington MSA Population by Age



Sources: U.S. Census Bureau and ESRI Business Analyst

In 2012, the median age of residents in the Lexington MSA was 35.2 years old and projected to reach 35.7 by 2017. The adjacent chart shows that the MSA has been experiencing a decline in the share of the population under the age of 45. However, the group of people considered young professionals, between the ages of 25 and 34 us expected to start growing share. This may reflect graduates from University of Kentucky staying in the region after graduation.

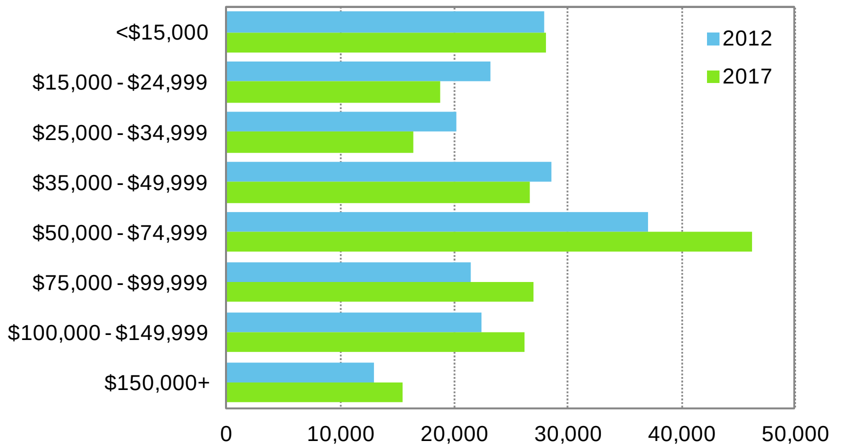
Figure 3: Average Household Size in the Lexington MSA by County



Source: Kentucky State Data Center

Household size in the MSA has remained at 2.39 since 2000 though data from the Kentucky State Data Center shows that trend will slowly change as households are projected to get smaller. However, there is considerable variation throughout the region with much lower household sizes in Fayette County. This reflects the more urban nature of the county as well as the growing population of students attending the colleges and universities.

Figure 4: Lexington MSA Household Income



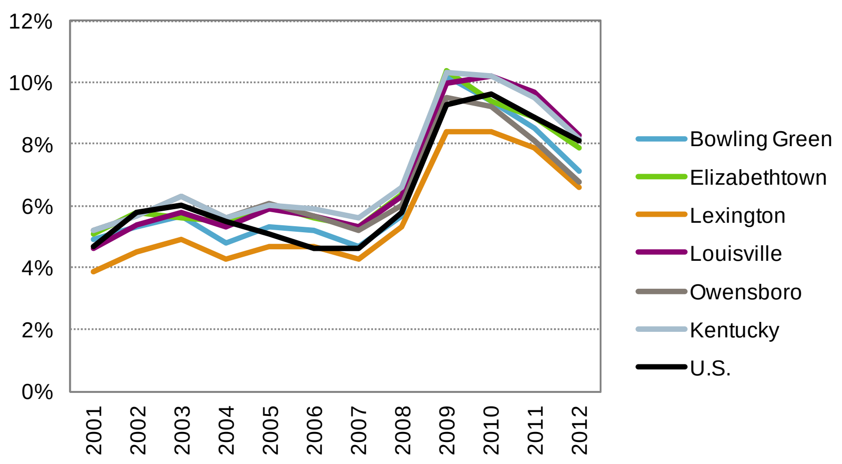
Source: ESRI Business Analyst

Median household income is projected to grow at a very healthy rate of 2.7 percent annually from 2012 through 2017. The adjacent chart shows the number of households in the MSA by range of household income. The trend is very clear with a distinct shift from households at the lower income levels moving in higher income categories. The number of households with between $50,000 and $75,000 in income is projected to grow 4.4 percent annually over this five year time period.

Socioeconomic Conditions

Since the Great Recession began, considerable attention has been paid to unemployment levels throughout the country.

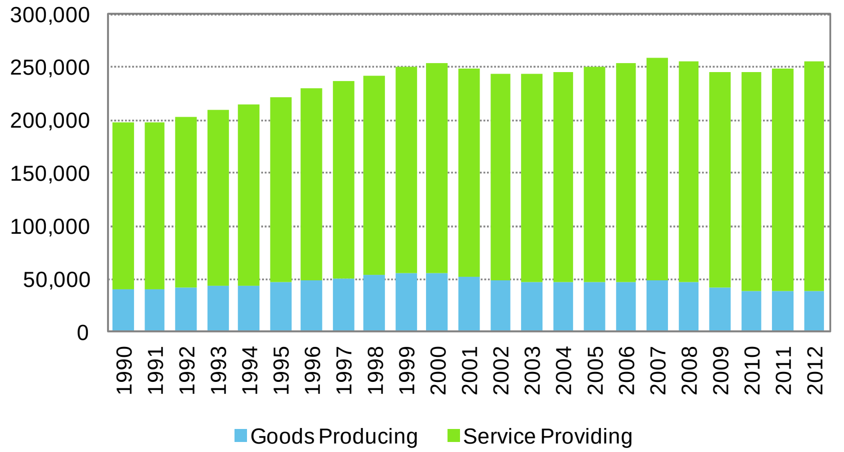
Figure 5: Annual Unemployment Rates in Kentucky MSAs



Source: U.S. Bureau of Labor Statistics

Unemployment rates in Lexington have consistently been at, or more often, below, national rates since 1990. The adjacent chart presents unemployment rates for the metro areas in Kentucky since 2001 as compared to state and national averages. In Lexington, unemployment peaked in 2009 at 8.4 percent, much lower than the double digit levels experienced in most other Kentucky metro areas. It also appears that the economic recovery began a bit earlier with unemployment rates dropping slightly faster than in other Kentucky cities. In 2012, the average unemployment rate in Lexington was 6.6 percent compared to 8.2 percent in the state and 8.1 percent nationally.

Figure 6: Nonfarm Employment in Lexington MSA by Broad Category



Source: U.S. Bureau of Labor Statistics

Service providing jobs have always made up the majority of nonfarm employment in Lexington, but that share has been steadily growing. In 1990, 20 percent of jobs were goods producing and 80 percent were service providing. Goods producing sectors are manufacturing, construction, mining and logging. Goods producing jobs as a share of nonfarm employment peaked in 1998 at 22 percent. In 2012, 15 percent of the workforce is employed in those sectors.

The following table presents select years of employment data for the Lexington MSA by sector. The largest employment sector has been government with 52,200 jobs in 2012. This sector has also experienced strong growth since 2000, a compound annual growth rate (CAGR) of 1.6 percent. Growth is occurring in the education and health services sector as well, averaging 1.5 percent per year. These sectors did not experience as much volatility as other sectors during the recent recession adding stability to the market. Other top employment sectors include manufacturing and retail trade, which both have lost jobs since 2000.

Table 6: Nonfarm Employment in Lexington MSA, Select Years (thousands of jobs)

Industry	2000	2002	2004	2006	2008	2010	2012	CAGR
Goods Producing	**55.3**	**49.1**	**46.7**	**47.7**	**47.3**	**39.2**	**39.1**	**-2.8%**
Mining, Logging, and Construction	13.8	12.6	12.5	12.6	12.4	9.9	10.1	-2.6%
Manufacturing	41.5	36.5	34.2	35.2	34.9	29.3	29.1	-2.9%
Service-Providing	**197.8**	**195.0**	**198.6**	**206.6**	**208.2**	**206.9**	**215.8**	**0.7%**
Wholesale Trade	9.0	8.9	9.2	9.6	9.5	9.1	9.4	0.4%
Retail Trade	30.7	28.0	28.2	28.8	29.0	27.4	27.9	-0.8%
Transportation and Utilities	7.8	7.6	7.2	7.7	8.5	8.2	9.1	1.3%
Information	7.2	7.4	6.5	6.6	6.2	5.5	5.8	-1.8%
Financial Activities	10.6	10.1	10.8	11.1	10.5	9.9	9.8	-0.7%
Professional and Business Services	28.6	25.8	28.7	30.8	29.8	29.4	32.0	0.9%
Education and Health Services	27.8	29.4	30.3	31.1	29.8	31.3	33.1	1.5%
Leisure and Hospitality	23.2	23.6	24.4	25.5	26.8	26.4	26.6	1.1%
Other Services	10.0	9.8	10.2	9.9	9.9	9.7	9.9	-0.1%
Government	43.0	44.4	43.0	45.6	48.2	50.1	52.2	1.6%
Total Nonfarm	**253.1**	**244.1**	**245.2**	**254.3**	**255.5**	**246.0**	**255.0**	**0.1%**

Source: U.S. Bureau of Labor Statistics

The major regional employers, listed below, reflect Lexington's diversified economy with employers in education, manufacturing, government and healthcare, among other sectors. The largest employer in the MSA is the University of Kentucky with 14,000 employees.

Table 7: Major Regional Employers

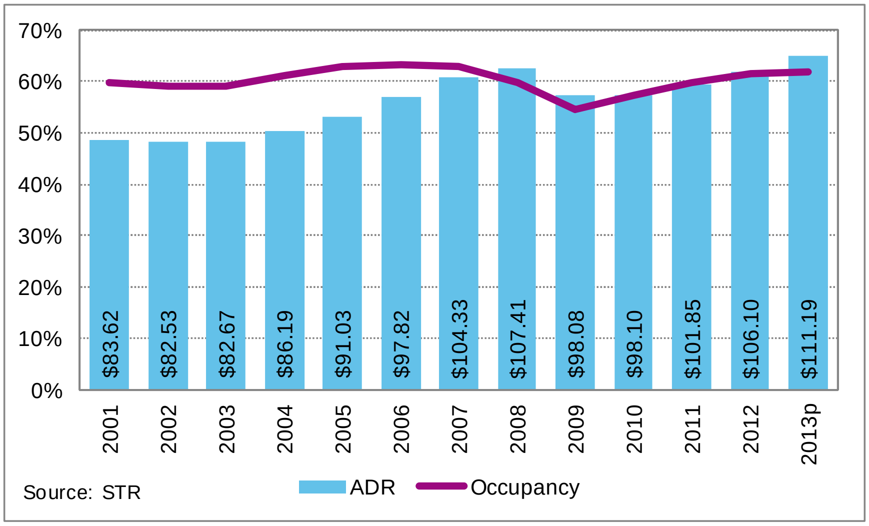
Company	Sector	Full-Time Employees
University of Kentucky	Higher Education	14,000
Toyota Motor Manufacturing Kentucky	Manufacturing	7,900
Lexington-Fayette Urban County Government	Local Government	2,699
Fayette County Public Schools	Local Education	5,374
Xerox	Outsourcing	3,000
Lexmark International Inc	Global Headquarters	2,800
Baptist Healthcare System Inc	Healthcare	3,000
St. Joseph Hospital	Healthcare	2,500
Wal-Mart	Retail	2,027
Lockheed Martin	Contract Support Services	1,705
Kroger	Retail	1,665
Veterans Medical Center	Healthcare	1,500
Lexington Clinic	Healthcare	1,300
Amazon.com	Distribution	1,200
Trane Lexington	Manufacturing	1,000

Source: Commerce Lexington, Inc.

Hotel

The travel industry was hit by declines in both leisure and business travel. Its recovery began in 2010 though it has been uneven. Increases in occupancy did not always translate into revenue gains as many hotel properties lowered their room rates due to increased competition. In addition, there was a downshifting in type of hotel used. Instead of staying in an Upper Upscale hotel such as a Hilton, Hyatt or Marriott, travelers choose instead to stay in Upscale hotels such as a Courtyard, Crowne Plaza or Hilton Garden Inn. This trend occurred across the scales with the exception perhaps of Luxury properties.

Figure 7: U.S. Hotel Performance



Data from Smith Travel Research (STR), an international organization that monitors hotel performance data across the United States, shows that occupancy dropped to a low of 54.6 percent in 2009. Since then, it has grown an average of 3.2 percent annually. Average daily rate (ADR) also peaked in 2009 but is expected to surpass its previous peak, $107.41, in 2013. Occupancy peaked in 2006 at 63.2 percent and is recovering slower, projected to reach 62 percent in 2013.

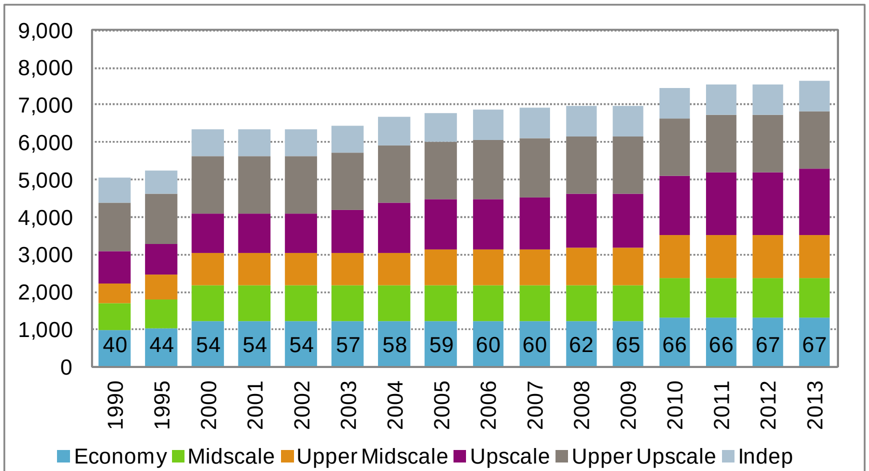
Lexington Hotel Market

According to STR, there are 67 hotel properties in Lexington providing 7,638 rooms. STR classifies hotels into chain scale segments based on their brand as well as average room rates. Independent hotels, regardless of their average room rates, are grouped in a separate category. The segments include:

- Luxury Chains
- Upper Upscale Chains
- Upscale Chains
- Upper Mid Scale Chains
- Mid Scale Chains
- Economy Chains
- Independents

There are no luxury hotels currently in the Lexington market. The following chart shows the number of hotels operating in Lexington as well as the number of rooms by class.

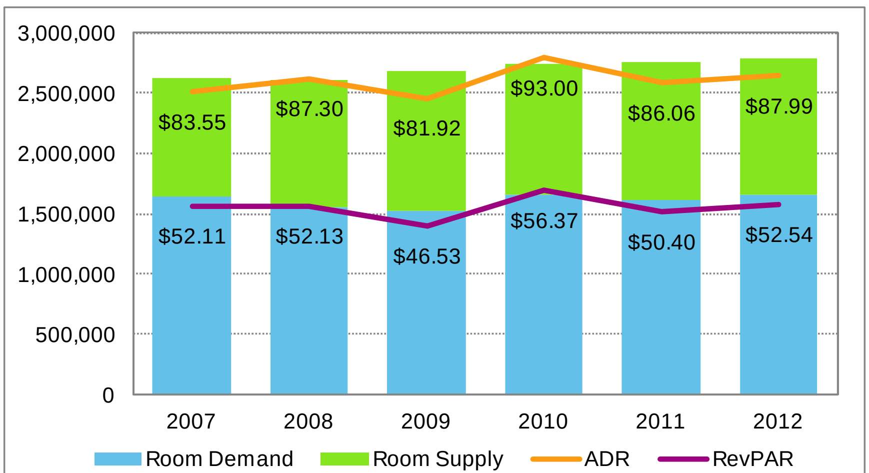
Figure 8: Lexington Hotel Market



Source: STR

Since 1990, 27 hotels have been built adding 2,576 rooms. The largest share of rooms added were in Upscale hotels, 905 rooms, such as Courtyard, Hilton Garden Inn, Residence Inn and Homewood Suites. Today, Upscale hotel rooms make up 23 percent of the hotel rooms in Lexington followed by Upper Upscale rooms. Upper Upscale hotels include the Hyatt Regency, Marriott Griffin Gate and Hilton Suites Lexington Green.

Figure 9: Lexington Hotel Performance, 2007-2012



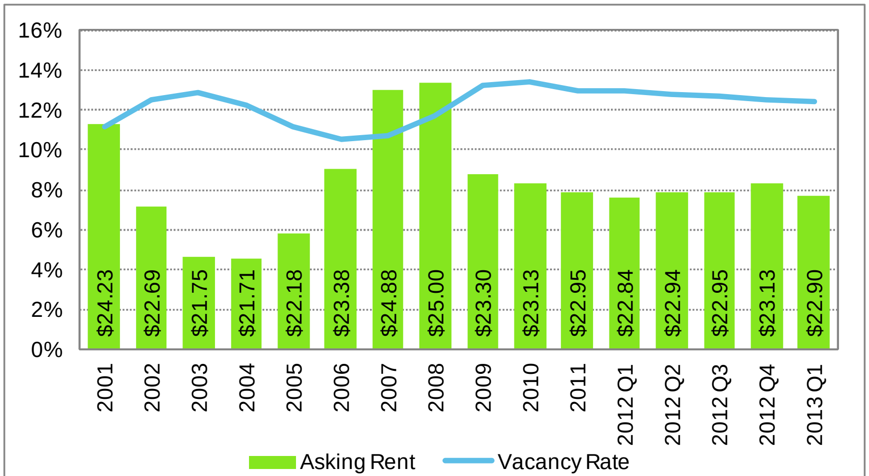
Source: STR

Data from the Lexington Convention and Visitors Bureau shows hotel performance since 2007. The Alltech FEI World Equestrian Games (WEG) were hosted in Lexington in 2010 pushing demand, and average daily rates, higher. However, in 2012 room demand surpassed those levels suggesting a recovered hotel market. The average occupancy rate has been just under 60 percent. Average daily rates have also recovered, surpassing pre-recession levels. In 2012, the ADR was nearly $88 per room in Lexington. Revenue per available room (RevPAR), is a measure of total room revenues generated divided by the entire supply of hotel rooms, not just those sold which the ADR measures. RevPAR is more easily comparable across hotel markets and factors in occupancy. RevPAR peaked in 2010 with the WEG and averaged $52.54 in 2012.

Office

Layoffs and downsizing have left office space throughout the U.S. vacant. The U.S. labor market lost approximately 8.8 million jobs. Though the economy is recovering, the rate of growth among office-suing jobs – information, professional and business services and finance – has not reached previous levels. As a result, Newmark Grubb Knight Frank Research estimates that there are about 100 million square feet of shadow space on the market – space that is leased but unoccupied. As the leases expire, this space becomes available keeping the vacancy rate high.

Figure 10: National Office Vacancy and Asking Rent in Metro Areas

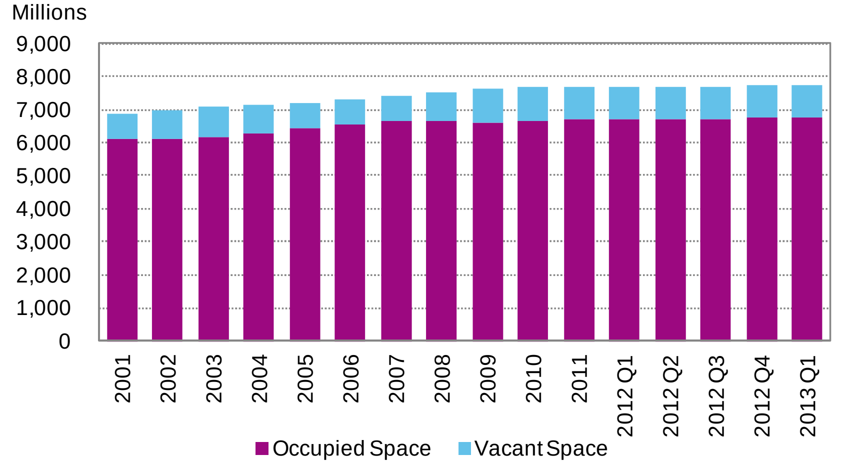


Source: CoStar Group, Inc.

Higher vacancy rates correspond to lower asking rents as shown below. Asking rents peaked in 2008 at $25 per square foot before the markets crashed. In 2009, vacancy rates grew to 13.2 percent with rents averaging $23.30 per square foot. Vacancy rates are improving, but very slowly. Currently 12.4 percent of office space is vacant.

CoStar's database of existing and under construction office buildings in each metropolitan area includes office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings. CoStar Group's national database includes approximately 80.7 billion square feet of coverage in 3.5 million properties. As of the first quarter of 2013, there were 7.7 billion square feet of office space, of which nearly 6.8 billion square feet were occupied.

Figure 11: Occupied and Vacant Office Space in U.S. Metro Areas



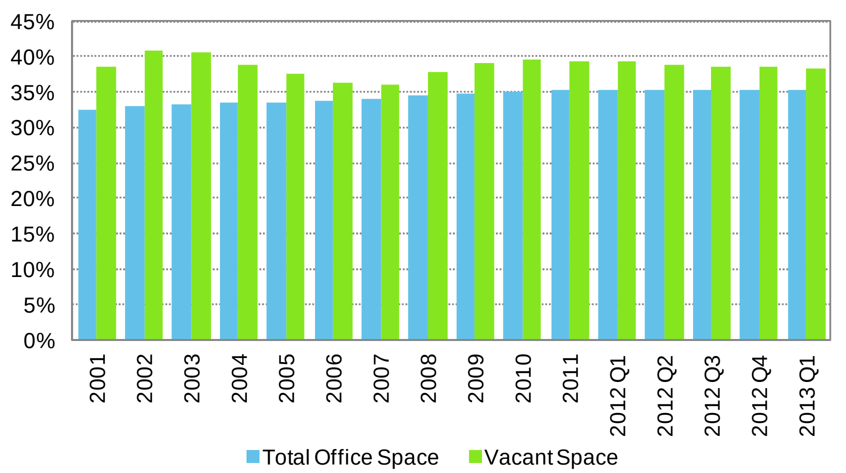
Source: CoStar Group, Inc.

The amount of new office space added to the market tapered off quickly starting in 2009. From 2001 to 2008, 682 million square feet of office space were built in the U.S., an average of 97 million square feet annually. Since, the figure averages about 40 million square feet added each year. The following chart shows occupied and vacant office space in the U.S. since 2001 as measured by CoStar Group.

Office space is allocated into three classes:

- **Class A** – Extremely desirable, investment-grade properties that command the highest rents or sales prices in the market. Such buildings are well-located, provide efficient tenant layouts as well as high quality space and amenities.
- **Class B** – Utilitarian space in buildings without special attractions or amenities. These properties lack prestige though they are new or fairly new and well maintained.
- **Class C** – Basic space in no-frills, older buildings that have the lowest rents in the market.

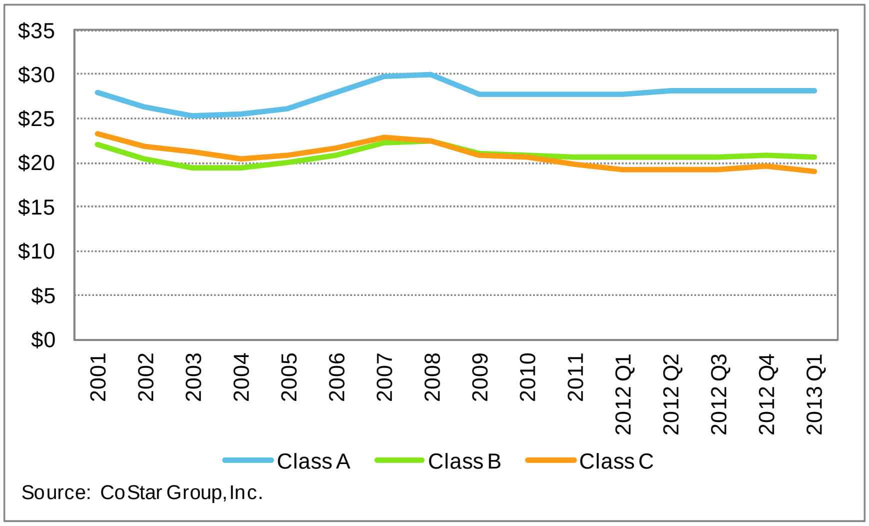
Figure 12: Class A Share of Total Office Space in U.S. Metro Areas



Source: CoStar Group, Inc.

In the U.S. more than half of the new office space added since 2001 has been Class A. Currently, there are 2.7 billion square feet of Class A office space, of which, 13.5 percent are vacant. As shown below, Class A office space makes up about nearly 35 percent of all office space, but has a higher share of the vacant office space.

Figure 13: Average Rent for U.S. Metro Area Office Space by Class

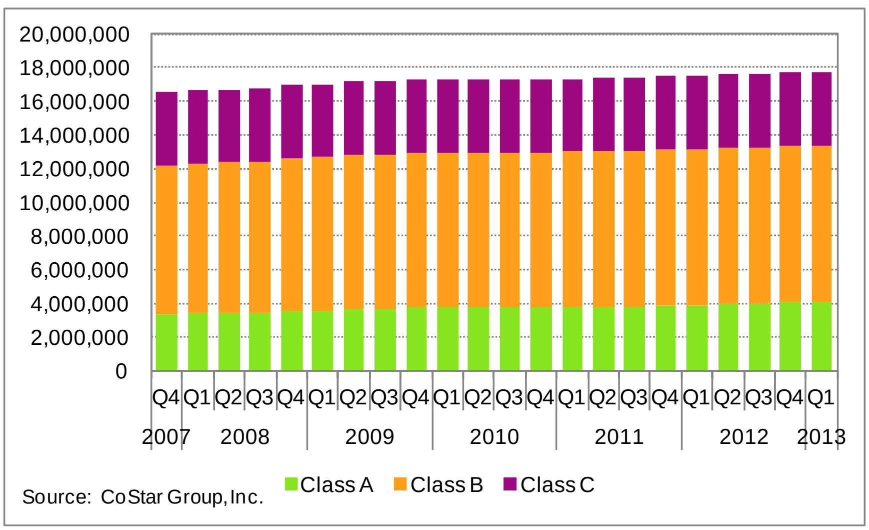


Average rents for Class A space peaked in 2008 at $30.02 per square foot and fell to a low of $27.64. Rents for this type of space did not lose as much value as the other types of office space. For the past four quarters, rents averaged $28.15 per square foot nationally for Class A office space.

Lexington Office Market

In the Lexington market, there are nearly 17.5 million square feet of office space with the majority (12.7 million square feet) located outside of the central business district. Class A space represents less than one-quarter of the office space market. However, of the 1.2 million square feet added to the market since 2007, more than half (691,000 square feet) has been Class A.

Figure 14: Lexington Office Space by Class



Lease rates in Lexington average $15.28 per square foot as of the first quarter of 2013. Rents for Class A space are significantly higher, $17.92 per square foot. The following table shows that Class A properties are significantly larger than the other buildings, averaging nearly 58,000 square feet compared to 18,100 for Class B buildings and 7,000 for Class C. More than half the total space is Class B, but there are more Class C properties in the market. The most recent addition of office space was a 128,000 square foot Class A building for Tempur-Pedic on the Coldstream Research Campus in West Lafayette. There is no office space currently under construction in Lexington which means that as the economy recovers, the vacant space can be absorbed.

Table 8: Office Space by Class in Lexington Market, 2013 Q1

Market	Existing Inventory Bldgs	Existing Inventory Total RBA	Existing Inventory Avg. Size	Vacancy Rate	YTD Net Absorption	Quoted Rates
Class A	69	3,986,073	57,769	13.0%	(7,253)	$17.92
Downtown	12	1,451,629	120,969	9.2%	17,635	$17.82
East Lexington	23	887,771	38,599	15.6%	(8,613)	$19.03
Jessamine County	3	103,536	34,512	0.0%	0	$15.65
West Lexington	31	1,543,137	49,779	15.9%	(16,275)	$17.65
Class B	509	9,231,245	18,136	11.4%	24,387	$14.93
Class C	604	4,254,967	7,045	6.7%	(6,270)	$11.06
Total	1,182	17,472,285	14,782	10.6%	10,864	$15.28

Source: CoStar Group, Inc.

Downtown, there are 258 properties with nearly 5 million square feet of office space. The vacancy rate is slightly higher than the rest of the market and rents are slightly lower.

Table 9: Office Space in Downtown Lexington, 2013 Q1

Market	Existing Inventory # Blds	Existing Inventory Total RBA	Vacancy Rate	YTD Net Absorption	Quoted Rates
Class A	12	1,451,629	9.2%	17,635	$17.82
Class B	137	2,648,763	11.9%	(3,587)	$14.44
Class C	109	698,705	13.8%	(2,000)	$11.01
Total	258	4,799,097	11.4%	12,048	$15.04

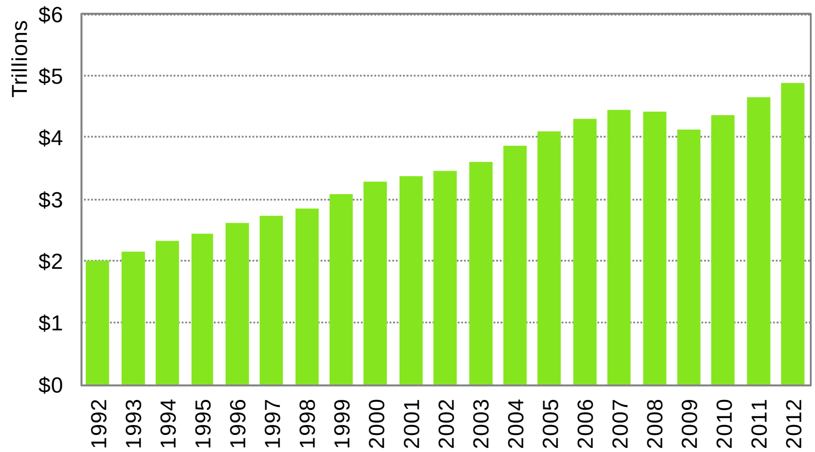
Source: CoStar Group, Inc.

The majority of the space downtown is Class B. There is demand for additional Class A office space downtown according to local economic developers and real estate consultants. There is not enough contiguous space available for a company to locate downtown. In addition, most of the space is fairly dated and lacking some of the support and capacity required for modern technology. Currently there are approximately 1.5 million square feet, with the lowest vacancy rate downtown, 9.2 percent as of the first quarter of 2013. Leases are averaging $17.82 per square foot.

Retail Market

Over the past several years of recession, retail sales declined as economic uncertainty grew in 2008 and 2009. Declines in net worth and home equity hindered consumer spending. Recovery began slowly in 2010 with some lingering concerns of a double dip recession through 2011. However, pent up demand combined with recovery in the housing markets, resulted in retail sales surpassing their previous peak in 2012, reaching nearly $4.9 trillion.

Figure 15: National Retail Sales, 1992-2012

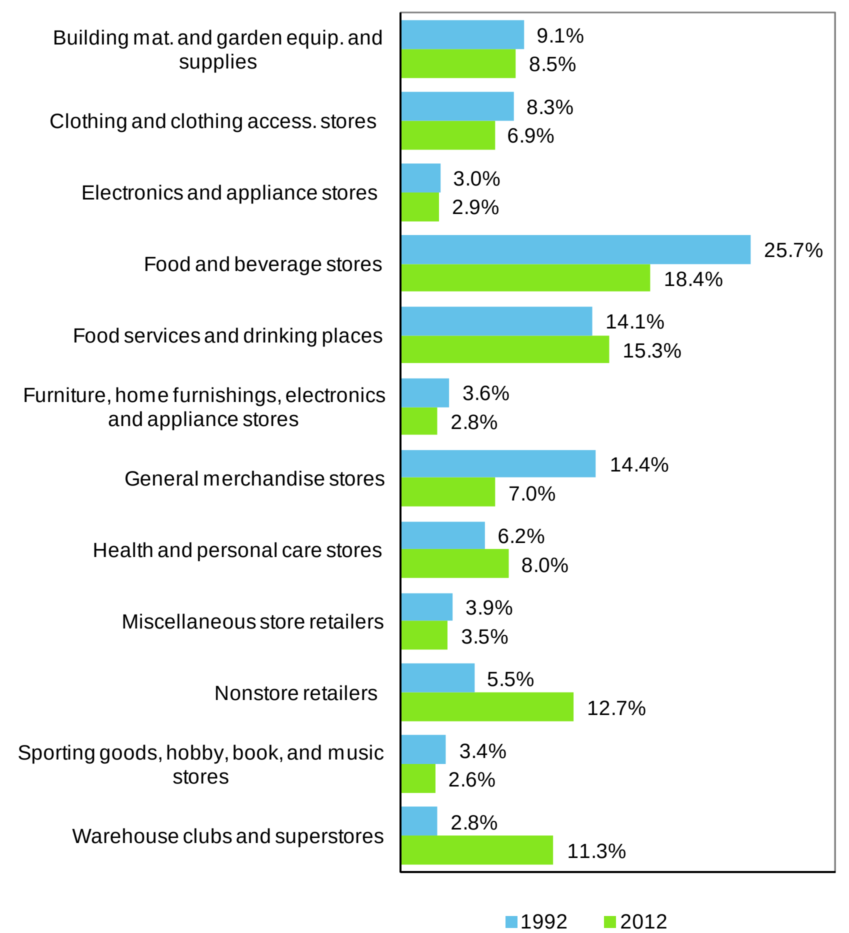


Source: U.S. Census Bureau

Since 1992, retail sales have grown at an average rate of 4.5 percent annually. However, there are notable differences in where retail dollars are being spent reflecting changes in consumer preferences.

The most significant change occurred amongst food and beverage (grocery) stores, falling from 25.7 percent of all general retail dollars in 1992 to 18.4 percent in 2012. Growth in big box and super store formats is a partial explanation as general retailers such as Wal-Mart, Target and Kmart have added groceries into their retail mix. Department stores have also seen their share of spending decrease over time. While larger format building material stores (Lowes/Home Depot) have dramatically altered the market for home improvement supplies, their share of retail sales peaked in 2006.

Figure 16: National Retail Sales by Category, 1992-2012



Source: U.S. Census Bureau

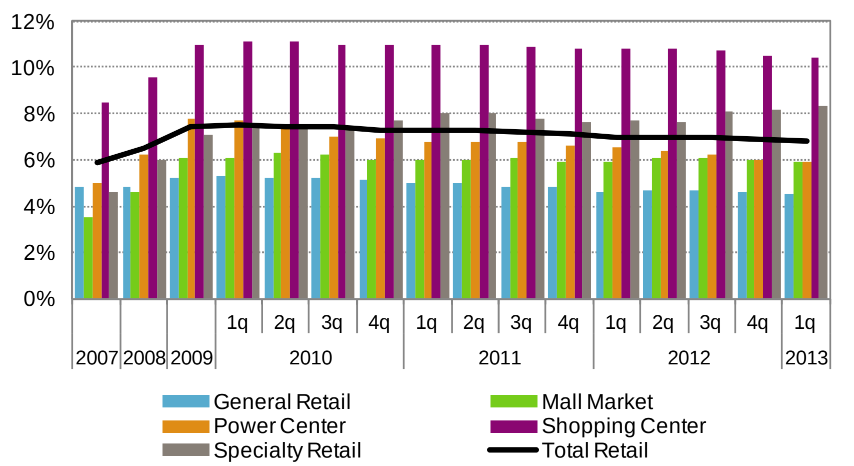
Technology has had a massive impact on retail as evidenced by an increasing share of online retail spending (non-store retailers), growing from 5.5 percent in 1992 to 12.7 percent in 2012. In response to dramatic growth in mobile technology through smart phone usage and social media, retailers as diverse as Macys, Nordstrom, Saks, Walgreens and Target are using an "omni-channel" strategy which presents a seamless experience model that delivers a consistent shopping experience across all customer touch points. Some retailers are moving to smaller storefronts, a showroom type model, and encouraging their customers to shop online. This drives down demand for real estate as less space is needed for product storage.

Two trends that will impact the retail market are worth noting – the sluggish rebound in the housing market and the push for taxation of online retail sales. Retail sales depend on household growth and new household formation. However, more young adults are living at home longer waiting for the economic recovery to take root. With small improvements in job creation, retail sales will rise. Second, pressure has been growing on Congress to address the sales tax exemption for interstate online retail sales. State and local governments, joined by some business interests, are pressing for the sales tax issue to be addressed as tax receipts for retail sales continue to drop due to the growth of online shopping.

The economic downturn has had an impact on real estate as well. Several large big box retailers were not able to weather through the economic downturn such as Borders, Circuit City and Linens 'n Things. Other chains are merging operations, such as Office Depot and OfficeMax, while other large retailers close underperforming stores across the country such as Kmart, Abercrombie & Fitch, and most recently, Blockbuster Video. These retailers have left large, empty storefronts in their wake and communities are struggling to fill them. At the same time, other retailers thrived as shoppers with consumers becoming more value-driven as household income declined. These cost-conscious shoppers shifted their spending to discount, dollar and thrift stores though it is expected that as employment and household spending recover, retail patterns will shift back.

In total, there are 10.2 billion square feet of retail space throughout U.S. metro areas according to CoStar Group, Inc. Nearly half is considered general retail space with the next largest share in shopping centers. Power centers experienced the largest growth in retail space since 2007, growing at an average annual rate of 1.6 percent as did specialty realty. The amount of retail space being constructed fell dramatically in 2009 as credit markets froze and project financing became very difficult. Even as the financial sector recovered, the amount of retail space expected to be delivered to market in the U.S. in 2013 is 35.8 million square feet compared to a high of 261.6 million square feet in 2006.

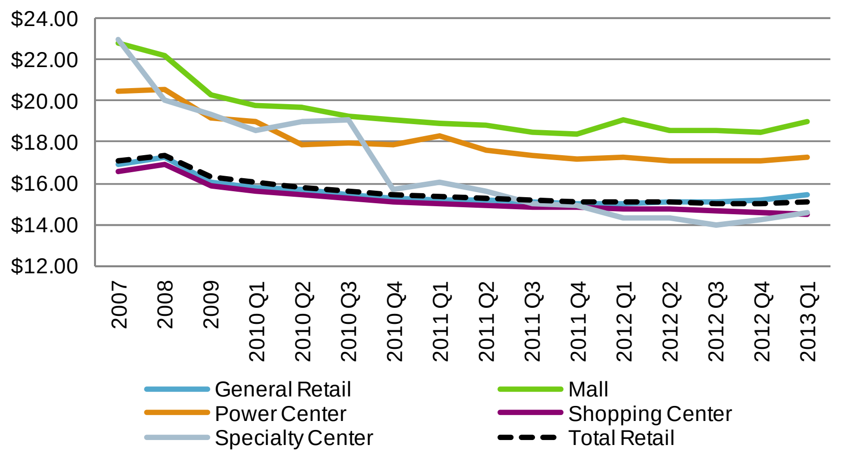
Figure 17: National Retail Vacancy Rates by Type of Retail, 2007-2013



Source: CoStar Group, Inc.

Nationally, the average vacancy rate for all retail space peaked in the first quarter of 2010 at 7.5 percent. It has slowly rebounded but remains at 6.8 percent, still higher than pre-recession levels. The chart below shows that general retail (typically single tenant, freestanding retailers) experienced the lowest vacancy rates. However, vacancy rates at shopping centers (this includes community centers, neighborhood centers and strip centers) peaked at 11.1 percent, stayed there for several quarters and have experienced a very slow recovery. Shopping centers make up 33.8 percent of the retail market in terms of square footage, and 51.9 percent of the vacant space.

Figure 18: Average Rent per Square Foot



Source: CoStar Group, Inc.

Typically, as vacancy rates peak, the asking rent per square foot falls. However, as shown in the following chart, even as vacancy rates recovered, rates still fell. Rates are starting to rise again, but remain quite a distance from their peak in 2007. Rents for general retail space peaked in 2008 at $17.28 per square feet and fell to a low of $15 per square foot by the fourth quarter of 2011. Currently general retail space rents for an average of $15.48 per square foot. Retail space in specialty centers lost the most value over this time period from $22.94 per square foot to a low of $13.96 per square foot. Specialty centers include airport retail, outlet centers and theme/festival centers.

Lexington Retail Market

According to data from the CoStar Group, Inc., there are 2,209 retail properties in the Lexington area with 30.7 million square feet of space (gross leasable area or GLA). The Lexington market is dominated by general retail space with 1,802 properties and 14.9 million square feet of space followed by shopping centers with 11.1 million square feet. Rents at power centers are the highest at $19.75 per square foot. General retail commands the lowest rents, $11.74 per square foot.

Table 10: Lexington Retail Market by Type of Retail, 2013 Q1

	Existing Inventory		Vacancy	YTD Net	Under	Average
Type of Retail	# Blds	Total GLA	Rate	Absorption	Const.	Rate
General Retail	1,802	14,856,969	3.8%	(1,418)	41,468	$11.74
Mall	3	2,066,284	2.9%	7,353	0	$14.21
Power Center	4	2,369,297	2.5%	0	0	$19.75
Shopping Center	173	11,055,141	9.0%	1,799	0	$12.83
Specialty Center	3	395,188	1.9%	0	0	$12.00
Total	2,209	30,742,879	5.5%	7,734	41,468	$12.83

Source: CoStar Group, Inc.

The largest share of retail space in the Lexington market is located in East Lexington/Fayette with 11.3 million square feet of space, of which 6.0 percent is vacant. Space was leased at an average of $13.27 per square foot. Downtown Lexington has nearly the lowest vacancy rate at 3 percent with nearly 3 million square feet of retail space which leases at an average of $13.55 per square foot. Vacancy rates ranged from 2.7 percent in Woodford County to 8.1 percent in Clark County, averaging 5.5 percent for the region.

Table 11: Lexington Retail Market, 2013 Q1

Market	Existing Inventory # Blds	Existing Inventory Total GLA	Vacancy Rate	YTD Net Absorption	Under Const.	Average Rate
Bourbon County	87	842,410	5.0%	4,560	0	$9.26
Clark County	133	1,600,121	8.1%	(5,740)	0	$9.30
Downtown Lexington	259	2,977,190	3.0%	(339)	0	$13.55
East Lexington/Fayette	801	11,323,208	6.0%	(7,331)	11,468	$13.27
Jessamine County	167	3,005,844	5.7%	(3,966)	0	$11.78
Scott County	167	2,254,577	4.6%	(9,379)	0	$10.50
West Lexington/Fayette	502	7,987,635	5.8%	25,346	30,000	$13.42
Woodford County	93	751,894	2.7%	4,583	0	$12.37
Total	2,209	30,742,879	5.5%	7,734	41,468	$12.83

Source: CoStar Group, Inc.

There has been no new space added in 2013 though there are two properties currently under construction which will add 41,468 square feet of retail space to the market. These are both in Fayette County, though not downtown. The average lease rate for retail space was $12.83 per square foot in the first quarter of 2013.

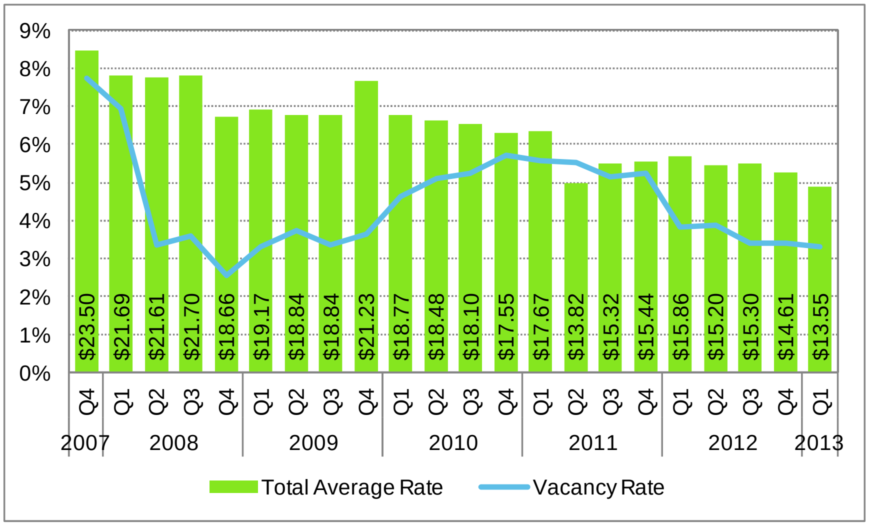
Table 12: Retail Space in Downtown Lexington, 2013 Q1

	Existing Inventory # Blds	Existing Inventory Total GLA	Vacancy Rate	YTD Net Absorption	Quoted Rates
General Retail	256	2,748,904	2.6%	(339)	$13.55
Shopping Center	3	228,286	8.0%	0	NP
Total	259	2,977,190	3.0%	(339)	$13.55

NP = Not provided
Source: CoStar Group, Inc.

Downtown is largely comprised of general retail space, leasing at $13.55 per square foot. No new retail space has been added to the downtown inventory since the first quarter of 2008 when Center Court opened with 172,518 square feet of retail space at 555 S. Upper Street, a mixed-use development with ground floor retail and residential units above.

Figure 19: Downtown Retail Trends



Vacancy rates in downtown Lexington are very low, 2.6 percent, and have been falling since the fourth quarter of 2010, with a minor uptick in the fourth quarter of 2011. As vacancy has fallen, rents have been fluctuating and are the lowest they have been, $13.55 per square foot.

05

Sources of Economic and Fiscal Impacts

In this section, we identify the components of the project that will generate economic and fiscal impacts and we present the assumptions used in our impact model found in the following section. We also account for potential substitution effects, whereby businesses in the development displace sales that would have been transacted at businesses elsewhere in the state, and estimate the new spending to Kentucky. This section is arranged by the land use components that have the potential to generate economic impacts that are new to Kentucky and do not represent a shift in spending from one location to another. They include:

- Construction
- Full service hotel with meeting space
- Class A office space
- Retail and restaurants.

Other components of the project were deemed to have little or no ability to generate net new impacts for Kentucky. These include the residential units, both apartments and condominiums, the Galleria and public infrastructure, including the underground parking garage. It is assumed that the retail and restaurant space in the apartment building will cater to residents with neighborhood services and therefore will not generate new spending. However, the construction impacts for all of these components do and are included in that analysis.

The TIF will begin in October 2013 before construction begins, ending in September 2043. This includes the two years of construction impacts followed by 28 years of impacts from operations. Inherent in this analysis is the assumption that the entire development will be constructed and open by January 2016 rather than being built in phases.

AECOM

Construction

The total private investment for the amended Phoenix Park/Courthouse TIF proposal is estimated at $163.7 million. Only those costs incurred during the timeline of the TIF are included here.

Table 13: Construction Costs for Proposed Phoenix Park Project

Project Component	Units	Size (ft^2)	Total Cost
Hotel	286	226,213	$68,417,414
Condominiums	8	25,712	$9,355,725
Office/Retail		157,710	$29,856,581
Apartments	96	137,661	$22,510,147
Galleria		4,906	$1,684,168
Parking Garage	701	252,958	$31,902,222
Total		805,160	$163,726,257

Source: Amended TIF application

Not all of the materials and equipment needed to construct the proposed components will be purchased in the State. Therefore AECOM adjusted the total construction costs using the regional purchasing coefficients for construction of new, non-residential commercial buildings and new residential buildings for Kentucky as estimated by MIG, Inc. (formerly Minnesota IMPLAN Group, Inc.). MIG, Inc. designed IMPLAN, economic impact modeling software. It containes detailed information on the interactions of the various sectors within a specified economic region, in this case the state of Kentucky. It is used to measure the effect of a given change on the local economy. According to IMPLAN, 70 percent of the construction costs for commercial projects and nearly 97 percent for residential projects are spent within Kentucky.

The construction costs are also the basis for ad valorem taxes. According to the Fayette County Property Valuation Administrator, property values have increased an average of 3.2 percent annually since 2005 which we apply.

Substitution Effect

Since this is a new development, all spending on construction is considered new to Kentucky.

Hotel

The Phoenix Park/Courthouse project includes a 286 room, Upper Upscale hotel. To estimate the potential demand we analyzed Smith Travel Research (STR) data on comparable properties in Lexington. Combined, these 5 properties offer 1,545 rooms. No new inventory has been added since May 1999 however, several have undergone significant renovations. Currently the

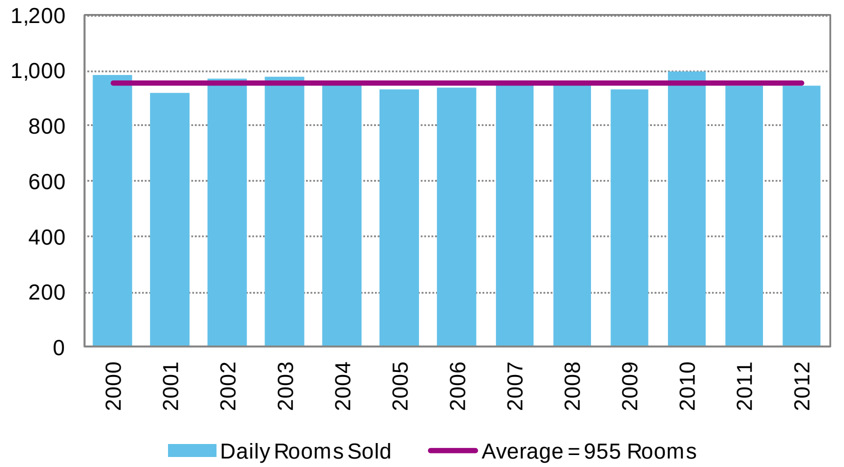
Table 14: Comparable Hotel Properties in Lexington

Name of Establishment	Open Date	Rooms
Embassy Suites Lexington	May 1999	230
Hilton Lexington Downtown	November 1982	366
Hilton Suites Lexington Green	August 1987	174
Hyatt Regency Lexington	April 1977	366
Marriott Griffin Gate Resort & Spa	September 1981	409
Total		1,545

Source: STR

Marriott Griffin Gate Resort, Lexington's largest hotel, has plans for a $7 million renovation and expansion to improve guest rooms.

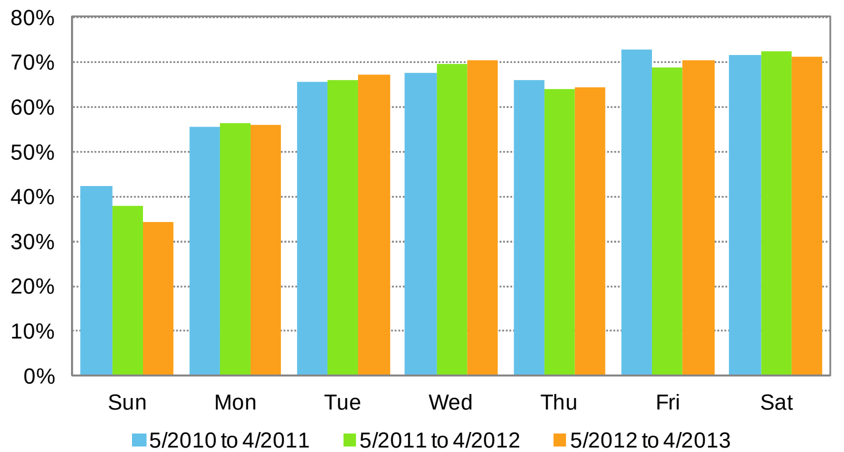
Figure 20: Average Daily Rooms Sold at Comparable Hotels



Source: STR

With room supply constant since 2000, we examined fluctuations in demand as measured by rooms sold. The chart below shows that daily room demand has fluctuated very little, averaging 955 rooms. This translates to an average occupancy of 61.8 percent. In 2010, Lexington hosted the Alltech FEI World Equestrian Games (WEG) in September and October which pushed both demand and room rates higher.

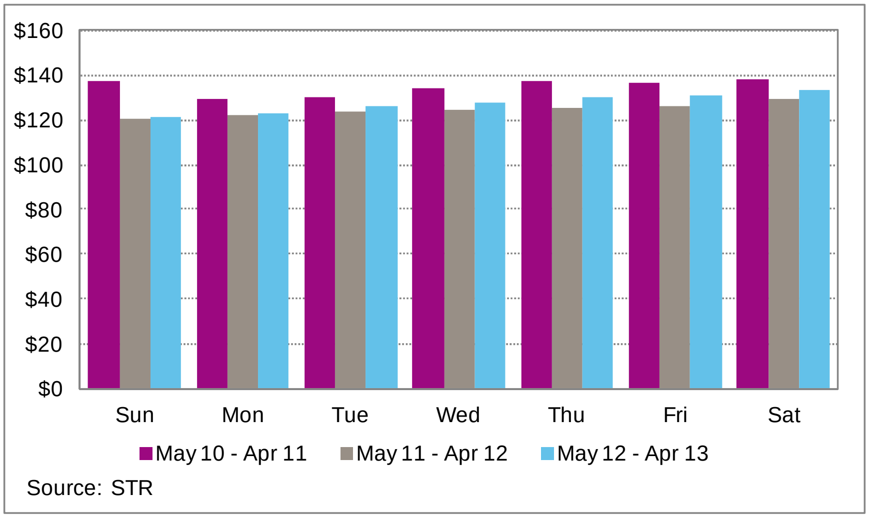
Figure 21: Average Occupancy by Day at Comparable Hotels



Source: STR

These properties, due to their location, size and scale, are often used by convention center attendees. To estimate how the business and leisure travel markets have recovered, we used weekday and weekend data as a proxy respectively. Occupancy rates are the highest on Fridays and Saturdays at the comparable properties, but are currently lower than averages two years ago. Weekday travel, however, is appearing to rebound as shown by occupancy gains on Mondays, Tuesdays and Wednesdays.

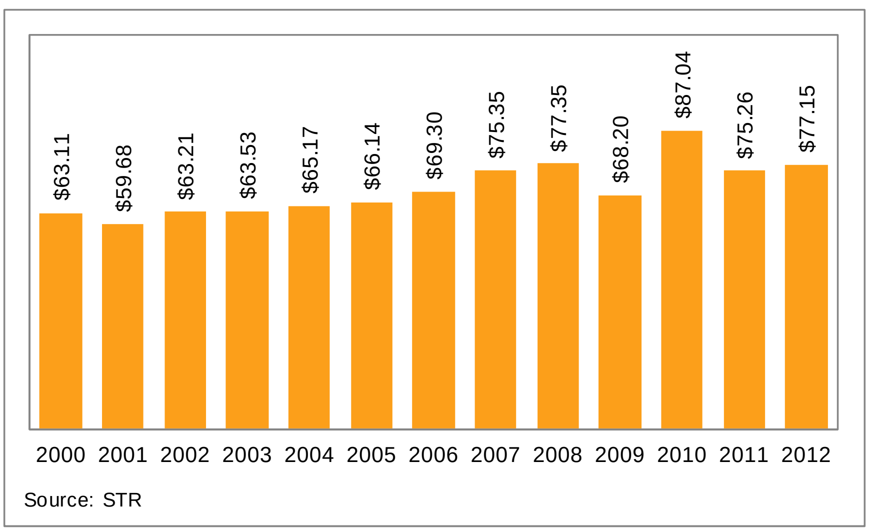
Figure 22: Average Daily Rate by Day at Comparable Hotels



This chart shows fluctuations in average daily rates by the day of the week. Rates do tend to get higher the later in the week, but there is very little fluctuation. What is clear, however, is that while occupancy has improved at these properties, it has been at the sacrifice of average daily rates which have yet to recover fully. Using Monday through Thursday to represent business travel, an estimated 58 percent of room revenues can be attributed to this segment of the market. This includes people in town for conventions, conferences, meetings, etc.

A commonly used hotel performance measure is revenue per available room (RevPAR). This is determined by dividing total room revenue by the room supply (i.e., the number of rooms available for the period being analyzed). RevPAR is a measure of how well hotels are able to fill rooms and is commonly throughout the industry to benchmark performance to other time periods, competitive hotels, other markets, etc.

Figure 23: RevPAR at Comparable Hotels



Since 2000, RevPAR had been increasing gradually until 2009 when the recession curbed both business and leisure travel. RevPAR then peaked in 2010 at $87.04 per room due to the WEG. By 2012, it had almost fully recovered to pre-recession levels. Since 2000, RevPAR grew at a compound annual growth rate of 1.7 percent. Going forward, RevPAR would be expected to reach $82.49 by 2016, the first full year of operations of the proposed hotel.

Table 15: U.S. Full-Service Hotels, 2011

	Total U.S.	East South Central Region*
Occupancy	68.5%	62.6%
Average Size (rooms)	290	203
Average Daily Rate	$153.81	$113.54
Room Revenue, % of Total Revenue	64.0%	65.3%

* Includes Kentucky
Source: STR

Room revenue represents the majority of total hotel revenues but there are other points of sale including restaurant, catering, meeting room rentals, gift shop, parking, movies, laundry, wifi, phone calls, etc. Published by STR, the annual Hotel Operating Statistics (HOST) study collects hotel revenues and expenses from more than 6,200 properties participating. In 2011, room revenues made up 64 percent of total revenues in full service hotels across the U.S. and 65.3 percent at hotels in the East South Central Region. This relationship was applied to the estimated hotel room revenues estimated above to generate total revenues.

Substitution Effect

Hotels in and of themselves do not typically generate new demand in a market. Rather, demand is shifted among the current properties. This should be true for Lexington since demand at these properties has been so steady over the years. However, a 2011 study for the Lexington Convention Center (LCC), prepared by Conventions, Sports & Leisure International, showed that there is capacity at the LCC for additional conventions. However, Lexington is at a disadvantage to competitive cities, in part, to the lack of quality hotel rooms within a half mile of the LCC. The inclusion of a hotel at CentrePointe will enable the LCC to attract additional conventions in need of larger blocks of hotel rooms than are currently available. We assume that these visitors will make up approximately 30 percent of the hotel's annual business which we consider new to Kentucky.

Office

The 10 story office building included in the proposed development will add 135,900 square feet of Class A space to the Lexington market. As discussed earlier, the vacancy rate of downtown properties is lower than the rest of the region. Discussions with developers, real estate brokers and local economic development officials have all indicated that there is a need for new Class A office space with updated amenities in the downtown. In addition, companies interested in relocating to Lexington have not always been able to assemble enough high quality space to meet their needs, so they go to other markets. This property will help with that. It's also in a prime location so it should not be difficult to market.

Revenues attributed to this development were determined by examining the capacity of the buildings in terms of employment and the average revenue per employee for select sectors likely to move into the building. Using data from Woods and Poole Economics, Inc. and CoStar we looked at employment in office industries and occupied office space for Fayette County. On average, there are 267 square feet of occupied office space per office worker. IMPLAN data provides information on output and employment for 440 economic sectors. We estimated the average output per worker for employees in professional and technical services was $92,500 in 2010, and grew at an average annual rate of 2 percent. We combined this information with data from a potential tenant interested in leasing approximately 40,000 square feet of space in this building. In 2016, we estimate just under 450 people working there, generating $46.1 million in revenues.

Substitution Effect

Of the total 135,900 square feet of office space in this project, approximately 40,000 square feet has a prospective tenant. Looking to consolidate two locations into the new space, this company currently has 140 employees and expects to add 30 upon moving into the space. Therefore the net new revenues for this share of the space is 17.6 percent. While the addition of office space in a market is not likely to grow the overall state economy, the conditions of the Lexington market it, confirmed through interviews, leads us to believe that regional companies that have been looking to enter the market will now be able to do so. As well, there may be some other shuffling around in the market as suburban locations consider moving into the central business district. We estimate that for the remaining share of the office space, 96,740 square feet, 10 percent will be net new to Kentucky.

Retail and Restaurant

Throughout the proposed development will be retail and restaurant space, including a rooftop terrace with a café/bar. Here we evaluate 7,908 square feet of retail and 18,649 square feet of restaurant and rooftop terrace space in the office building. Revenues from the restaurant and bar in the hotel was included in the hotel impacts. Although there is some retail included in the apartment building, it is assumed that this will likely be geared more towards residents than visitors and was considered to have no net new economic impact for Kentucky.

Table 16: Retail Sales per Square Foot in Fayette County

	Retail Sales	Occupied Space (ft^2)	Vacancy Rate	Rent per ft^2	Sales per ft^2
2007	$5,375,380,828	19,834,755	4.8%	$16.91	$271
2008	$5,350,708,209	20,186,746	4.1%	$16.47	$265
2009	$4,985,290,310	19,983,568	5.3%	$14.57	$249
2010	$5,290,097,355	19,863,367	5.9%	$13.20	$266
2011	$5,748,710,627	19,811,161	6.1%	$13.39	$290
2012	$6,067,152,801	19,678,249	6.2%	$13.61	$308
CAGR	2.5%	-0.2%	5.1%	-4.2%	2.6%

Sources: CoStar Group, Inc. and Woods and Poole Economics, Inc.

Retail sales data was purchased from Woods and Poole Economics, Inc. and augmented with CoStar data on occupied retail space in Fayette County to estimate retail sales per square foot. It was not possible to separate out restaurant space in this analysis so this figure was used for both types of space. As expected, there has been some fluctuation in retail sales attributed to the recession. Since 2007, retail sales have averaged $275 per square foot. Since rents are higher downtown, it can be assumed that sales per square foot will also be higher by the nature of the tenants. Downtown, we estimate that retail sales averaged $384 per square foot, growing at 3.3 percent annually since 2007.

Substitution Effect

Both the retail and restaurant components will likely cater to guests staying the hotel with upscale offerings. As reported in the *Herald Leader*, restauranteur Jeff Ruby recently tweeted that he would be opening a restaurant in the CentrePointe development. A restaurant like this serves as a destination, attracting people to Lexington who might have dined elsewhere in the region. Residents, their guests, business travelers will all likely dine there. However, there will be some who dine there are local or would have incurred the expense elsewhere. Taking that into account, we estimate that 35 percent of retail sales and 25 percent of restaurant sales will be net new to Kentucky.

Visitor Spending

As noted earlier, one advantage to having a new Upper Upscale hotel in the downtown market, is that it will attract additional regional or national conventions or conferences. AECOM was told that the property could easily generate 15,000 additional room nights annually. To estimate visitor spending, AECOM used data from a 2011 study for the Convention Industry Council, *The Economic Significance of Meetings to the U.S. Economy*. This study measured the economic impacts associated with the meetings industry across the country. Detailed information on participants, exhibitors, meeting planners and others was gathered including spending.

Table 17: U.S. Meetings and Participants, 2009

Meeting Type	Meetings	Participants
Corporate/Business Meetings	1,266,200	107,187,000
Conventions/Conferences/Congresses	269,800	51,104,000
Trade Shows	10,700	24,800,000
Incentive Meetings	66,000	8,154,000
Other Meetings	178,100	13,479,000
Total	1,790,800	204,724,000

Source: Convention Industry Council

The 1.8 million meetings that took place across the United States in 2009 were attended by 205 million people. Conventions made up 15 percent of the total meetings and 25 percent of the participants. Total direct spending associated with these meetings was $263 billion. The breakdown of what participants spent money on is shown in the following table.

Table 18: Spending from Meeting Activities, 2009

Spending Category	Direct Spending (millions)	Share	Spending Category	Direct Spending (millions)	Share
Travel and Tourism			**Meetings**		
Accommodations	$34,896	13%	Meeting Planning and Production	$108,968	41%
Food & Beverage	$26,389	10%	Venue Rental	$10,565	4%
Air Transportation	$17,814	7%	Other Meetings-Related Items	$31,135	12%
Retail	$7,223	3%	Total	$150,668	57%
Gasoline	$6,645	3%			
Recreation	$6,192	2%			
Car Rental	$5,512	2%			
Travel Services	$3,359	1%			
Other Transportation	$2,441	1%			
Urban Transit	$1,751	1%			
Rail and Water Transportation	$554	<1%			
Total	$112,776	43%	**Total Spending**	**$263,444**	**100%**

Source: Convention Industry Council

Approximately $133 billion, 43 percent of associated spending is on travel and tourism expenses. This includes trip planning costs, travel both to/from the destination as well as expenses while there. AECOM estimated what share of these expenditures would be made within a host community for a convention or meeting, approximately 79 percent of the travel and tourism spending and 17 percent of the expenditures associated with the meeting itself. In total, we estimated that 44 percent of the spending for a convention/meeting would occur within the host community.

To come up with travel spending associated with meetings in Lexington, we used these national indicators and applied them to local data. For example, lodging expenses are 39 percent of the travel and tourism expenses made locally by convention visitors. Using ADR for the hotel at CentrePointe ($137) we estimated total travel spending per room night in Lexington at $349. In addition to lodging, we expect that guests staying there will spend money on restaurants, bars and retail while there. All of this spending has been captured in other parts of this analysis. What remains, 27 percent of travel spending, $95 per room night, is what is spent at other businesses in Lexington and the region on car rentals, gasoline, other restaurants, recreation and transit. In 2016, AECOM estimates that visitor spending outside of the Phoenix Park/Courthouse development would be $1.4 million.

Data from the Lexington Convention and Visitors Bureau showed that the average spending on the venue for a convention was $200,000 in 2011. An additional $327,000 would be generated for meeting planning and production as well as other meeting items. Combined, total visitor spending associated with an additional 15,000 room nights being sold in Lexington at this property, is estimated at nearly $2 million in 2016.

Substitution Effect

Since these are conventions and meetings that are not currently being held in Lexington, all of these visitors are new to Kentucky and all of the impacts associated with their spending are considered in this analysis.

Other Amenities

In addition to the components included in the Phoenix Park/Courthouse project that generate new revenues for the State of Kentucky, there are others, particularly the residential components and the parking garage, which will enhance the overall downtown environment and appeal of the property. There is ample need for more parking downtown, even before this project is built. People living downtown make the area feel more vibrant and safer for visitors. With a capital investment of $193.3 million, property values in the vicinity may rise. The creation of a new mixed-use development in the heart of downtown may also be a catalyst for further development. However, the focus of this analysis is on quantifying the measurable impacts within the development area over the life of the TIF.

06

Economic and Fiscal Impact Results

This section presents the results of the economic and fiscal impact models used to estimate the tax increment generated by the proposed Phoenix Park/Courthouse Signature TIF development in Lexington as well as the basic model assumptions including tax rates and multipliers.

Model Assumptions

AECOM measured the economic impacts of the proposed Phoenix Park/Courthouse development using data from MIG's IMPLAN model for Kentucky. The economic multipliers found in IMPLAN measure the re-spending of dollars in an economy and are used to calculate indirect and induced impacts, the 'multiplier effect.'

Table 19: Kentucky Multipliers by Sector, 2010

Sector	Indirect	Induced	Jobs*	Wages
Construction, commercial	0.2810	0.3452	0.0139	$39,800
Construction, residential	0.4057	0.3380	0.0138	$39,000
Hotel	0.3628	0.3255	0.0185	$28,100
Office	0.2213	0.5323	0.0171	$49,400
Restaurant	0.3078	0.3411	0.0255	$21,500
Retail	0.1848	0.4367	0.0253	$27,800
Visitor spending (weighted average)	0.2701	0.3145	0.0226	$22,300

* per $1,000 in direct spending
Source: IMPLAN

The adjacent table below shows the sector specific multipliers for Kentucky as of 2010 which are applied to direct spending or sales. For visitor spending, a weighted average was determined based on spending distributions discussed above. Wages in the table above represent the average wage for all jobs resulting from a $1 million impact in that industry. This includes wages from that sector as well as from all the indirect and induced impacts.

Real property is taxed by Kentucky at a rate of $0.122 per $100 of assessed value. The investment that would be subject to ad valorem tax excludes costs for public infrastructure located on city land. The state sales tax rate is 6 percent. AECOM used an effective individual income tax rate of 4.2 percent rather than the system of graduated rates. State and local tax rates are provided below.

Table 20: State and Local Tax Rates

Tax	Rate	Description
State Taxes		
Ad Valorem Tax	0.122%	of assessed valuation of real property
Sales Tax	6%	of retail sales
Individual Income Tax, effective rate	4.2%	of personal income goes toward General Fund
Corporation Income Tax	0.095%	of corporate revenues
Local Ad Valorem Tax	0.3452%	of assessed valuation on real property; includes refuse collection, street lights and street cleaning
Local Occupational License Tax	2.25%	of all profits and wages
Other Assumptions		
Taxable Indirect Spending	5%	percent of indirect impact goes toward sales taxable activity
Income Spent on Retail	25%	percent of wages spent on taxable retail goods
Net Profit	20%	of revenues

Sources: Kentucky Department of Revenue, Fayette County Property Valuation Administrator, LFUCG

Taxable indirect spending refers to the portion of indirect economic impact that is spent on taxable sales. “Income spent on retail” refers to the portion of personal income that households spend on retail goods – typically this is approximately 25 percent.

Baseline

The main development site is currently vacant. However, since this is a review of an amended application, the baseline analysis from the original application is used here. At the time when the original application was submitted, there were active businesses on the site. The following table shows the baseline value as of 2010.

Table 21: Baseline State Tax Collections

State Tax Revenue	Rate	Taxable Amount	Amount Collected
Property Tax	$0.122	$6,675,000	$8,100
Sales Tax	6%	$4,745,000	$285,000
Individual Income Tax	4.2%	$778,000	$32,700
Total			$325,800

Source: Original TIF Application

Estimated tax collections in 2010, if the site had not been cleared, was $325,800. Inflation of 3 percent annually was used to adjust this information over the life of the TIF. In 2014, the first full year of the TIF, the estimated fiscal impact of the baseline scenario is $366,000.

Model Results

The Phoenix Park/Courthouse Signature TIF project represents a $193.3 million investment in downtown Lexington, Kentucky. The total net new fiscal impacts cover the time from of October 2013 through September 2043 and include two years of construction related impacts and 28 years of operations. Taxes that are eligible for TIF include corporate income tax, personal income tax, sales tax and property tax.

Table 22: Net New Fiscal Impacts

	30 Year Total
Fiscal Impacts by Type of Tax	
Ad Valorem Tax	$9,321
Corporation Income Tax	$1,062
Individual Income Tax	$26,265
Sales Tax	$29,489
Total	$66,136
Fiscal Impacts by Project Component	
Construction	$13,835
Hotel	$14,844
Office	$18,311
Restaurant	$8,270
Retail	$3,892
Visitor spending	$6,984
Total	$66,136
Fiscal Impacts from Baseline	
Ad Valorem Tax	$433
Corporation Income Tax	$0
Individual Income Tax	$1,737
Sales Tax	$15,134
Total	$17,304
Total Net New Fiscal Impacts	**$48,833**

Note: Totals may not add due to rounding.
All dollars in thousands.

The potential new fiscal impact from this development is $66,136,000. When accounting for the baseline, a total of $17,304,000, the net new fiscal impact to the State of Kentucky is $48,833,000. Sales tax and individual income tax represent the largest contributors to the TIF. The total fiscal impact generated from the office space over the life of the TIF is $18,311,000.

On the following pages are tables detailing the various components of our analysis. Data is presented for the proposed TIF timeline, October 2013 through September 2043.

Table 23 presents the potential fiscal impacts that would be captured on the site over the life of the TIF if the development were not to occur, the baseline scenario. If left undeveloped, the property would have generated approximately $17.3 million in state taxes over 30 years.

Table 24 presents the ad valorem tax revenues if the site were developed. As a proxy for the property value, the total private construction cost for the development was used. Also provided in this table are the estimated economic and fiscal impacts associated with construction.

Tables 25 through 29 present the potential revenues, net new revenues, economic impacts and associated fiscal impacts for each of the different components of the proposed Phoenix Park/Courthouse TIF project. These all follow a similar format which will be outlined here for Table 25, the economic and fiscal impacts from the hotel.

The total operating revenues are estimated first using data from our market research and anecdotal information from our interviews and similar projects. Data on comparable hotels was used to estimate future room rates. Using RevPAR and the number of rooms in the hotel, we determined hotel room revenues. However, at full-service hotels, room revenues only make up a portion of total hotel revenues.

A regional estimate was used to arrive at total hotel revenues. Next we estimated what share of those revenues are new to Kentucky, net of transfer spending (what would have been spent on other hotels, restaurants, etc. in Kentucky).

Once the net new revenues were estimated, we used 2010 economic multipliers for the State of Kentucky from IMPLAN to measure the indirect and induced impacts, total employment (direct, indirect + induced) that would be supported from the net new revenues and the associated wages. For the hotel, the net new revenues of $3,956,000 in 2016 could generate a total economic impact of $6,679,000 and support 70 jobs throughout the economy (not just at the hotel) paying $2.3 million in wages. These jobs are full-time, part-time, temporary and seasonal.

The fiscal impacts were measured off the net new economic impacts. Specifically we estimated the corporate income tax, personal income tax and sales tax on the appropriate values. For sales tax, we assumed that 5 percent of indirect spending was on retail purchases as well as 25 percent of wages.

Table 30 shows the potential local tax collections which were measured using new revenues and wages generated by the development as was done for the State impact analysis.

Table 23: Baseline Analysis

Year	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
State Fiscal Impacts										
Ad Valorem Tax										
Total Property Value	$1,823	$7,513	$7,738	$7,970	$8,209	$8,456	$9,802	$13,174	$13,278	
Ad Valorem Tax	$2	$9	$9	$10	$10	$10	$12	$16	$16	$433
Individual Income Tax										
Wages	$213	$876	$902	$929	$957	$986	$1,143	$1,535	$1,548	$41,356
Individual Income Tax	$9	$37	$38	$39	$40	$41	$48	$64	$65	$1,737
Sales Tax										
Taxable Sales on Site	$1,296	$5,341	$5,501	$5,666	$5,836	$6,011	$6,968	$9,365	$9,439	$252,228
Sales Tax	$78	$320	$330	$340	$350	$361	$418	$562	$566	$15,134
Total State Fiscal Impact	$89	$366	$377	$389	$400	$412	$478	$642	$648	$17,304

Note: Totals may not add due to rounding.
All dollars in thousands.

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Table 24: Economic and Fiscal Impacts from Construction and Ad Valorem Tax

Year	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
Construction Costs	$10,634	$87,180	$65,912							$163,726
Construction spending in KY	$7,450	$65,305	$50,405							$123,161
Economic Impacts										
Direct	$7,450	$65,305	$50,405							$123,161
Indirect	$2,094	$20,270	$16,083							$38,446
Induced	$2,572	$22,433	$17,289							$42,293
Total Output	$12,116	$108,008	$83,777							$203,900
Employment (jobs)	100	910	700							
Employee Income	$4,372	$38,858	$30,544							$73,774
Fiscal Impacts										
Ad Valorem Tax										
Cumulative Property Value	$10,634	$97,814	$163,726	$168,965	$174,372	$179,952	$210,647	$288,638	$395,503	
Ad Valorem Tax	$3	$119	$200	$206	$213	$220	$257	$352	$362	$9,321
Corporation Income Tax	$12	$103	$80							$194
Individual Income Tax	$184	$1,632	$1,283							$3,099
Sales Tax										
Indirect Retail Sales	$105	$1,013	$804							$1,922
Income Circulation	$1,093	$9,715	$7,636							$18,444
Taxable Sales	$1,198	$10,728	$8,440							$20,366
Sales Tax	$72	$644	$506							$1,222
Total Fiscal Impact	$270	$2,498	$2,069	$206	$213	$220	$257	$352	$362	$13,835

Note: Totals may not add due to rounding.
All dollars in thousands.

Table 25: Economic and Fiscal Impacts from Hotel

	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
Net New Hotel Sales										
Average Daily Rate (ADR)				$137.07	$140	$143	$159	$195	$240	
Revenue per Available Room (RevPAR)				$82.49	$84	$85	$93	$110	$130	
Room Revenue				$8,611	$8,758	$8,906	$9,690	$11,469	$10,181	$302,148
Total Hotel Revenues				$13,187	$13,411	$13,639	$14,839	$17,563	$15,591	$462,707
Net New Hotel Revenues				$3,956	$4,023	$4,092	$4,452	$5,269	$4,677	$138,812
Economic Impacts										
Direct				$3,956	$4,023	$4,092	$4,452	$5,269	$4,677	$138,812
Indirect				$1,435	$1,460	$1,484	$1,615	$1,912	$1,697	$50,361
Induced				$1,288	$1,310	$1,332	$1,449	$1,715	$1,522	$45,183
Total Output				$6,679	$6,793	$6,908	$7,516	$8,896	$7,897	$234,356
Employment (jobs)				70	70	80	80	100	90	
Employee Income				$2,323	$2,410	$2,501	$3,008	$4,353	$4,725	$110,370
Fiscal Impacts										
Corporation Income Tax				$6	$6	$7	$7	$8	$8	$223
Individual Income Tax				$98	$101	$105	$126	$183	$198	$4,636
Sales Tax										
Direct Sales				$3,885	$3,951	$4,018	$4,371	$5,174	$4,593	$136,313
Indirect Retail Sale				$72	$73	$74	$81	$96	$85	$2,518
Income Circulation				$581	$603	$625	$752	$1,088	$1,181	$27,592
Taxable Sales				$4,537	$4,626	$4,718	$5,204	$6,358	$5,859	$166,424
Sales Tax				$272	$278	$283	$312	$381	$352	$9,985
Total Fiscal Impact				$376	$385	$395	$446	$573	$557	$14,844

Note: Totals may not add due to rounding.
All dollars in thousands.

Table 26: Economic and Fiscal Impacts from Class A Office Space

	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
Net New Office Revenues										
Employees				440	440	460	480	500	500	
Revenue per employee				$104,333	$106,451	$108,611	$120,092	$146,823	$179,503	
Office revenues				$46,088	$47,024	$49,946	$57,401	$72,837	$66,787	$1,860,532
Net New Office Revenues				$5,965	$6,086	$6,407	$7,301	$9,192	$11,239	$238,752
Economic Impacts										
Direct				$5,965	$6,086	$6,407	$7,301	$9,192	$11,239	$238,752
Indirect				$1,320	$1,347	$1,418	$1,616	$2,034	$2,487	$52,836
Induced				$3,175	$3,240	$3,410	$3,886	$4,893	$5,982	$127,088
Total Output				$10,460	$10,673	$11,234	$12,804	$16,120	$19,708	$418,675
Employment (jobs)				102	104	110	125	157	192	102
Employee Income				$5,686	$5,919	$6,357	$8,011	$12,330	$18,430	$311,484
Fiscal Impacts										
Corporation Income Tax				$10	$10	$11	$12	$15	$19	$398
Individual Income Tax				$239	$249	$267	$336	$518	$774	$13,082
Sales Tax										
Direct Sales				$0	$0	$0	$0	$0	$0	$0
Indirect Retail Sales				$66	$67	$71	$81	$102	$124	$2,642
Income Circulation				$1,421	$1,480	$1,589	$2,003	$3,083	$4,608	$77,871
Taxable Sales				$1,487	$1,547	$1,660	$2,083	$3,184	$4,732	$80,513
Sales Tax				$89	$93	$100	$125	$191	$284	$4,831
Total Fiscal Impact				$338	$352	$377	$474	$724	$1,077	$18,311

Note: Totals may not add due to rounding.
All dollars in thousands.

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Table 27: Economic and Fiscal Impacts from Restaurants

	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
Net New Restaurant Sales										
Occupied square feet				13,089	13,907	14,726	15,544	15,544	15,544	
Sales per square foot				$437	$452	$467	$549	$759	$1,051	
Total Restaurant Sales				$5,723	$6,282	$6,871	$8,531	$11,803	$12,248	$297,300
Net new to KY				$1,431	$1,570	$1,718	$2,133	$2,951	$3,062	$74,325
Economic Impacts										
Direct				$1,431	$1,570	$1,718	$2,133	$2,951	$3,062	$74,325
Indirect				$440	$483	$529	$656	$908	$942	$22,877
Induced				$488	$536	$586	$727	$1,006	$1,044	$25,352
Total Output				$2,359	$2,589	$2,832	$3,517	$4,865	$5,049	$122,555
Employment (jobs)				40	40	40	50	80	80	
Employee Income				$884	$990	$1,105	$1,517	$2,566	$3,256	$63,608
Fiscal Impacts										
Corporation Income Tax				$2	$2	$3	$3	$5	$5	$116
Individual Income Tax				$37	$42	$46	$64	$108	$137	$2,672
Sales Tax										
Direct Sales				$1,431	$1,570	$1,718	$2,133	$2,951	$3,062	$74,325
Indirect Retail Sales				$22	$24	$26	$33	$45	$47	$1,144
Income Circulation				$221	$248	$276	$379	$642	$814	$15,902
Taxable Sales				$1,674	$1,842	$2,020	$2,545	$3,638	$3,923	$91,371
Sales Tax				$100	$111	$121	$153	$218	$235	$5,482
Total Fiscal Impact				$140	$155	$170	$220	$331	$377	$8,270

Note: Totals may not add due to rounding.
All dollars in thousands.

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Table 28: Economic and Fiscal Impacts from Retail

	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
Net New Retail Sales										
Occupied square feet				6,326	6,722	7,117	7,513	7,513	7,513	
Sales per square foot				$437	$452	$467	$549	$759	$1,051	
Total retail sales				$2,766	$3,036	$3,321	$4,123	$5,705	$5,920	$143,692
Total retail sales with retail margin				$743	$815	$892	$1,107	$1,532	$1,589	$38,581
Net New Retail Sales				$260	$285	$312	$387	$536	$556	$13,503
Economic Impacts										
Direct				$260	$285	$312	$387	$536	$556	$13,503
Indirect				$48	$53	$58	$72	$99	$103	$2,495
Induced				$114	$125	$136	$169	$234	$243	$5,897
Total Output				$422	$463	$506	$628	$869	$902	$21,896
Employment (jobs)				10	10	10	10	10	10	
Employee Income				$206	$231	$258	$354	$599	$760	$14,849
Fiscal Impacts										
Corporation Income Tax				$0	$0	$0	$1	$1	$1	$21
Individual Income Tax				$9	$10	$11	$15	$25	$32	$624
Sales Tax										
Direct Sales (without retail margins)				$968	$1,063	$1,162	$1,443	$1,997	$2,072	$50,292
Indirect Retail Sales				$2	$3	$3	$4	$5	$5	$125
Income Circulation				$52	$58	$64	$89	$150	$190	$3,712
Taxable Sales				$1,022	$1,123	$1,230	$1,535	$2,151	$2,267	$54,129
Sales Tax				$61	$67	$74	$92	$129	$136	$3,248
Total Fiscal Impact				$70	$78	$85	$108	$155	$169	$3,892

Note: Totals may not add due to rounding.
All dollars in thousands.

Table 29: Economic and Fiscal Impacts from Visitor Spending

	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
Total overnight spending off site										
Food and beverage				$221	$226	$230	$256	$315	$291	$12,652
Recreation				$365	$372	$380	$422	$519	$480	$13,553
Local transportation				$840	$857	$875	$971	$1,195	$1,104	$31,196
Total				$1,425	$1,455	$1,486	$1,649	$2,029	$1,874	$57,402
Spending on venue, supplies, F&B, etc.				$549	$561	$573	$635	$782	$722	$20,408
Total convention visitor spending				$1,975	$2,016	$2,058	$2,284	$2,811	$2,596	$77,810
Economic Impacts										
Direct, with retail margins				$1,641	$1,675	$1,711	$1,898	$2,336	$2,157	$65,409
Indirect				$443	$453	$462	$513	$631	$583	$17,667
Induced				$516	$527	$538	$597	$735	$678	$20,571
Total Output				$2,600	$2,655	$2,711	$3,007	$3,702	$3,418	$103,647
Employment (jobs)				40	40	40	40	50	50	
Employee Income				$932	$971	$1,011	$1,241	$1,868	$2,108	$51,259
Fiscal Impacts										
Corporation Income Tax				$3	$3	$3	$3	$4	$4	$110
Individual Income Tax				$39	$41	$42	$52	$78	$89	$2,153
Sales Tax										
Direct Sales				$1,630	$1,664	$1,699	$1,885	$2,320	$2,142	$64,989
Indirect Retail Sales				$22	$23	$23	$26	$32	$29	$883
Income Circulation				$233	$243	$253	$310	$467	$527	$12,815
Taxable Sales				$1,885	$1,929	$1,975	$2,221	$2,819	$2,698	$78,687
Sales Tax				$113	$116	$118	$133	$169	$162	$4,721
Total Fiscal Impact				$155	$159	$164	$189	$252	$254	$6,984

Note: Totals may not add due to rounding.
All dollars in thousands.

Table 30: Local Economic and Fiscal Impacts

	Oct-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2023	Jan-Dec 2033	Jan-Sept 2043	30 Year Total
Total new revenues										
Construction	$7,450	$65,305	$50,405	$0	$0	$0	$0	$0	$0	$123,161
Hotel	$0	$0	$0	$3,956	$4,023	$4,092	$4,452	$5,269	$4,677	$138,812
Office	$0	$0	$0	$5,965	$6,086	$6,407	$7,301	$9,192	$11,239	$238,752
Restaurant	$0	$0	$0	$1,431	$1,570	$1,718	$2,133	$2,951	$3,062	$74,325
Retail	$0	$0	$0	$260	$285	$312	$387	$536	$556	$13,503
Visitor spending	$0	$0	$0	$1,975	$2,016	$2,058	$2,284	$2,811	$2,596	$77,810
Total wages										
Construction	$4,372	$38,858	$30,544	$0	$0	$0	$0	$0	$0	$73,774
Hotel	$0	$0	$0	$2,323	$2,410	$2,501	$3,008	$4,353	$4,725	$110,370
Office	$0	$0	$0	$5,686	$5,919	$6,357	$8,011	$12,330	$18,430	$311,484
Restaurant	$0	$0	$0	$884	$990	$1,105	$1,517	$2,566	$3,256	$63,608
Retail	$0	$0	$0	$206	$231	$258	$354	$599	$760	$14,849
Visitor spending	$0	$0	$0	$932	$971	$1,011	$1,241	$1,868	$2,108	$51,259
Fiscal Impacts										
Baseline	$1,823	$7,513	$7,738	$7,970	$8,209	$8,456	$9,802	$13,174	$13,278	$354,821
Ad valorem	$6	$26	$27	$28	$28	$29	$34	$45	$46	$1,225
Occupational Tax -- wages	$5	$20	$20	$21	$22	$22	$26	$35	$35	$931
Developed	$10,018	$98,600	$167,145	$172,493	$178,013	$183,709	$215,045	$294,664	$403,761	$7,906,629
Ad valorem	$35	$340	$577	$595	$615	$634	$742	$1,017	$1,394	$27,294
Occupational Tax -- profits	$34	$294	$227	$61	$63	$66	$75	$93	$100	$2,999
Occupational Tax -- wages	$98	$874	$687	$226	$237	$253	$318	$489	$659	$14,070
Net New Local Fiscal Impacts	$155	$1,463	$1,444	$834	$864	$901	$1,075	$1,519	$2,071	$42,207

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Appendix

Figure 24: Proposed Development Area for Phoenix Park/Courthouse Signature TIF Project

Source: Original TIF Application