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Martin
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A G E N D A
COMMITTEE OF THE WHOLE QUARTERLY
**ECONOMIC DEVELOPMENT
COMMITTEE**
October 11, 2011
1:00 P.M.

1. Affordable Housing Trust Fund Implementation – Henson (1-16)
2. Update on Arena & Arts District (17-44)
3. Items Referred to Committee (45)

“Economic Development Committee, to which shall be referred matters relating to the Office of Economic Development and related partner agencies.”

-Council Rules & Procedures, Section 2.102(1)

AFFORDABLE HOUSING TRUST FUND: ECONOMIC IMPACT STUDY

Presented by Commonwealth Economics to the
Lexington-Fayette Urban County Government

March 17th, 2011

Commonwealth Economics, LLC

- We specialize in developing the following studies:
 - Economic and fiscal impact analysis
 - Market analysis
 - Feasibility studies
- We were charged with the task of developing an economic, fiscal and social impact study based on the proposed implementation of an Affordable Housing Trust Fund by the LFUCG.
- In developing our analysis, we were asked to answer 9 questions regarding the AHTF's impacts and feasibility.

1 & 2. What would be the yield on various levels of increases in insurance taxes and what is the cost to the average household?

Impact per Household of Various Increases in the Local Insurance Tax Rates

<u>Increase in the Local Insurance Tax</u>	<u>Gross Fiscal Impact</u>	<u># of Households</u>	<u>Impact per Household</u>
1% increase	\$4,449,120	127,408	\$35
1% increase, but excluding health increase	\$3,800,677	127,408	\$30
0.75% increase	\$3,336,840	127,408	\$26
0.75% increase, but excluding health increase	\$2,850,508	127,408	\$22
0.5% increase	\$2,224,560	127,408	\$17
0.5% increase, but excluding health increase	\$1,900,338	127,408	\$15

- It should be noted that the available revenue data does not distinguish households from businesses.
- Therefore, the average “impact per household” estimates include the increased cost to both households and businesses.

3. How many affordable housing units will be created and/or rehabilitated each year if trust fund revenues are \$4 million?

- According to the Louisville Apartment Association, Habitat for Humanity, and River City Housing Corporation's estimates:
 - Cost to develop a single unit of affordable housing is approximately \$85,000.
 - The median amount spent on rehabbing a single distressed unit is approximately \$30,000.

3. How many affordable housing units will be created and/or rehabilitated each year if trust fund revenues are \$4 million?

Lexington Housing Trust Fund Impacts Study					
Direct Impact Assumptions- Leveraged Funds at 8:1 Ratio					
	Levered Total	New Construction Direct Impacts	Rehab Direct Impacts	Acquisition Spending	Supportive Services Spending
Emergency Shelters	\$1,600,000	\$640,000	\$480,000	\$320,000	\$160,000
Deep Subsidy Rental Units	\$16,000,000	\$6,400,000	\$4,800,000	\$3,200,000	\$1,600,000
Affordable Worker Rental Units	\$9,600,000	\$3,840,000	\$2,880,000	\$1,920,000	\$960,000
Subsidized Homeownership	\$4,800,000	\$1,920,000	\$1,440,000	\$960,000	\$480,000
Total	\$32,000,000	\$12,800,000	\$9,600,000	\$6,400,000	\$3,200,000

© Based on the above spending estimates, levered at an 8:1 ratio, in a given year, Lexington would:

- Construct approximately 150 new housing units
- And rehabilitate up to 320 units distressed units

4. How many jobs will be created to construct new, or rehabilitate existing, affordable housing units?

Lexington Housing Trust Fund Impacts Study				
Construction Activity- Employment 8:1 Leverage				
Industry	Direct	Indirect	Induced	Total
Agriculture	0.00	0.01	0.11	0.12
Mining	0.00	0.51	0.08	0.60
Construction	161.15	0.30	0.62	162.08
Manufacturing	0.00	2.59	0.28	2.87
TIPU*	0.00	4.18	1.13	5.31
Trade	0.00	36.42	15.08	51.50
Service	0.00	31.98	48.29	80.28
Government	0.00	0.46	0.69	1.15
Total	161.15	76.45	66.29	303.89

*TIPU= Transportation Information & Public Utilities

- As shown above, construction and rehab activity is expected to directly create about 161 jobs in Lexington.
- Another 143 jobs are estimated to be created as a secondary effect of the increased economic activity.
- This totals to an estimated 304 new jobs within Lexington.

5. What is the financial impact on the community?

Lexington Housing Trust Fund Impacts Study				
Construction Activity- Wages 8:1 Leverage				
Industry	Direct	Indirect	Induced	Total
Agriculture	\$0	\$155	\$1,367	\$1,522
Mining	\$0	\$16,229	\$1,028	\$17,257
Construction	\$5,346,930	\$10,937	\$20,266	\$5,378,133
Manufacturing	\$0	\$149,834	\$16,232	\$166,066
TIPU*	\$0	\$216,450	\$58,503	\$274,953
Trade	\$0	\$1,125,483	\$453,279	\$1,578,762
Service	\$0	\$1,186,492	\$1,529,071	\$2,715,563
Government	\$0	\$39,570	\$57,122	\$96,692
Total	\$5,346,930	\$2,745,151	\$2,136,868	\$10,228,949

*TIPU= Transportation Information & Public Utilities

5. What is the financial impact on the community?

Lexington Housing Trust Fund Impacts Study						
Economic Impacts of Change in Household Spending- 8:1 Leverage						
Housing Type	# of Households	Impacts				
		Direct		Indirect & Induced		Total
		Output	Jobs	Output	Jobs	Output
Deep Subsidy Rental Units	1,120	\$1,790,565	17.5	\$1,169,826	10.8	\$2,960,391
Affordable Worker Rental Units	1,165	\$1,923,330	18.8	\$1,268,490	11.7	\$3,191,820
Total	2,285	\$3,713,895	36	\$2,438,316	23	\$6,152,211

• This represents the number of households that would benefit from the subsidy created by the construction of new units, should this amount be viewed as a direct subsidy rather than dollars spent on construction.

• This shows that the one-time spending on construction provides subsidized benefits to its inhabitants for more than just the year in which it is constructed.

6. What is the impact on surrounding area property values when new units are created or existing units are rehabilitated?

- Numerous studies have examined this issue, and most agree that the effect depends on a number of factors, including:
 - Host neighborhood context and compatibility with affordable housing.
 - Degree of concentration of affordable housing units.
 - Replacement of previous affordable housing units.
 - Quality of management
- The most consistent finding is that a well implemented and managed small scale affordable housing project will not negatively affect property values in the area.

7. Is the 6:1 match attainable?

- Through our research and in speaking with the Kentucky Affordable Housing Trust Fund, we believe that the 6:1 match is attainable.
- This is especially true in the short run due to the numerous federal programs that are currently available.
- The Kentucky AHTF has achieved a 4:1 overall match since 1994, and Lexington's AHTF would be able to lever their funds as well to increase the local ratio.

8. What is the economic impact of an average, conservative and aggressive leverage ratio?

- The following three slides show the overall economic output estimates that a 5:1, 8:1, and 10:1 leverage ratio would create throughout Lexington.

8. What is the economic impact of an average, conservative and aggressive leverage ratio?

Lexington Housing Trust Fund Impacts Study
Summary of Economic Impacts- 8:1 Leverage

Impact Category	Jobs	Output		Taxes		
		Direct	Indirect/ Induced	Total	Federal	State/Local
Construction Activity	304	\$22,400,000	\$14,756,544	\$37,156,544	\$2,176,337	\$1,455,844
Change in Household Spending	59	\$3,713,895	\$2,438,316	\$6,152,211	\$429,285	\$420,637
Total	363	\$26,113,895	\$17,194,860	\$43,308,755	\$2,605,622	\$1,876,481
						\$3,632,181
						\$849,922
						\$4,482,103

8. What is the economic impact of an average, conservative and aggressive leverage ratio?

Lexington Housing Trust Fund Impacts Study						
Summary of Economic Impacts- 10:1 Leverage						
Impact Category	Jobs	Output		Taxes		
		Direct	Indirect/ Induced	Total	Federal	State/Local
Construction Activity	380	\$28,000,000	\$18,445,680	\$46,445,680	\$2,720,421	\$1,819,805
Change in Household Spending	74	\$4,642,368	\$3,047,894	\$7,690,262	\$536,606	\$525,798
Total	453	\$32,642,368	\$21,493,574	\$54,135,942	\$3,257,027	\$2,345,603

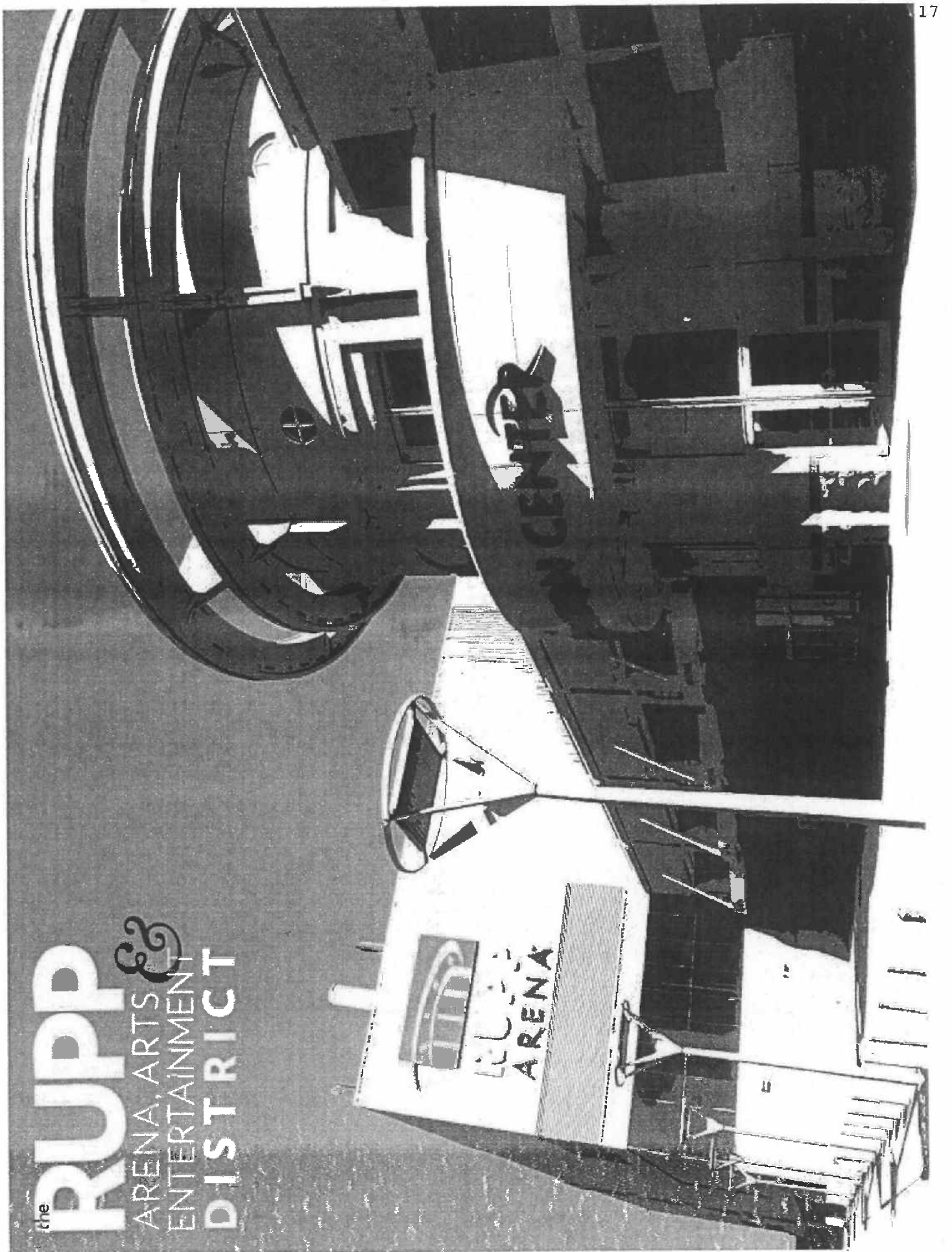
9. What are the unquantifiable impacts (i.e. social, quality of life, etc) of an affordable housing trust fund on the community?

- Health
- Family Stability and Education
- Welfare to Work
- Environmental Benefits
- Possible Negative Effects

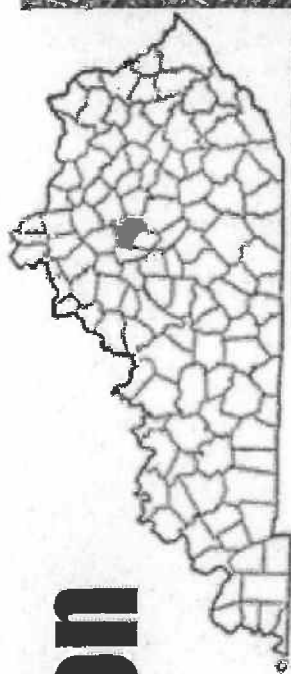
Conclusion

- © Assuming an 8:1 leverage ratio, the estimated annual economic impacts of a \$4 million AHTF investment include:
 - An average of approximately 470 housing opportunities can be produced each year, including 150 new construction projects and 320 rehabilitation projects.
 - More than 363 new jobs will be directly and indirectly supported by trust fund investment.
 - More than \$43.3 million of direct, indirect and induced economic activity will be generated from trust fund investment.

the **RUPP** ARENA, ARTS & ENTERTAINMENT DISTRICT



Lexington



- Horse Capital of the World
- First City with Urban Growth Boundary in US
- Lexington and Fayette County merged in 1974 to create Lexington-Fayette Urban County Government
- Population 295,803 (2010)
- Population increase 13.5%



Brent Rice
Task Force Chair

Jim O'Brien
Task Force Vice Chair

Pam Miller
Task Force Vice Chair

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ADVISORY GROUP**

Bill Owen
Advisory Group Chair

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COMMITTEE**

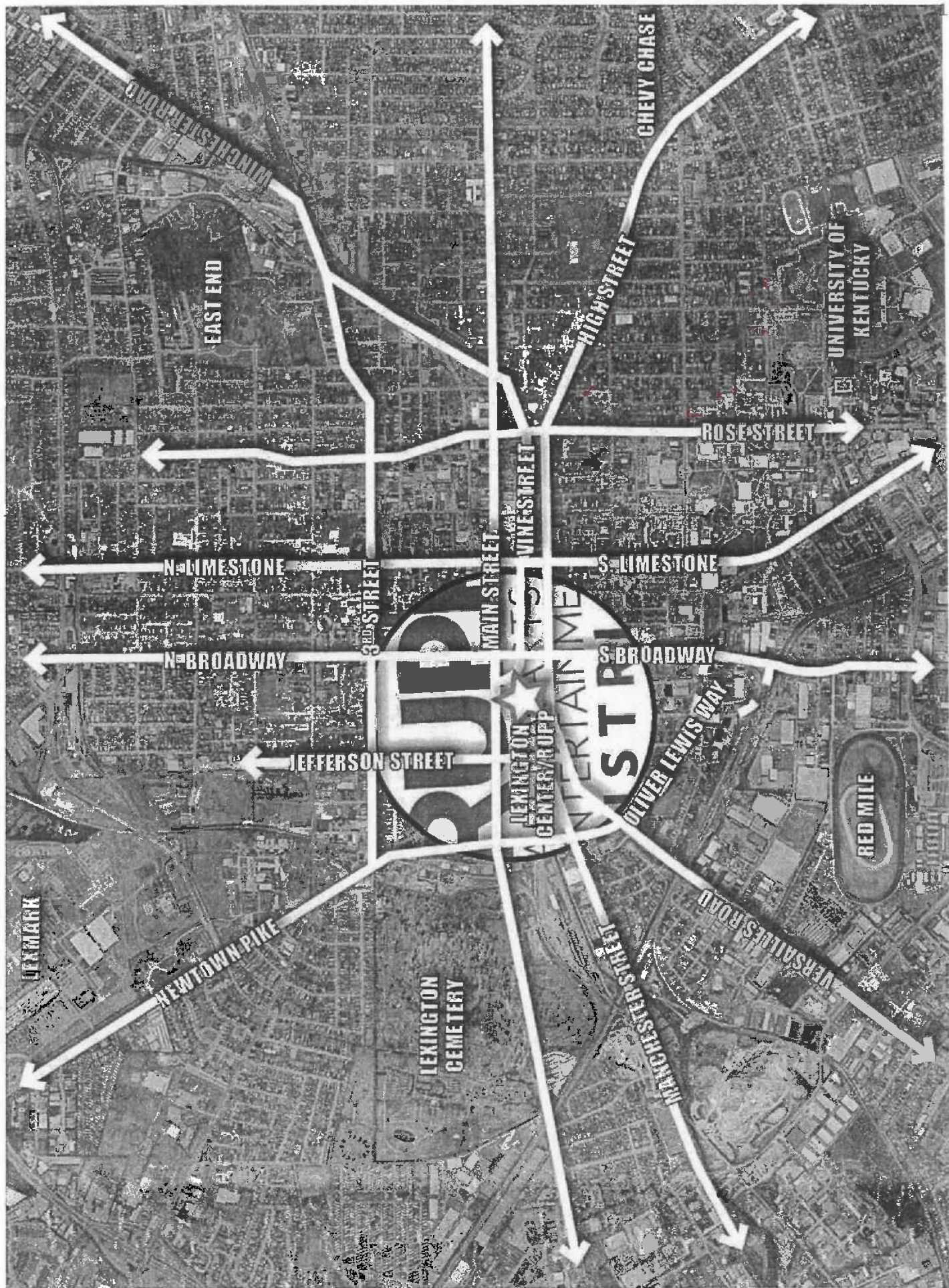
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Committee Chair

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Wil James
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Craig Greenburg - Frost, Brown, Todd

Bill Henkel - Henkel-Denmark

Bill Lear - Stoll Kennon Ogden

Debbie Long - Dudley's on Short

Jamal Mashburn - Analyst, ESPN

Michael Speaks - College of Design, University of Kentucky

Chris Young - Overbrook Farm

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Committee Project Manager

Mary Quinn Ramer - Lexington
Convention & Visitors Bureau

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District

Bili Farish - Lane's End Farm

Cecil Dunn - The Hope Center

David Lord

Everett McCorvey - University of Kentucky

Holly Weidemann - AU Associates

Jim Clark - LexArts

Jim Browder - Lexington Convention &
Visitors Bureau

Joe Costa - The Red Mile

Linda Carroll - Morgan Worldwide
Consultants

P.G. Peoples - Urban League of Lexington

Steve Grossman - J.J.B. Hilliard, W.L.

Lyons

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 Sam Bowie - Former University of Kentucky Basketball Player
 Greg Goodman - Mt. Brilliant Farm
 Pete Mahurin - Hilliard Lyons
 Davis Marksbury - Former Founder of Extreme Software
 Ann McBrayer - Kentucky Eagle Beer
 John McCarty - McCarty-Strong Global, LLC
 Chris Sullivan - Outback Steakhouse
 Jude Thompson - Papa Johns Corporation
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Frank Butler - University of Kentucky Finance &

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Vince Gabbert - Keeneland

Joe B. Hall - University of Kentucky

Royce Pulliam - Global Fitness Holdings

Alan Stein - Lexington Professional Baseball

Julian Tackett - Kentucky High School Athletic Association

Craig Turner - Medpro Safety Products
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PROCESS

- Assess Existing Conditions
- Analyze Past Studies
- Conduct Need Assessment
- Identify Issues and Opportunities
- Select the Feasibility Team
- Select the Master Planning Team
- Create the District Development Plan
- Develop the Implementation Plan and Strategies

BY AUGUST 30th

Preliminary Reports

BY NOVEMBER 15th

**Preliminary District
Development Plan**

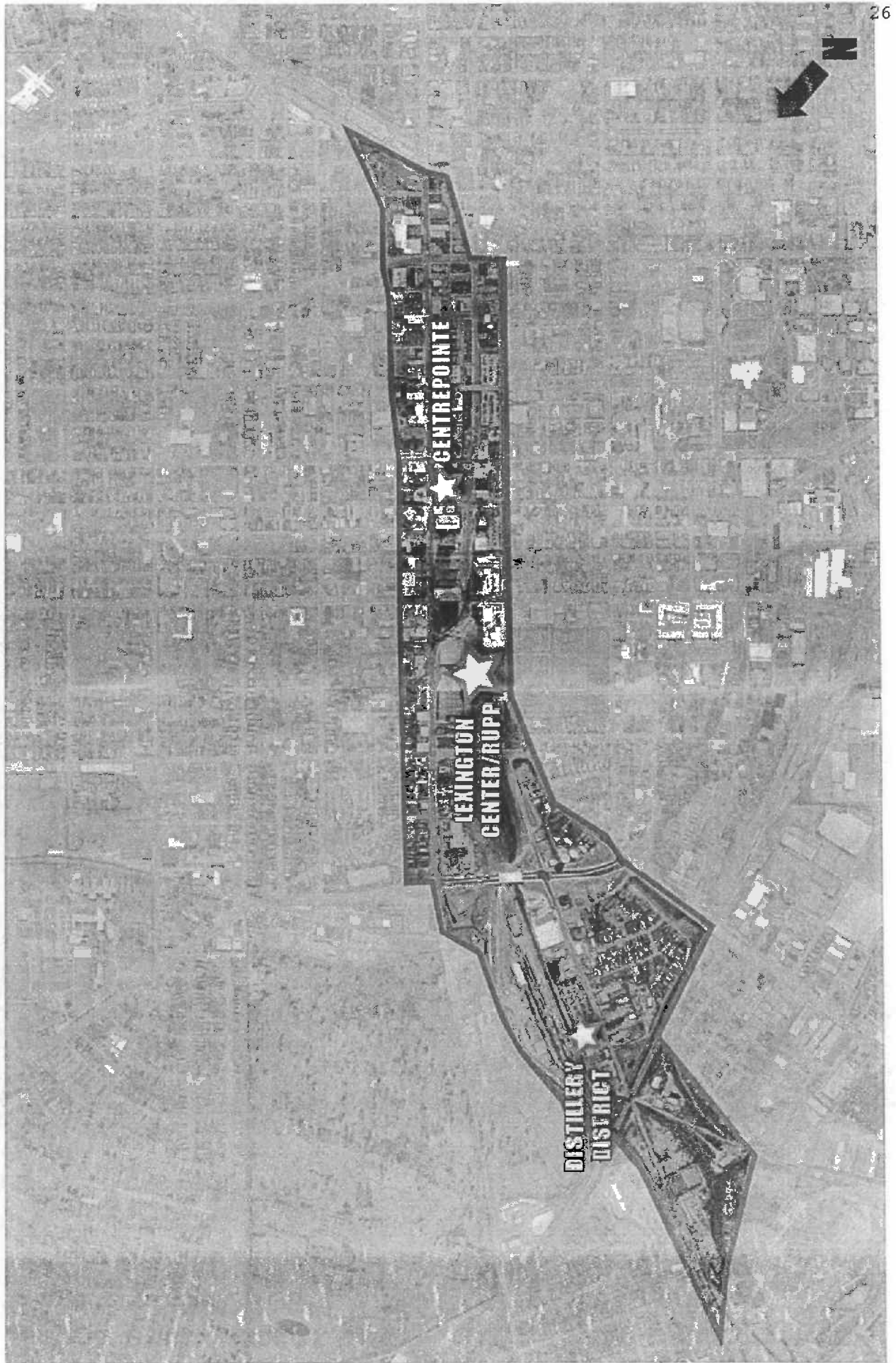
BY DECEMBER 31st

**Preliminary Implementation
Recommendations**

BY JANUARY 31st 2012

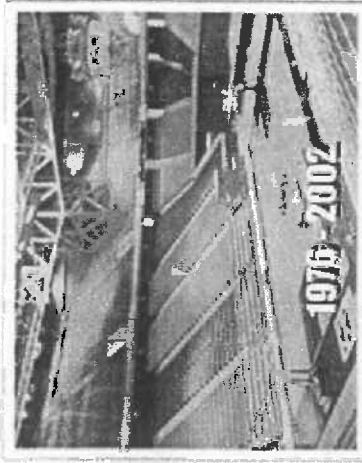
Final Report

Downtown Core Anchors



General Facts About Lexington Center

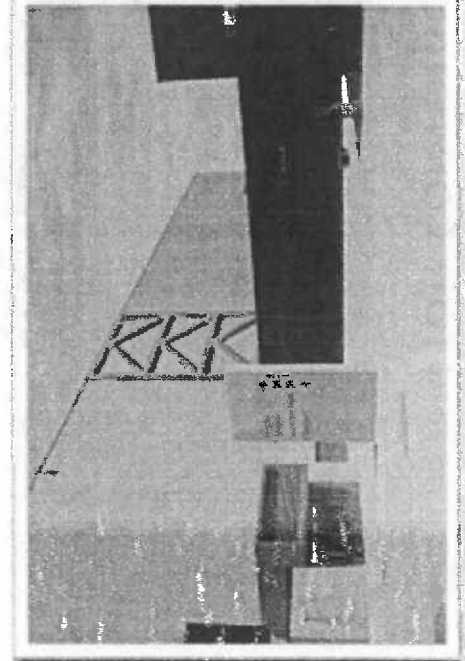
- Opened 1976
- Rupp Arena – 23,000 seats
- Lexington Convention Center / Heritage Hall – 50,000 sq. ft.
- Hyatt Regency Hotel – 365 Rooms
- Civic Center Shops – initially 3 Levels with 37 Shops, presently 18 shops
- Lexington Center Museum and Gallery – opened in September 2011
- Surface Parking – 3,000 Spaces
- Opera House – 940 seats



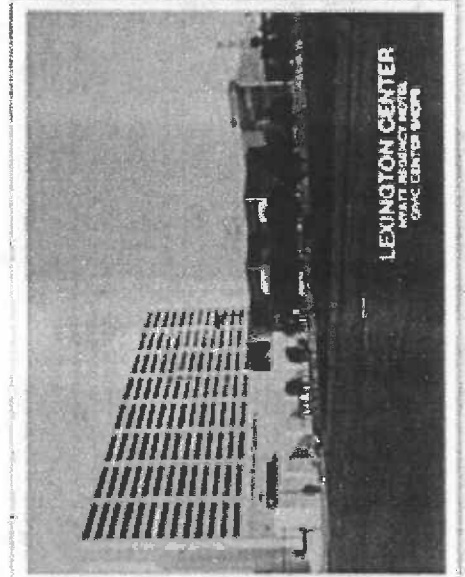
1976 - 2002



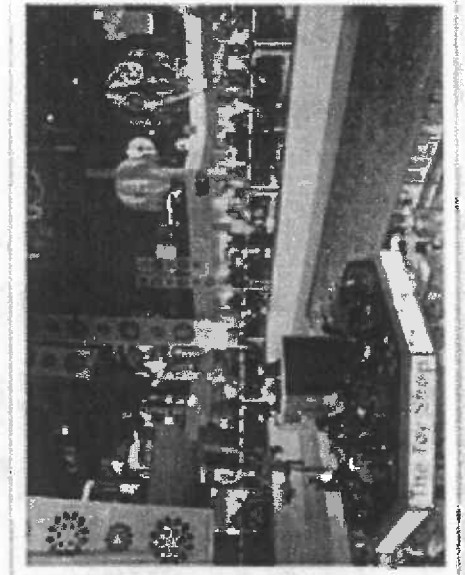
2003 - Present



High Street Entrance



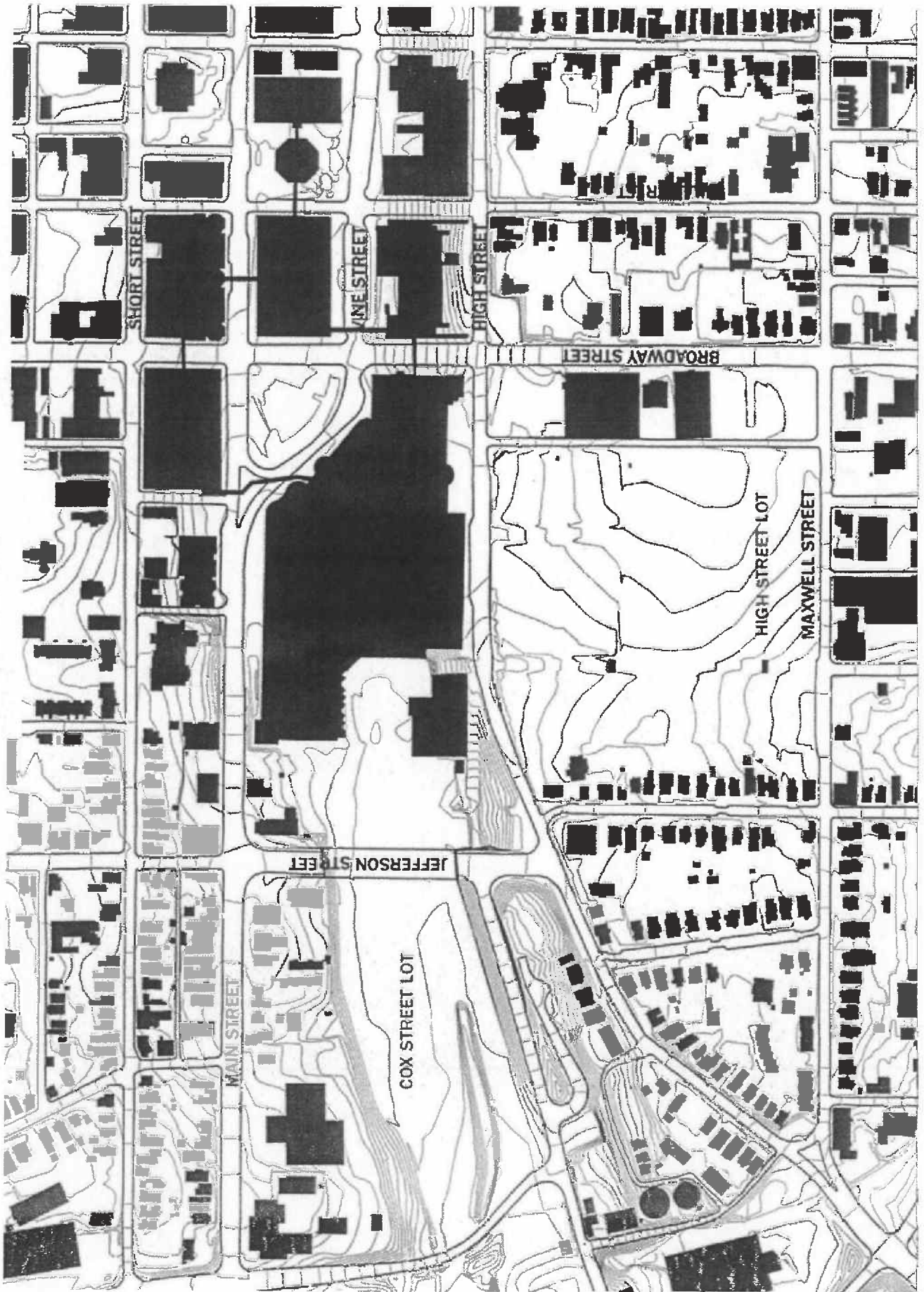
Vine Street Entrance



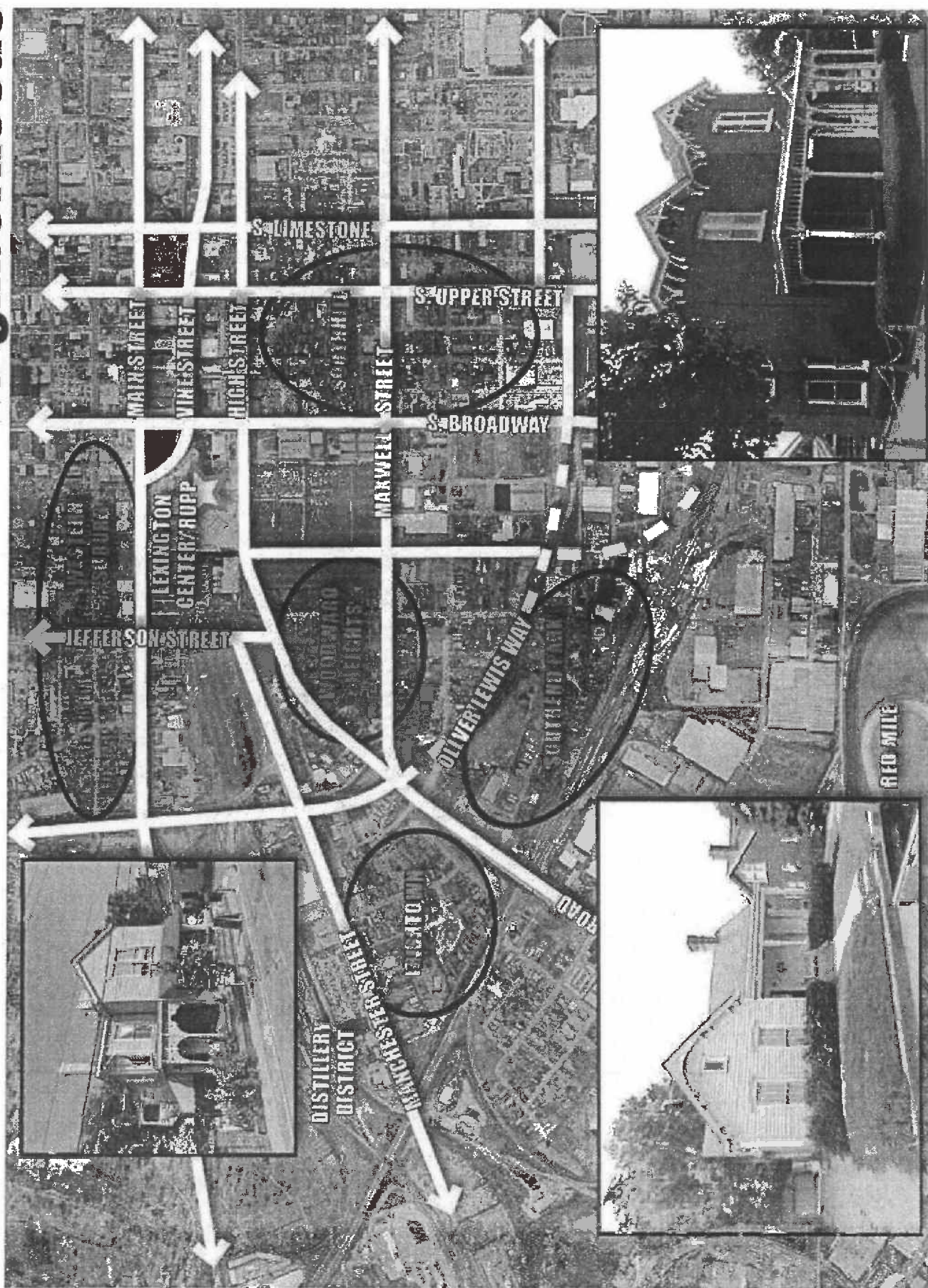
Civic Center Shops

Figure Ground

Building Footprint
2' Contour

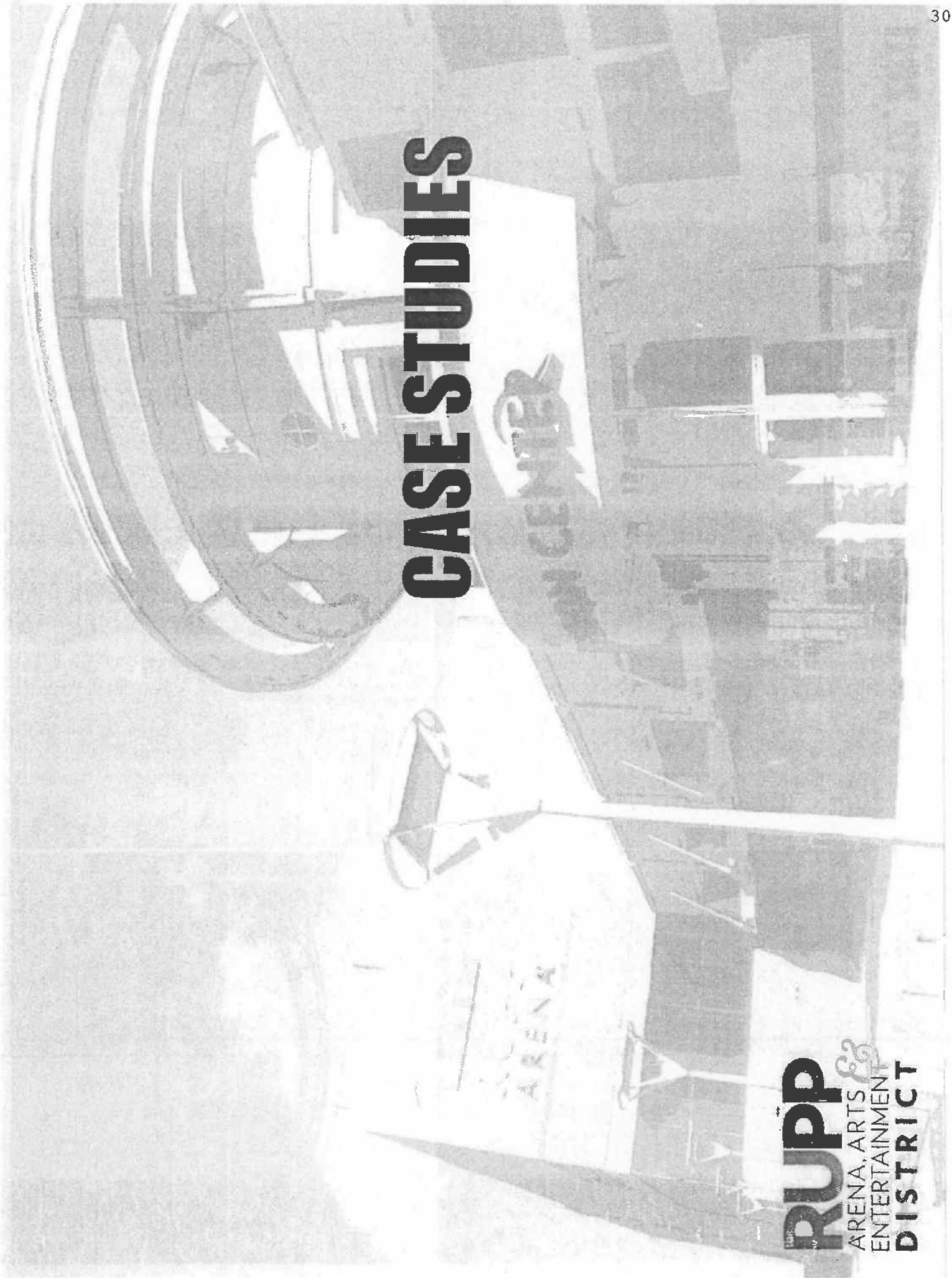


Neighborhoods

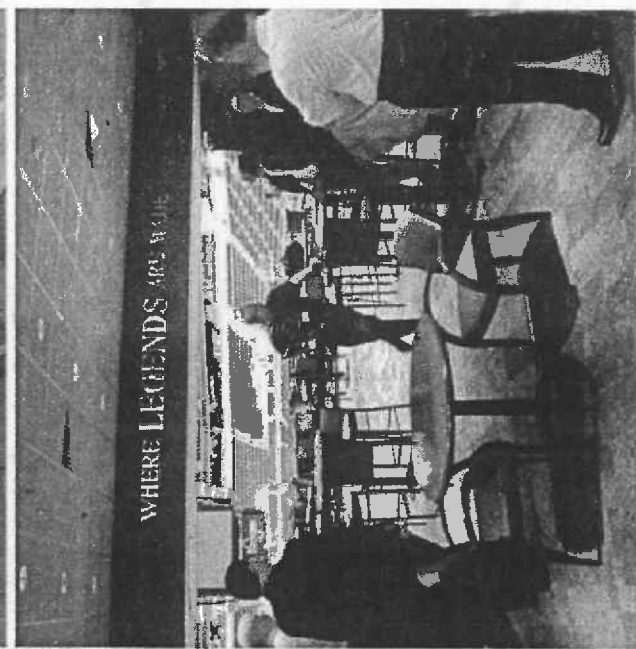
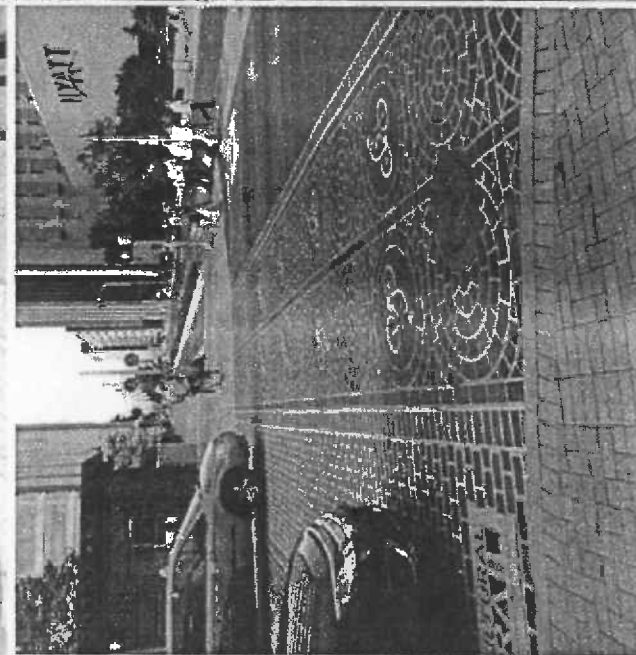
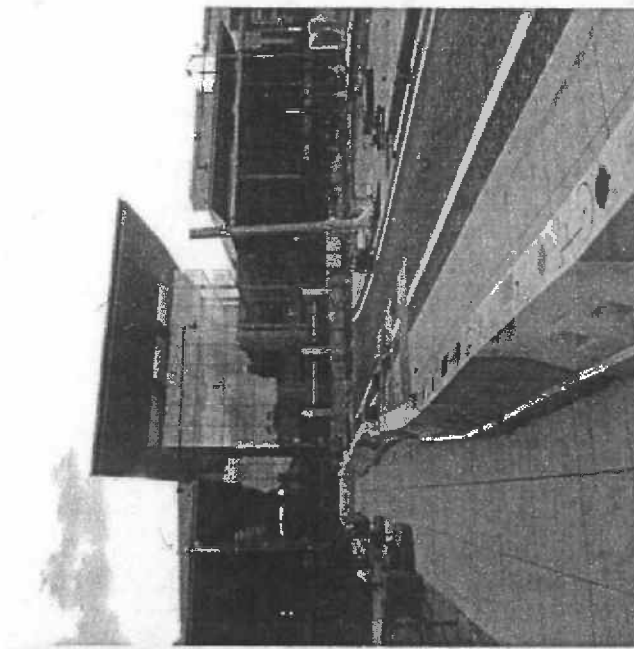
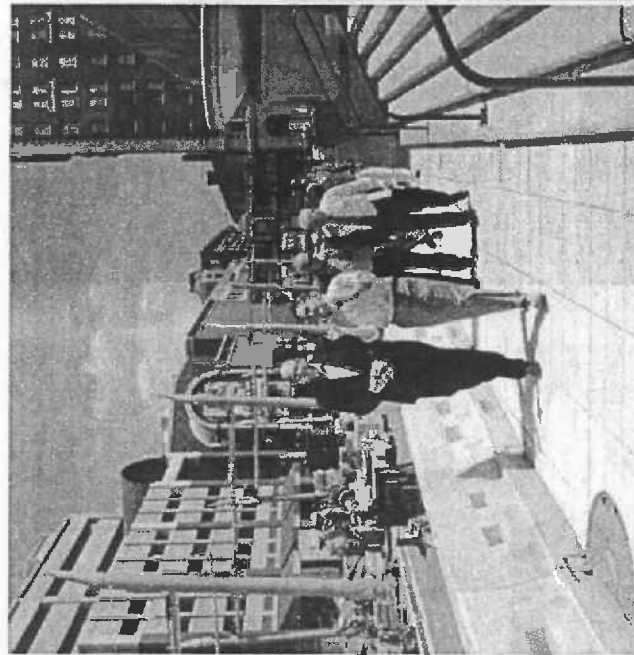
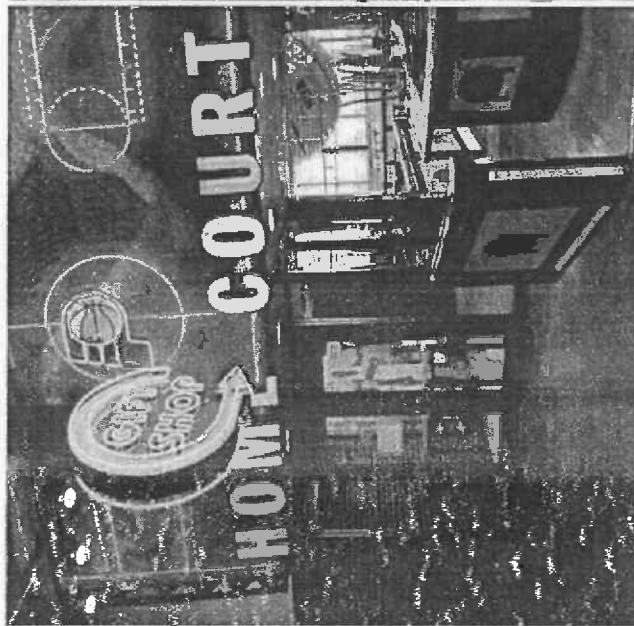


CASE STUDIES

RUPP
ARENA, ARTS
ENTERTAINMENT
DISTRICT



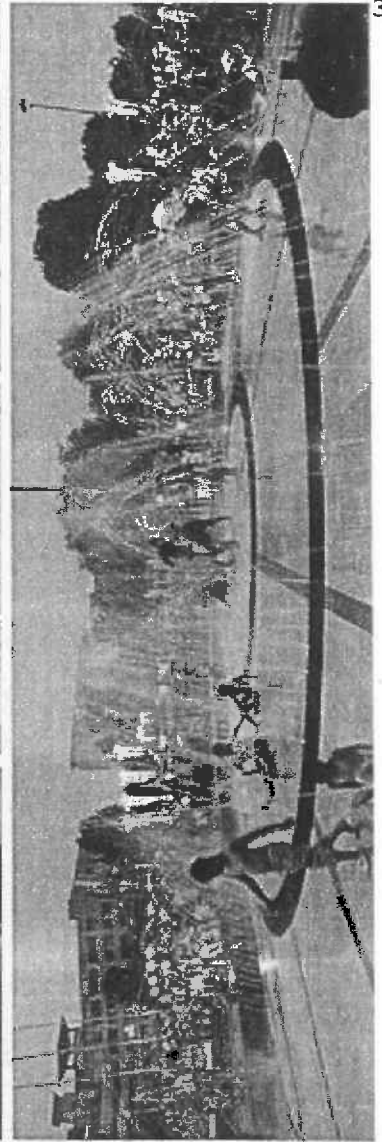
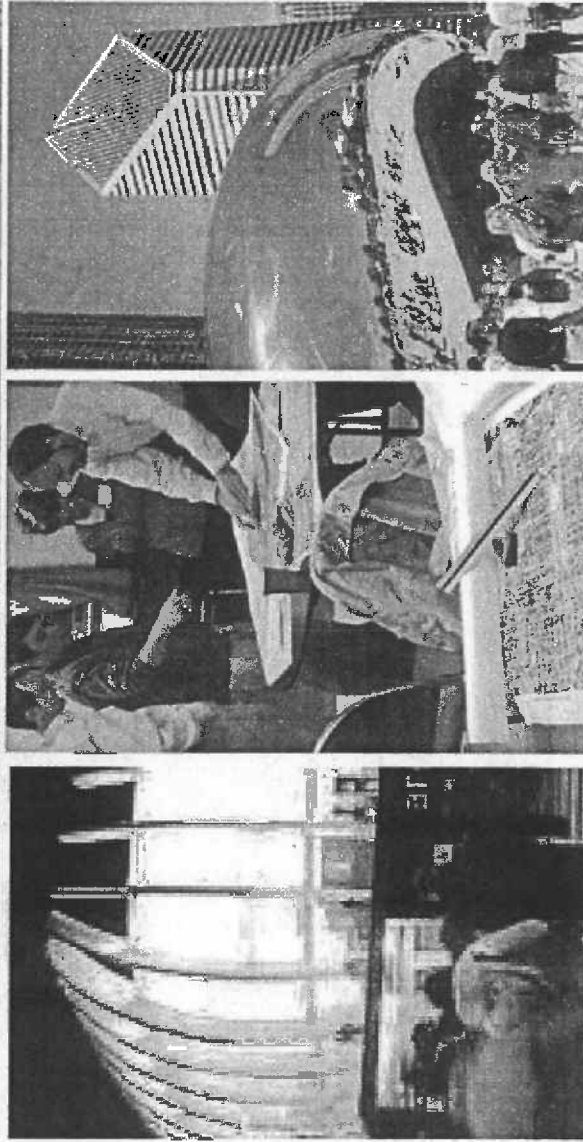
Site Visit – Wholesale District Indianapolis, IN – August 26, 2011



P&D PROCESS

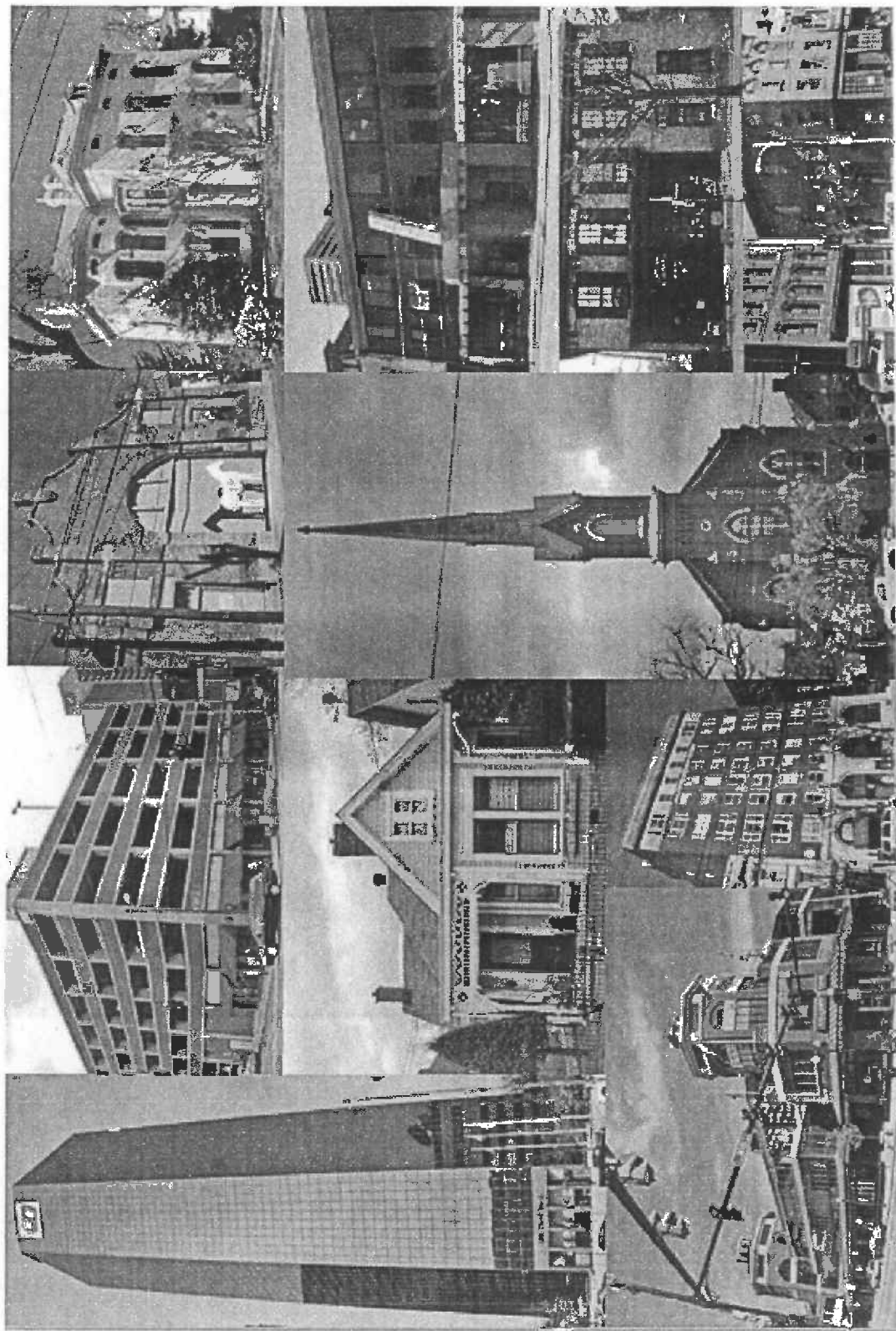
Focused on Strategic Questions

1. What is the vision for this area?
2. How do we expand and improve civic facilities?
3. How do we preserve and enhance existing neighborhoods?
4. How do we create a network of dynamic public spaces?
5. What are the important strategic connections?
6. How do we achieve the vision?



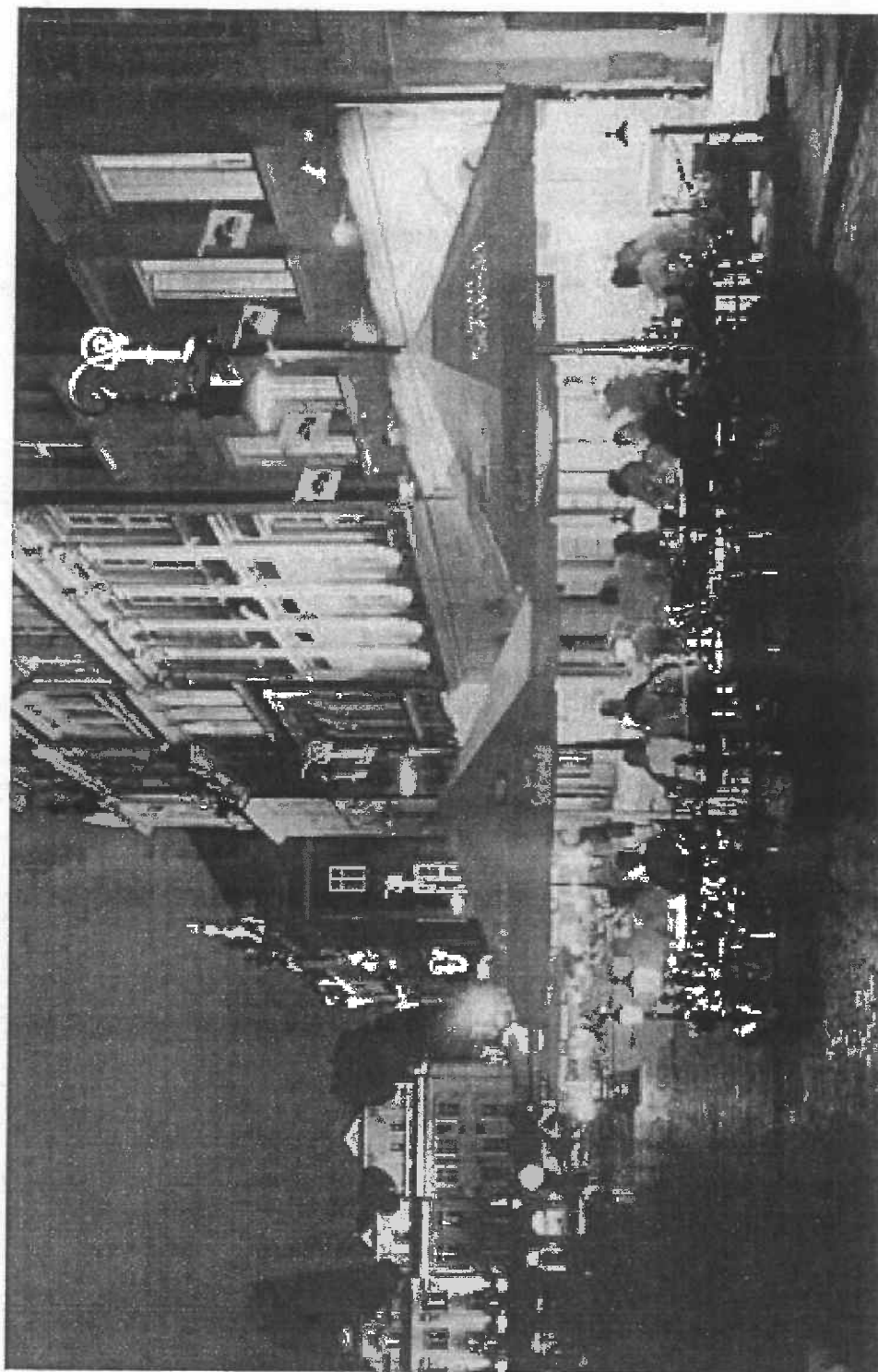
P&D Findings/Recommendations

2. Leverage Existing Identity



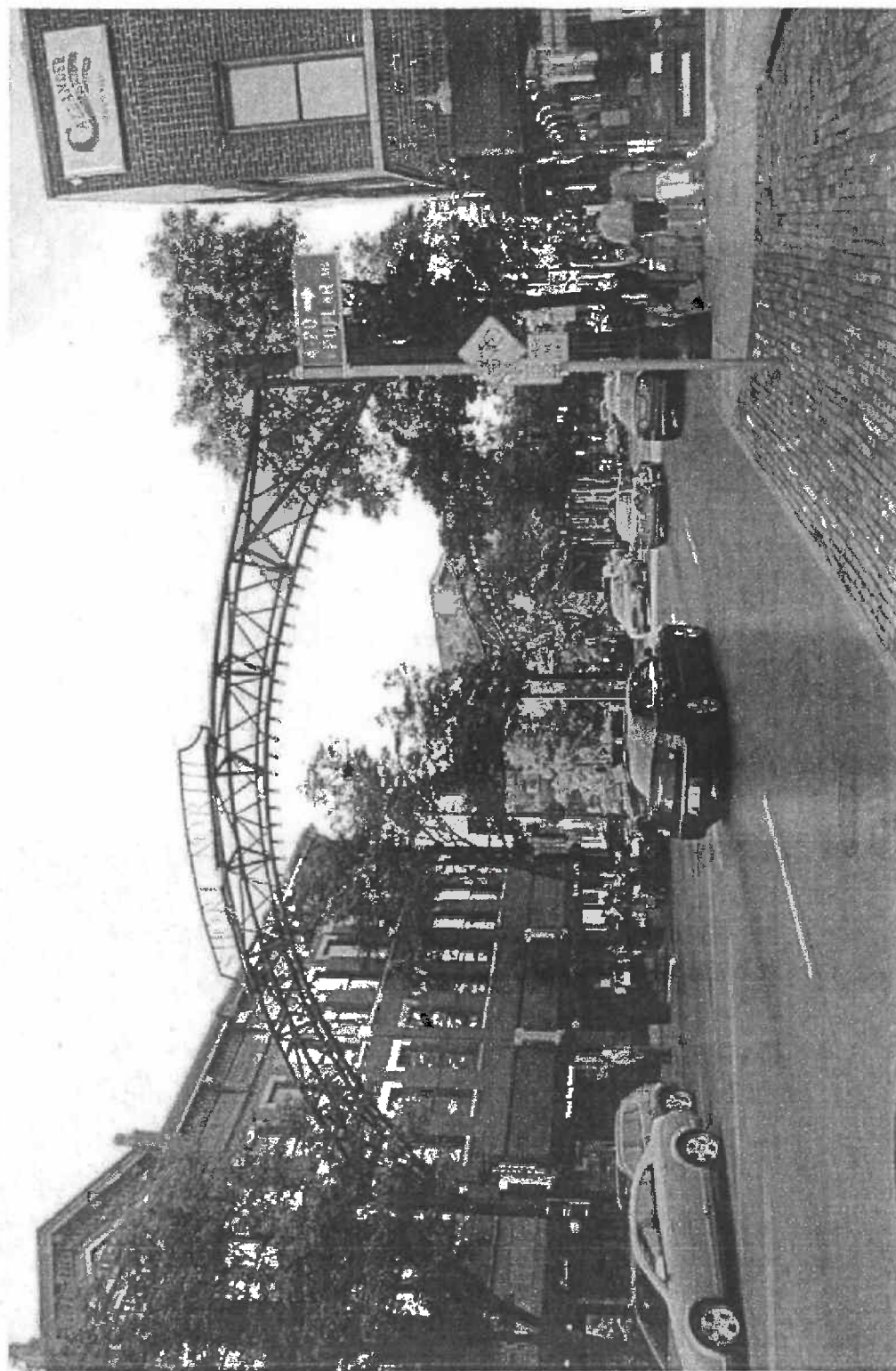
P&D Findings/Recommendations

4. Foreground Pedestrian Experience



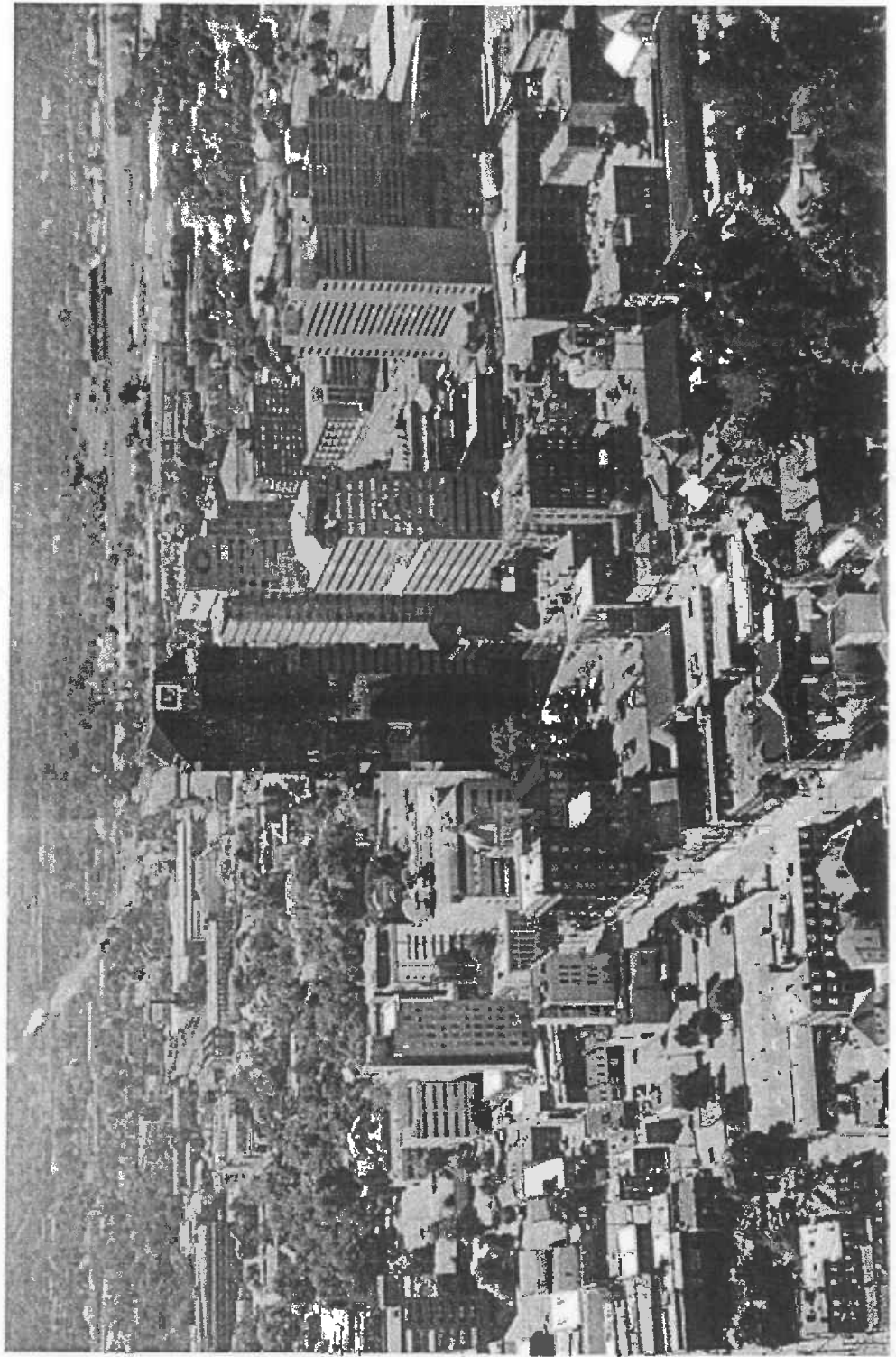
P&D Findings/Recommendations

6. Encourage Mixed-Uses and innovative regulatory measures to create a dynamic urban district.



P&D Findings/Recommendations

8. RAAED should set the tone for future developments and planning efforts in Lexington



NUB PROCESS

**The Need, Use & Benefit Committee
focused on FOUR key topics:**

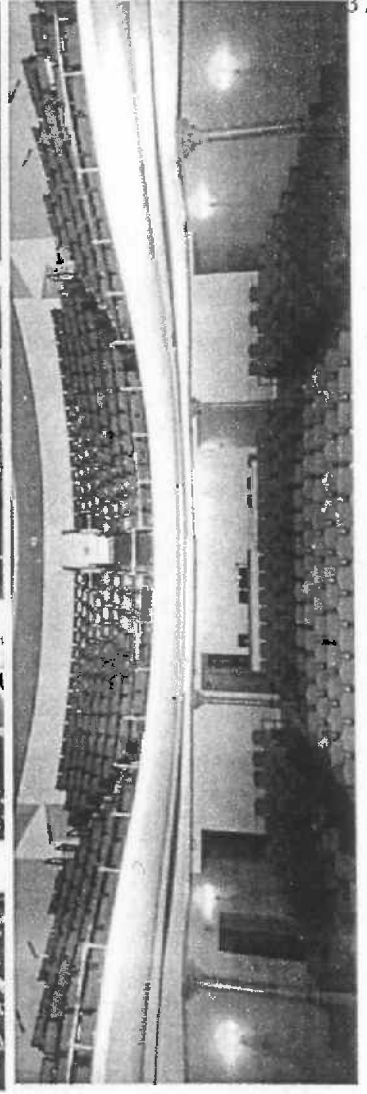
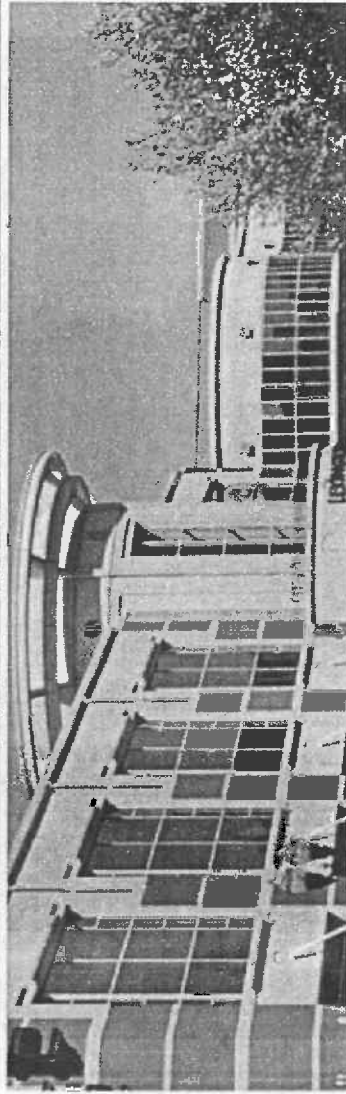
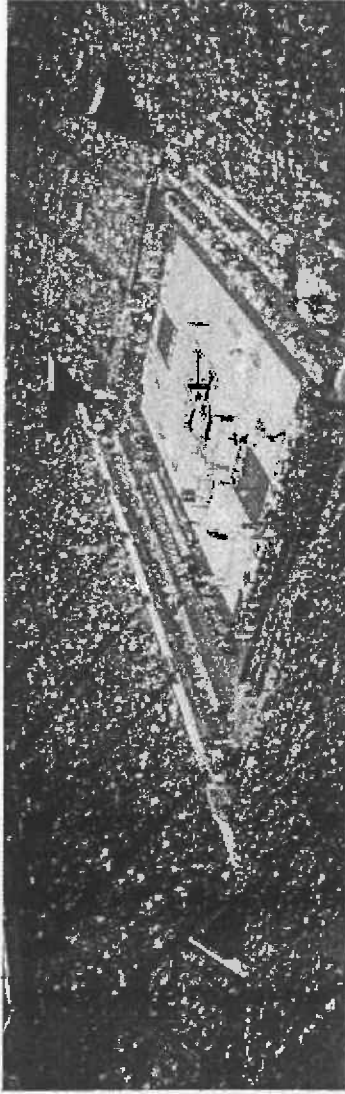
Sports

Convention Facilities

Retail & Private Sector Development

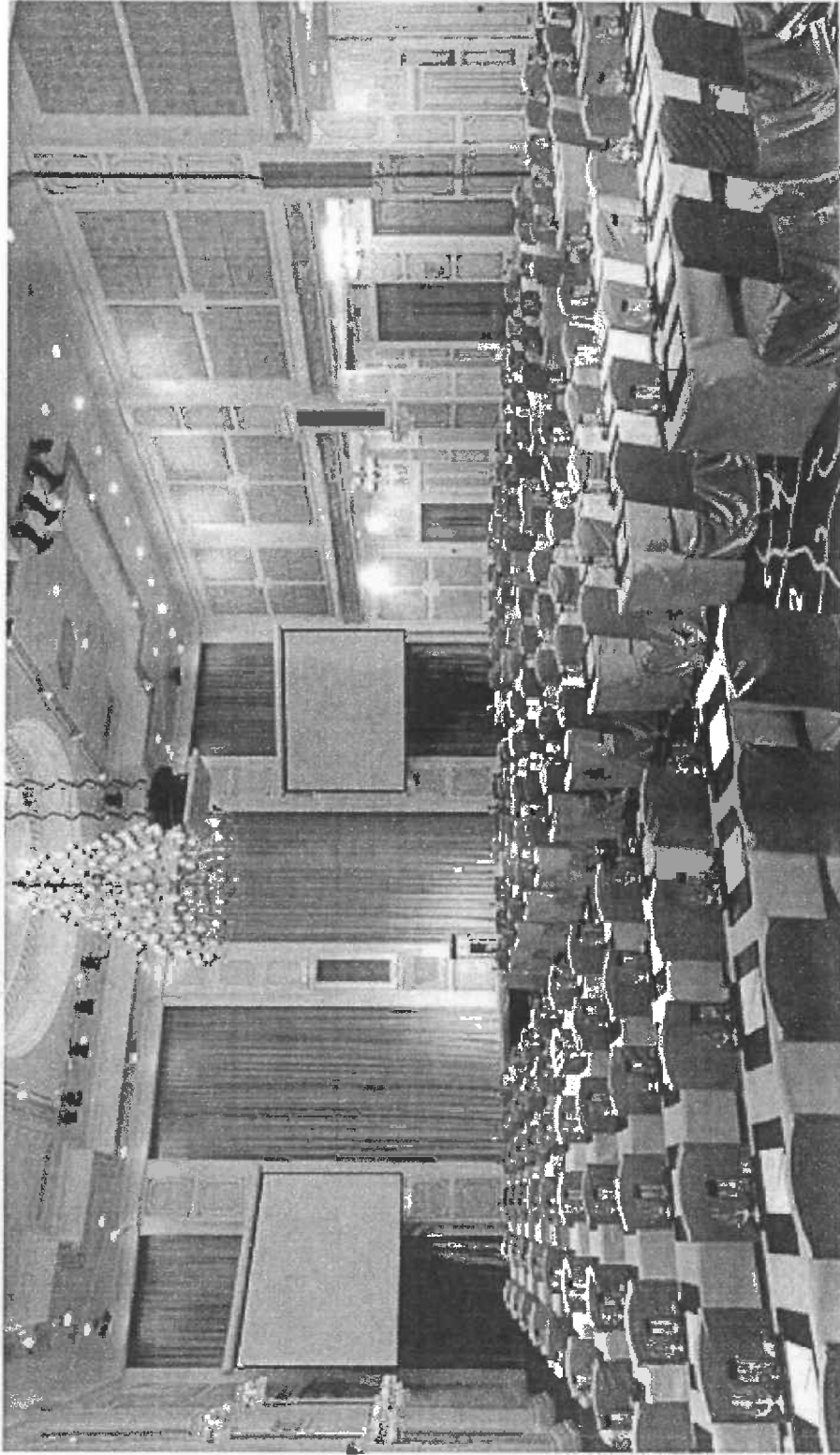
The Arts

**Each topic was researched by meeting
with stakeholders with an intimate
knowledge of each individual topic.**



NUB Findings/Recommendations

2. Expand the Convention Facilities



- Current facilities under-serves the region's full potential
- Expand to a minimum of 100,000 sq.ft. of exhibition space and 40,000 sq.ft. of meeting room and ballroom space would best serve the Lexington market

NUB Findings/Recommendations

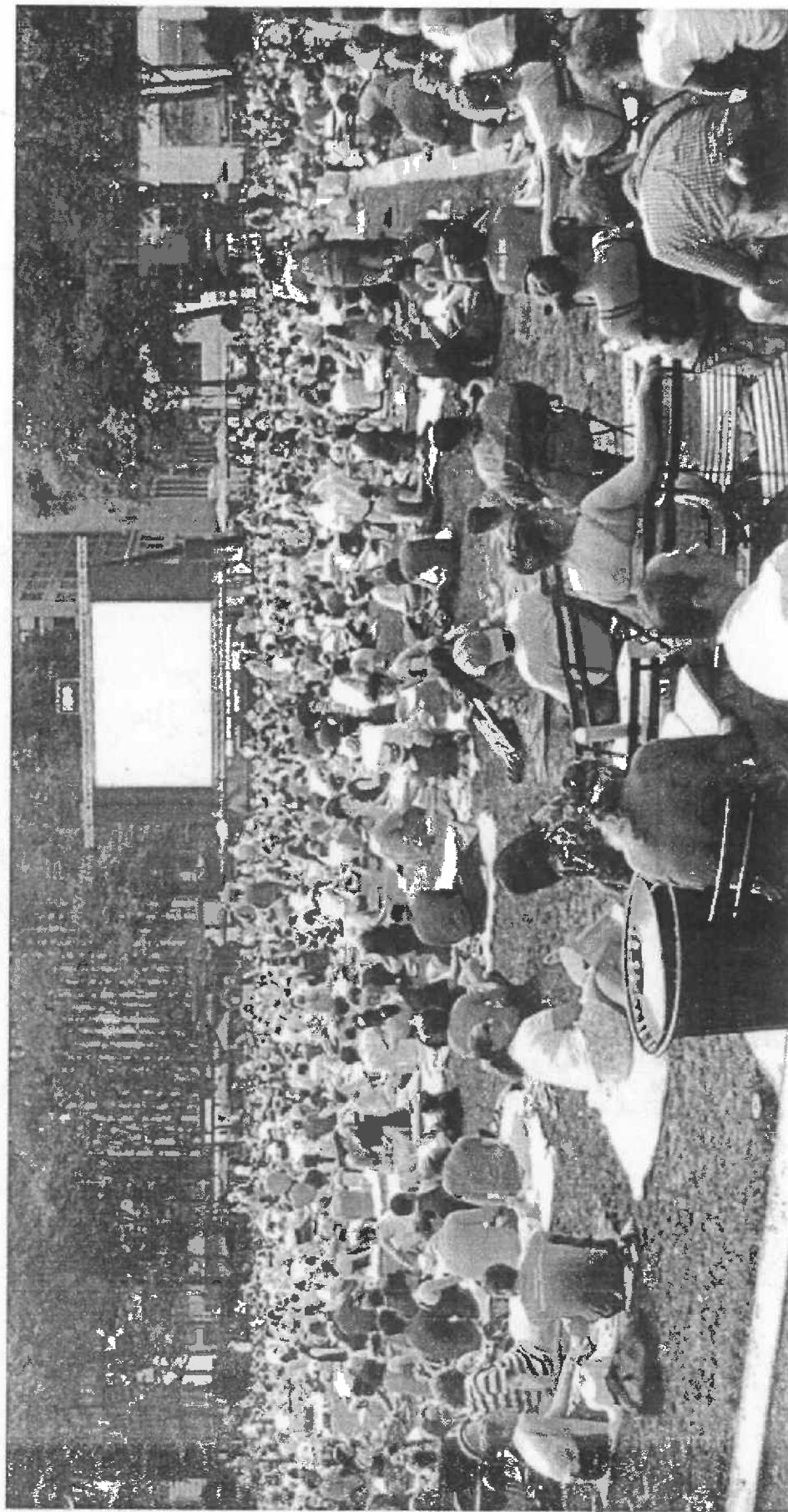
4. Create a new performing arts facility



- Brief assessment of existing facilities and meetings with arts community leaders and UK
- 800-1000 seat high-quality acoustic venue need identified

NUB Findings/Recommendations

6. Create an outdoor gathering/performance space

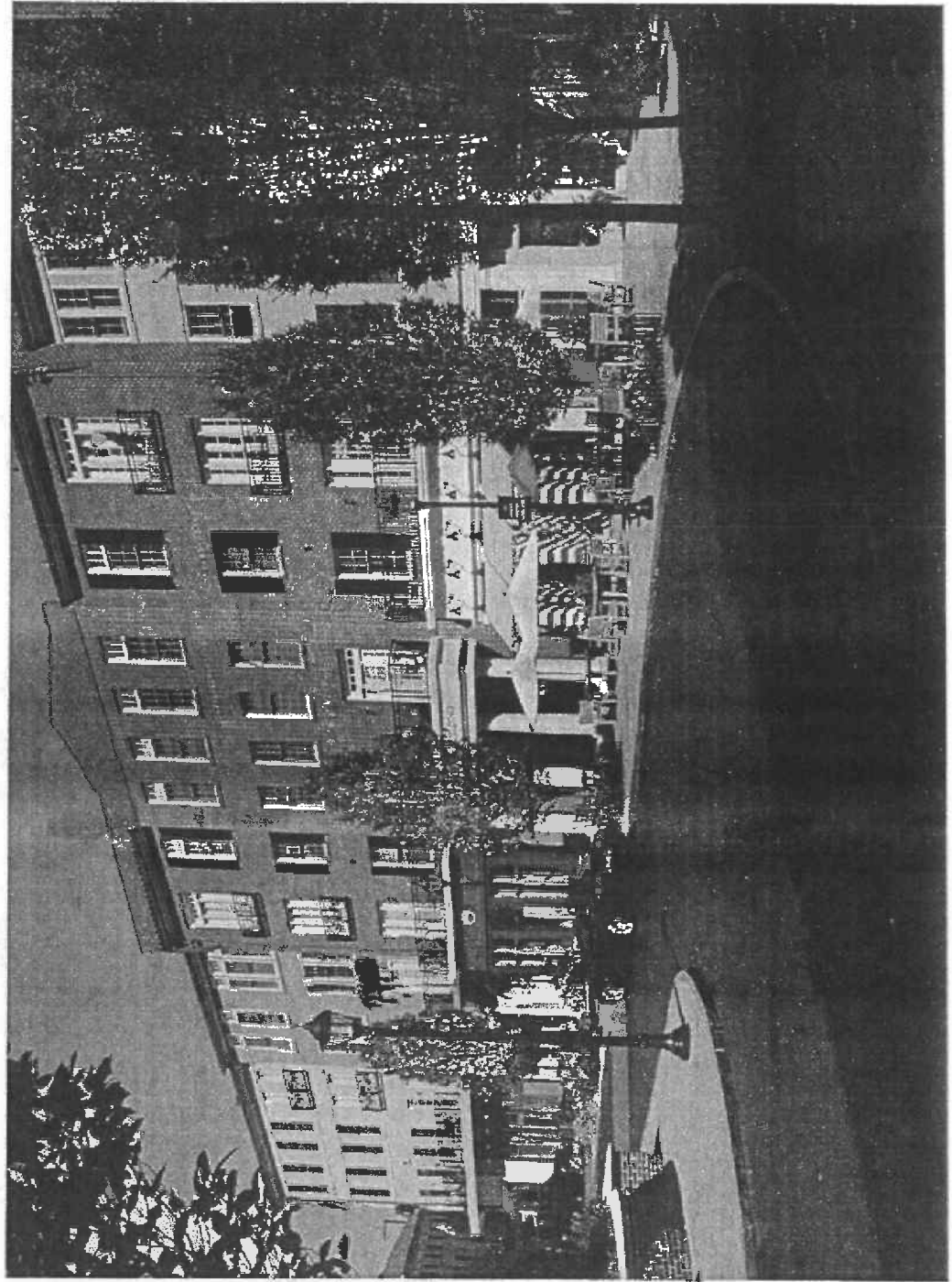


- Outdoor Amphitheater – Community and Convention Amenity

NUB Findings/Recommendations

8. Expand opportunities for new private sector development and public/private partnership

- Supportive residential and commercial development to attract, employ and entertain new residents to Downtown and Lexington.



PLANNING & DESIGN TEAM

RUPP
ARENA, ARTS
ENTERTAINMENT
DISTRICT

Master Planning Team

Space Group Architects (Oslo, Norway)

Lead Architect & Urban Designer

OMNI Architects (Lexington, KY)
Associate/Local Architect

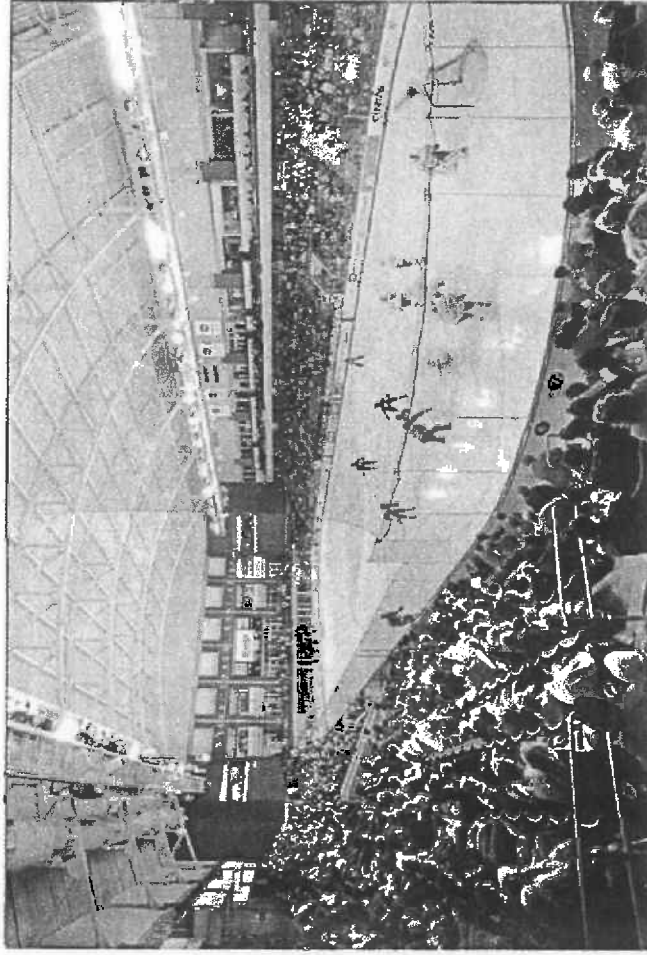
Adams, Kara, Taylor (UK)
Structural Engineer

BFMJ (Lexington, KY)
Local Structural Engineer

Inside Outside (NL)
Landscape Architect

Atelier Ten (UK)
Environmental Engineer

360 Architecture (Columbus, OH)
Arena Consultants



- Regatta Center, Columbus, OH
- Columbus Convention Center
- Columbus Convention Center Building
- Columbus Convention Center
- Columbus Convention Center Services Foundation Office

NEXT STEPS

Public Workshop #1 on October 18th

Public Workshop #2 November

Draft Development Plan November 15th

Draft Implementation Plan December 31st

Public Workshop #3 January 2012

Committee Referrals

Economic & Community Development Committee

Item	CM	Referred	Date
Joint Economic Strategy & Vision Project	Martin		
Quarterly Development Report	Gorton		
Insurance Tax to Support Affordable Housing Trust Fund	Henson		
			Economic & Community Development Task Force
			2-28-11
			3-17-11