

EXHIBIT B
DEVELOPMENT PLAN

Tax Increment Financing Development Plan
For
The Midway Station Development Area

1. Introduction.

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

The Project proposed by the Developer or its affiliate is expected to include a variety of mixed-use buildings including residential, retail, restaurant, and office uses.

The Project is also expected to include public parking options, right-of-way and roadway improvements, new and improved sidewalks/trails, a number of necessary utility improvements (including possible burial, relocation, upgrades, and expansion), and various green space and/or park improvements. In order to help ensure the success and support of the Project and encourage other investment in and related to the Development Area, and to encourage and support development within the territorial limits of Midway, certain public improvements are needed within the Development Area.

1.2. Size and Location. The Midway Station site is located at the Interstate 64 interchange at Georgetown Road, just to the Northeast of Downtown Midway. The 180 acre property is located just North of I-64 and to the East of Georgetown Road. The Development Area is described more particularly herein and in the site plan and legal description attached as Exhibit "A."

1.3. Current Uses. The Development Area itself is currently zoned for a mix of industrial (I-1), retail/commercial (B-5), office (P-1) and residential uses (R-1C and R-3). These zones illustrate the desire for the Development Area to be a location rich with a wide-range of uses and development features.

Approximately seven years ago, a stockyard was proposed to be developed within the Development Area. However, the Development Area was unsuccessful in attracting the stockyard because the area lacked adequate infrastructure to support the use and the cost of installing the same was prohibitive.

The Development Area is currently owned by the Economic Development Authority ("EDA"). The EDA purchased the Development Area a number of years ago, in 1997, to be developed as an industrial park, but it attracted only a few industrial users. In 2008, the site was

approved as a mixed use development, but that timing coincided with the great economic downturn, so, again, there was little activity or interest in new development within the Development Area.

As a result of the lack of infrastructure and poor timing relating to the rezoning of the Development Area during the great economic downturn, the Development Area remains almost entirely vacant and undeveloped, with only a few scattered offices and businesses.

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 180.3 acres, more or less, which is less than three square miles in area;

(b) The establishment of the Development Area will not cause the assessed taxable value of real property within the Development Area and within all “development areas” and “local development areas” established by the City (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Midway. The assessed value of taxable real property within the Development Area for calendar year 2014 was \$0. The City has not previously established any other development areas pursuant to the Act. The total assessed value of taxable real property within Midway for the calendar year 2014 is approximately \$102,623,400. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Midway; and

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

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

- (a) Substantial loss of residential, commercial, or industrial activity or use;
- (b) Forty percent (40%) or more of the households are low-income households;
- (c) More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;
- (d) Substantial abandonment of residential, commercial, or industrial structures;
- (e) Substantial presence of environmentally contaminated land;
- (f) Inadequate public improvements or substantial deterioration in public infrastructure; or

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

The City of Midway has reviewed and analyzed the conditions within the Development Area and finds that it exhibits the following of the qualifying characteristics set out in KRS 65.7049(3):

1) **There has been a substantial loss of commercial or industrial activity.** The Development Area was rezoned for industrial uses in 1991 and subsequently purchased by the EDA in 1997. The EDA installed infrastructure necessary to support industrial uses, yet these improvements failed to attract industrial businesses. In 2007, Bluegrass Stockyards explored the viability of constructing a new state-of-the-art stockyard facility on the site. The stockyard, which would have been the largest stockyard east of the Mississippi River, would have provided many new jobs and new secondary businesses, such as farm equipment stores, commodity brokers and animal feed stores. However, because of the combination of deteriorating infrastructure and opposition from some segments in the community regarding the appropriateness of the use at this location, Bluegrass Stockyards withdrew its request. The property remains undeveloped in large part because community sentiment, economics and local land use plans now agree that a mix of uses rather than a major intensive, industrial use is more appropriate. It is highly unlikely that any uses other than a balanced mix of residential, retail, office and a small amount of industrial land would locate here.

2) **Public improvements and public infrastructure are inadequate.** The EDA installed roads, storm water system, utilities, curbs, gutters and sidewalks in the late 1990s in order to attract business owners interested in "shovel ready" properties. However, for a variety of reasons the property failed to attract prospective industrial users. As a result, the infrastructure has not been maintained and is crumbling, deteriorating and outdated. Moreover, the layout, turning radii, pavement depths and utility lines are not designed or appropriate for residential, office and retail uses. Thus, the entire site must be re-graded and new infrastructure must be installed before any new development can occur. The cost to make all the necessary public improvements is prohibitive without the funding mechanism that the TIF program offers. Without such TIF assistance, development of the site is unlikely to occur.

3) **A combination of factors substantially impairs and arrests growth and economic development and impedes the development of the property due to the Development Area's present condition.** Not only is the previously installed infrastructure inadequate, outdated, deteriorated and inappropriate for the proposed uses, there is an additional cost involved with the original electrical lines that makes it prohibitively expensive to develop the site. The utilities, including the electrical lines, which were originally installed in the Development Area were for industrial uses, which require a three phase electrical system. Three phase electrical systems are

designed for heavy power loads and large motors. The mixed use project necessitates a single phase system, which is intended for less intensive power needs.

The cost to install the initial three phase electrical system was borne by the electrical company as an economic development project. The power company gets reimbursed over time for its installation costs by industrial users as the property is developed. The power company has not been reimbursed for the significant cost to install the original lines. Thus, in addition to the cost to replace and install new single phase lines, the developer must pay back the power company for the cost of installing the original three phase system, even though it now must be removed and replaced with a single phase system. This is an unusual and very costly factor that significantly increases the likelihood that development of the Development Area will not take place without TIF funds.

2.3. Assurances the Development Area Is Not Reasonably Expected to Develop Without Public Assistance. The City finds that the Development Area is not reasonably expected to be developed without public assistance. Despite its appealing location along the Interstate and just Northeast of Downtown Midway, no interest has been shown in redeveloping the property to bring new economic activity to the area, other than the proposed Project. The public infrastructure costs associated with any successful redevelopment of the Development Area are too high to occur without the help of the public. It is estimated that the total cost of public infrastructure improvements needed within the Development Area to successfully redevelop Midway Station is approximately \$31 million. Without public funding, including the critical pledge of State incremental revenues under the Commonwealth Participation Program for Mixed-Use Redevelopment in Blighted Urban Areas, as provided in the Act, the proposed Project within the Development Area would not be possible.

2.4. Assurances the Public Benefits of Redeveloping the Development Area as Proposed Justify the Public Costs Proposed. The 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 "B", (the "Report"), the public investment is expected to reach \$31 million, but the private investment within the Development Area will reach \$126 million. Over a 20-year period, the project is expected to support over 4,000 jobs annually and nearly \$7 billion in total economic impact throughout the state. While the City will pledge eighty percent (80%) of new ad valorem property taxes and occupational taxes to pay for the public projects proposed, it will generate significant new revenues from the twenty (20%) of those new incremental revenues not pledged and one hundred (100%) of the other local taxes generated from the Project.

The Project is expected to generate much more tax revenue than current use in the Development Area. According to the Report, over a 20-year period, the Project is estimated to generate \$93.8 million of eligible incremental state and local tax revenues. After 20 percent is retained, such amount translates to an estimated \$46.4 million of cash available for State participation and an estimated \$28.7 million for local participation.

Based on research and analysis documentation in the Report, the Project is estimated to have a significant economic and fiscal impact to the local economy. Its construction is estimated

to generate a one-time impact that includes over \$156.4 million of total spending, \$68.3 million of total wages, support for 2,297 jobs, and \$258.6 million in total economic impact. Upon project opening and in the first year of stabilization (year 5), annual economic impact of the various project components are estimated to include \$317.8 million of total economic impact, \$111.3 million of increased wages, and support for 4,605 jobs.

It is proposed that the incremental revenues from the City and the State will be used to fund the capital costs of the "approved public infrastructure" as defined by the Act, needed for the Project within the Development Area. The estimated cost of the approved public infrastructure needed for the Project is approximately \$30.7 million. It is estimated that approximately \$75.1 million in local and State TIF-applicable incremental revenues from the Project will be available over 20 years to pay for approved public infrastructure costs needed for the Project. The net present value of this \$75.1 million is dependent upon many variables in the tax-exempt financing/bonding market.

This amount far exceeds the estimated \$30.7 million in approved public infrastructure cost, even before considering the benefits of the taxes generated that are not eligible for recovery under the TIF agreements. As a result, the Project represents an enormous benefit to the City and the State.

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

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

2.7. Existing Uses and Conditions. The Development Area itself is currently zoned for a mix of industrial (I-1), retail/commercial (B-5), office (P-1) and residential uses (R-1C and R-3). These zones illustrate the desire for the Development Area to be a location rich with a wide-range of uses and development features.

Approximately seven years ago, a stockyard was proposed to be developed within the Development Area. However, the Development Area was unsuccessful in attracting the stockyard because the area lacked adequate infrastructure to support the use and the cost of installing the same was prohibitive.

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As a result of the lack of infrastructure and poor timing relating to the rezoning of the Development Area during the great economic downturn, the Development Area remains almost entirely vacant and undeveloped, with only a few scattered offices and businesses. Additionally, the few existing structures along with the infrastructure within the Development Area are deteriorating or fully deteriorated.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. The Development Area itself is currently zoned for industrial (I-1), retail/commercial (B-5), office (P-1) and residential uses (R-1C and R-3). Because the current zoning already allows for a mixed use development within the Development Area, it is not anticipated that any further rezoning will be required to develop the Development Area as proposed.

These zones also illustrate the desire for the Development Area to be a location rich with a wide-range of uses and development features. The existing mixed use zoning within the Development Area along with the developer's plan for developing the area are directly in line with the 2011 Comprehensive Plan recommendations for the City of Midway at this location.

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

The Planning Commission approved such certification at its meeting on October 9, 2014 which certified that the Midway Station Development Plan complies with the adopted 2011 Comprehensive Plan for the City of Midway. A copy of the documentation of certification is attached hereto as Exhibit C and incorporated herein.

3. The Development Program.

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

3.1 Private Development. It is currently estimated that the potential total private development within the Development Area will cost approximately \$126 million. The private

development projects are expected to include a variety of uses, including an estimated 70,000 square feet of retail space, 30,000 square feet of restaurant and entertainment space, 183,000 square feet of office space, 400,000 square feet of industrial space, and 360 residential units/homes.

3.2 Public Infrastructure and Improvements.

- **Land Preparation and Demolition.** At the Midway Station site, the costs associated with demolition, cleanup, and site prep are prohibitive to the successful redevelopment and growth of the area as a whole. This Project will require the tedious removal of deteriorated and insufficient roadways and regarding of the site for safe and cost effective redevelopment.
- **Sewers/Storm Drainage.** The redevelopment of the Midway Station site will require sanitary and storm water improvements to adequately handle the anticipated capacity needs of the property's proposed uses. The costs associated with the surveying and removal of the insufficient and/or deteriorated sewer lines only adds to the difficulty of redeveloping the site.
- **Parking.** As is the case in any development project in today's world, strategic public parking options are a necessity in order to attract patrons. While this typically involves utilizing a parking structure or structures, the Project plans currently only include strategically located surface parking in order to be as cost-effective as possible.
- **Power Lines.** There are existing transmission and distribution lines that run throughout the middle of the site. This inhibits the ability to fully develop the site due to the restrictions that these lines cause. The burial or relocation of these lines will allow the site to be developed in a more dense, safe, and strategic manner.
- **Road and Streetscape Improvements.** In order to create a setting that is suitable for both pedestrian activity, residential traffic, and industrial traffic, numerous roadway and streetscape improvements must be made throughout the site. Currently, the roadways are not sufficient for industrial users, and are too narrow to allow two-way traffic in many locations. The improved plan will likely include on-street parking, the use of a median, crosswalks, and signals, as well as landscaping and other aesthetically pleasing improvements.

4. Development assistance and Finance Plan.

The Proposed "development assistance", as defined in the Act, to be provided in the Development Area is estimated to cost approximately \$30.7 million, not including interest/financing expenses. The City will pledge eighty percent (80%) of its incremental tax revenues from real property taxes and occupational taxes from the Project for over the applicable 20-year period and, in accordance with the Act; will create a special fund for the deposit of pledged incremental revenues. In addition, the City and/or the Agency will submit an application to the Kentucky Economic Development Finance Administration ("KEDFA") to request State

participation in the form of a pledge of eighty (80%) of incremental State tax revenues generated from the Project during the 20-year period.

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

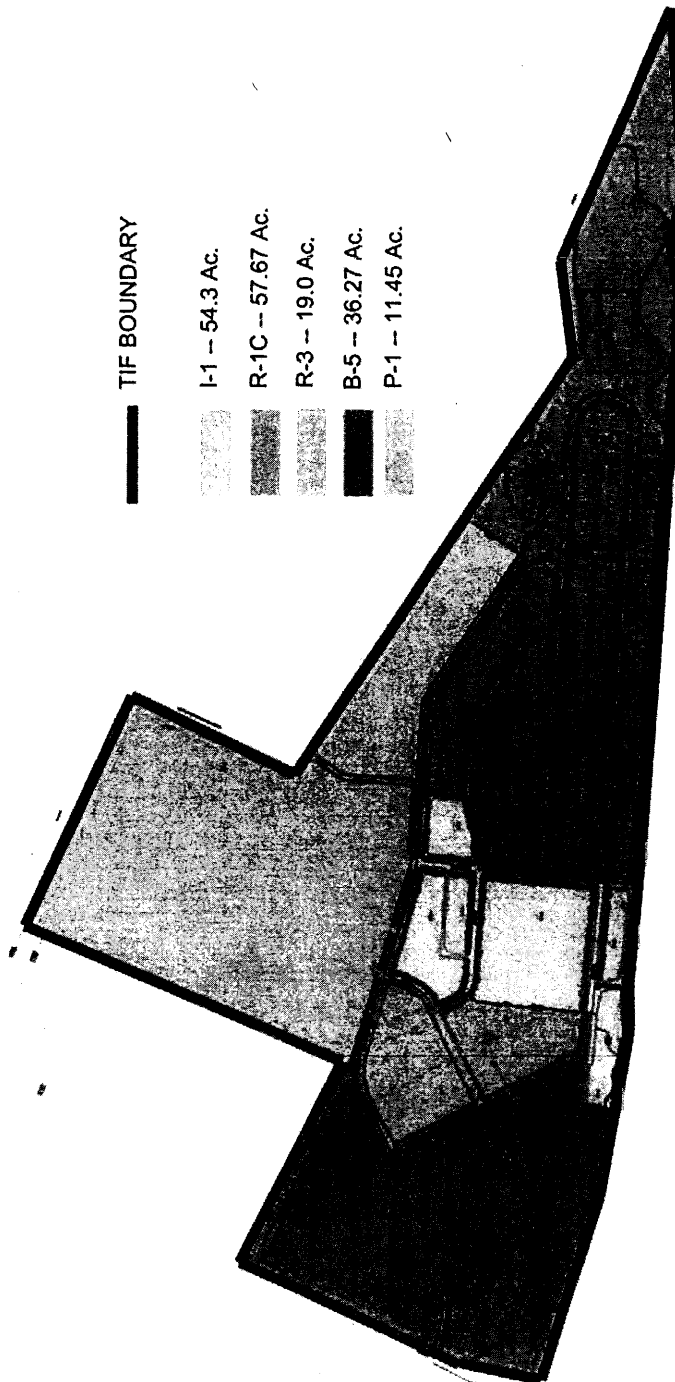
As set forth in more detail in the Report, the Project is estimated to directly generate approximately \$93.8 million in incremental tax revenues over a 20-year period. Approximately \$75.1 million of this total could be available for reimbursement or debt service (\$46.4 million for state participation and \$28.7 million for local participation).

5. Conclusions.

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

The Development Area’s mix of private investment and public improvements will allow the City of Midway to play a vital role in the creation of a vibrant, thriving environment that is welcoming to, and enjoyed by, visitors and residents alike.

EXHIBIT A
THE DEVELOPMENT AREA



TIF DEVELOPMENT AREA LEGAL DESCRIPTION

Legal description of proposed TIF boundary

Midway, in Woodford County, Kentucky.

All that tract of land situated on the east side of Ky. 341 and being approximately 1.5 miles northeast of Midway, Woodford County, Kentucky and being more fully described as follows:

BEGINNING at the centerline of Ky. 341; thence leaving said centerline and continuing with the north right-of-way of McKinney Avenue, S 62°49'16" E a distance of 1093.41' to an iron pin with cap stamped "LS 3349"; thence leaving said right-of-way and with the line of the property conveyed to Julia R. Roach et al of record in Deed Book 130 page 393, N 22°47'12" E a distance of 1604.90' to an iron pin with cap stamped "LS 3349" at a corner of the property conveyed to Isaac P. Rouse of record in Deed Book 77 Page 226; thence with the line of Rouse for 7 calls:

- 1) S 65°07'45" E a distance of 1169.54' to an iron pin;
- 2) S 25°07'55" W a distance of 841.60' to an iron pin;
- 3) S 56°31'16" E a distance of 126.98' to an iron pin;
- 4) S 56°26'59" E a distance of 1301.08' to an iron pin;
- 5) S 56°26'44" E a distance of 899.19' to an iron pin;
- 6) N 82°20'07" E a distance of 447.77' to an iron pin;
- 7) S 66°47'39" E a distance of 1278.16' to an iron pin on

the north right-of-way of Interstate 64; thence with said right-of-way for 20 calls:

- 1) S 85°43'13" W a distance of 838.57' to a MAG nail;
- 2) N 76°20'24" W a distance of 251.69' to a MAG nail;
- 3) S 81°18'16" W a distance of 248.30' to a MAG nail;
- 4) N 87°59'56" W a distance of 316.67' to an iron pin with cap stamped "LS 3349";
- 5) N 83°47'08" W a distance of 230.18' to a post;
- 6) S 86°57'51" W a distance of 122.92' to an iron pin with cap stamped "LS 3349";
- 7) N 86°18'36" W a distance of 360.53' to an iron pin;
- 8) N 86°25'14" W a distance of 467.49' to a 14" cherry tree;
- 9) N 85°59'09" W a distance of 343.71' to an iron pin;

- 10) N 86°02'43" W a distance of 734.29' to a MAG nail;
- 11) N 84°36'59" W a distance of 106.70' to an iron pin;
- 12) N 84°43'16" W a distance of 455.45' to an iron pin with cap stamped "LS 3349";
- 13) N 84°07'02" W a distance of 60.06' to a MAG nail;
- 14) S 88°15'47" W a distance of 201.00' to a MAG nail;
- 15) N 80°07'34" W a distance of 388.25' to an iron pin;
- 16) N 80°07'34" W a distance of 399.41' to an iron pin;
- 17) N 72°23'52" W a distance of 896.03' to an iron pin;
- 18) N 11°54'01" E a distance of 331.12' to an iron pin;
- 19) N 11°39'12" E a distance of 54.34' to an iron pin with cap stamped "LS 3349";
- 20) N 65°10'56" W a distance of 71.28' to the centerline of Ky. 341;

thence with the centerline of Ky. 341 for two calls:

- 1) N 24°50'41" E a distance of 792.19' to a point in the centerline of Ky. 341;
- 2) N 25°13'52" E a distance of 335.77' to the point of

BEGINNING, having an area of 180.269 acres.