

CITY OF MOREHEAD, KENTUCKY
ORDINANCE NO. 20:2020

AN ORDINANCE OF THE CITY OF MOREHEAD, KENTUCKY (THE "CITY"), MAKING CERTAIN FINDINGS CONCERNING AND ESTABLISHING A DEVELOPMENT AREA FOR ECONOMIC DEVELOPMENT PURPOSES WITHIN THE CITY AND THE COUNTY OF ROWAN, KENTUCKY (THE "COUNTY"), TO BE KNOWN AS THE MOREHEAD GATEWAY DEVELOPMENT AREA (THE "DEVELOPMENT AREA"); APPROVING A LOCAL PARTICIPATION AGREEMENT AMONG THE CITY, THE COUNTY, AND THE OFFICE OF THE MAYOR OF THE CITY; ESTABLISHING THE PROCESS FOR ADMINISTERING THE DEVELOPMENT AREA; ESTABLISHING AN INCREMENTAL TAX SPECIAL FUND FOR REDEVELOPMENT ASSISTANCE; DESIGNATING THE OFFICE OF THE MAYOR OF THE CITY AS THE AGENCY RESPONSIBLE FOR OVERSIGHT, ADMINISTRATION, AND IMPLEMENTATION OF THIS ORDINANCE AND THE SPECIAL FUND; AND AUTHORIZING THE MAYOR AND OTHER OFFICIALS TO TAKE SUCH OTHER APPROPRIATE ACTIONS AS ARE NECESSARY OR REQUIRED IN CONNECTION WITH THE ESTABLISHMENT OF THE DEVELOPMENT AREA AND ANY POTENTIAL APPLICATION FOR STATE TIF PARTICIPATION;

WHEREAS, the City of Morehead, Kentucky (the "City") by virtue of the laws of the Commonwealth of Kentucky (the "State"), Kentucky Revised Statutes, specifically Sections 65.7041 to 65.7083, as may be amended (the "Act"), is authorized to, among other things, (1) establish a development area to encourage reinvestment in and development and reuse of areas of the City, (2) enter into agreements in connection with the establishment and redevelopment of a Development Area, (3) establish a special fund for deposit of incremental revenues resulting from the redevelopment of a development area, and (4) designate an agency to oversee, implement and administer the Special Fund for the receipt of Incremental Revenues [as hereinafter defined], and the payment of Redevelopment Assistance [as hereinafter defined] pursuant to the terms set forth in the TIF Documents [as hereinafter defined], expended within a development area; and

WHEREAS, the City desires to establish the Morehead Gateway Development Area (the "Development Area") to encourage investment and redevelopment within such Development Area and to pledge a portion of the "Incremental Revenues" generated from the redevelopment of such Development Area for the payment and reimbursement Redevelopment Assistance, as authorized by this Ordinance and in accordance with the terms of the TIF Documents; and

WHEREAS, the City has determined that the Development Area is a contiguous tract of previously developed land consisting of not more than three (3) square miles within the City, specifically described in Exhibit A attached hereto and incorporated by reference herein, that is in need of redevelopment and which is not reasonably expected to be redeveloped without public assistance; and

WHEREAS, Polo 1, LLC, a Georgia limited liability company, and its assigns or affiliates (the “Developer”) has proposed the development of a mixed-use project within the Development Area; and

WHEREAS, the City has determined that it is in the best interest of the City to establish the Development Area to encourage investment and redevelopment within the Development Area; and

WHEREAS, the City has agreed to support and encourage redevelopment within the Development Area by pledging certain Incremental Revenues to provide Redevelopment Assistance to reimburse costs as more specifically set forth herewith in the Local Participation Agreement; and

WHEREAS, a “Development Plan,” as defined in KRS 65.7041 to 65.7083 and KRS 154.30-101 to 154.30-090, has been presented for the consideration and adoption by the City, proposing the redevelopment of the Development Area by the Developer; and

WHEREAS, the City, pursuant to the Act, held a public hearing on October 6, 2020 after giving proper notice concerning the City’s intention to consider the adoption of the Development Plan; and

WHEREAS, the adoption of the Development Plan and the establishment of the Development Area are for a public purpose, and the establishment and creation of the Development Area within the City is for the benefit and welfare of the City’s citizens; and

WHEREAS, the City deems it necessary to enact this Ordinance in accordance with the Act and for the purposes set forth and described herein and in the Act;

NOW, THEREFORE, BE IT HEREBY ORDAINED AND ADOPTED BY THE COUNCIL OF THE CITY OF MOREHEAD, KENTUCKY, AS FOLLOWS:

SECTION 1. Definitions.

1.1 The capitalized terms set forth below when used herein shall have the following meanings:

“Act” means KRS 65.7041 to 65.7083, and KRS 154.30-010 to 154.30-090.

“Activation Date” shall have the meaning as provided in the Local Participation Agreement.

“Agency” Shall mean the Office of the Mayor of the City, which shall be responsible for administering the Special Fund and the Development Area Ordinance pursuant to the TIF Documents and the Act.

“Approved Public Infrastructure Costs” shall have the meaning as provided in the Act.

“County” shall mean the County of Rowan County, Kentucky acting by and through the Rowan County Fiscal Court.

“Developer” or “Developers” shall mean Polo 1, LLC, a Georgia limited liability company, its assigns, successors, affiliates, subsidiaries or related entities, who propose to develop the Development Area.

“Development Area” means a contiguous geographic area of previously developed land, located within the geographical boundaries of the City, which is created for economic development purposes by this Ordinance, in which one (1) or more Projects are proposed to be located and consisting of less than 3 square miles, as more specifically described in Exhibit A attached hereto and incorporated by reference herein, to be known as the “Morehead Gateway Development Area”.

“Development Plan” means the Tax Increment Financing Development Plan for the Morehead Gateway Development Area, which is attached hereto as Exhibit B and incorporated by reference herein.

“Establishment Date” means the date that the Development Area is established in accordance with the TIF Documents and the Act.

“Incremental Revenues” Shall mean the amount of revenues received by the City and County with respect to the Development Area, and the State (if participating) with respect to the “Footprint” (as defined in the Act), by subtracting “Old Revenues” (as defined in the Local Participation Agreement) from “New Revenues” (as defined in the Local Participation Agreement) in a calendar year.

“KEDFA” means the Kentucky Economic Development Finance Authority.

“Local Participation Agreement” means that certain Local Participation Agreement for the Morehead Gateway Development Area by and among the City, County, and the Agency, substantially in the form attached as Exhibit C hereto and incorporated herein.

“Mayor” means the Office of the Mayor of Morehead, Kentucky, acting in her capacity as assigned and approved by the Executive Authority of the City, and/or acting in the capacity of the Agency.

“New Revenues” Shall have the meaning as defined in the Local Participation Agreement.

“Old Revenues” Shall have the meaning as defined in the Local Participation Agreement.

“Pledged Revenues” means that portion of the Incremental Revenues that are pledged by the City, County, and/or State into the Special Fund pursuant to the TIF Documents to be used pursuant to the terms of the TIF Documents and the Act to pay for Redevelopment Assistance costs.

“Redevelopment Assistance” shall have the meaning as provided in KRS 65.7045(30) and for purposes of this Ordinance, shall be limited to the payment of Administrative Costs, Public Infrastructure Costs, and Financing Costs as set forth in the Local Participation Agreement.

“Special Fund” means the Morehead Gateway Development Area Special Fund established in this Ordinance and maintained by the Agency for the purpose of holding the City, County, and/or the State’s Pledged Revenues.

“State” means the Commonwealth of Kentucky.

“Tax Incentive Agreement” shall mean any certain agreement(s) entered into pursuant to KRS 154.30-010 to KRS 154.30-090 of the Act by and between the Kentucky Economic Development Finance Authority and the Agency relating to the Development Area.

“Termination Date” shall have the meaning as provided in Section 4 of this Ordinance.

“Morehead Gateway Development Area Project” or “Project” means a mixed-use development to be constructed in the Development Area, as more specifically described in the Development Plan.

“TIF Documents” means this Ordinance, the Local Participation Agreement, the Master Development Agreement, the Development Plan, any Tax Incentive Agreement, and related documents.

1.2 All capitalized terms used herein and not defined above or in the recitals to this Ordinance shall have the meaning as set forth in the TIF Documents and/or the Act, as applicable.

SECTION 2. Findings and Determinations. In accordance with the Act, the City hereby makes the following findings and determinations with respect to the Development Area:

- (a) That the Development Area consists of a contiguous tract of previously developed land that is no more than three (3) square miles. The actual size of the Development Area is 22.8 acres, more or less.
- (b) The Development Area is characterized by the following conditions that make it eligible for tax increment financing under KRS 65.7049(3):
 - 1) **More than fifty percent (50%) of the residential, commercial, or industrial structures are deteriorating or deteriorated.** A majority of the buildings included in the Development Area are old structures, most of which have experienced significant deterioration.
 - 2) **Forty percent (40%) or more of the households are low-income households.** At least 40% of households located within the Development Area are low-income households that fall below state poverty threshold. The Development Area includes private mobile homes, the occupants of which tend to earn less income than their conventional home counterparts. However, a vast majority of City and County residents, including those that reside in conventional homes, have also fallen below the state poverty threshold in recent years. Upon completion, the Project will generate new jobs and business activity that will provide opportunities for these households to earn additional income.
 - 3) **Public improvements and public infrastructure are inadequate.** The area lacks the infrastructure needed to support and attract the investment that impactful redevelopment within the Development Area requires. The requisite public infrastructure creates a heavy financial burden for any potential developer within the Development Area. The public infrastructure needed to enable construction of the Project and additional growth and redevelopment within the Development Area, includes, but is not necessarily limited to: demolition, site work and landscaping, sanitary sewer and improved storm water management, sidewalks and curbs, roadway improvements, public parking, provision of utilities, and related soft costs.
 - 4) **There is a combination of factors that substantially impairs growth and economic development of the Development Area.** The challenges of encouraging the redevelopment of a property that requires significant infrastructure improvements but has visibility and access along the interstate, are unique. While the property has largely been utilized for lower income residential uses, it has underachieved as a site that has much greater potential to bring economic activity and employment to Morehead. Overcoming the cost of redeveloping this site so that it may reach its highest and best use as the fourth corner of a regional hub for commercial activity will promote growth and economic development within the City and County.

- c) 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 Morehead. The most recent assessed value of taxable real property within the Development Area was \$2.9 million. The City and County previously established another development area pursuant to the Act, the Downtown Morehead Development Area, which has a current taxable value of \$6.3 million. In total, the current assessed value of real taxable property within all existing and proposed “development areas” and “local development areas” established by the City and County was \$9.2 million in 2019. The total assessed value of taxable real property within the City for the calendar year 2019 was approximately \$341.2 million. Therefore, the assessed value of taxable real property within all development areas is less than twenty percent (20%) of the assessed value of taxable real property within the City.
- d) The City finds that the Development Area is not reasonably expected to be developed without public assistance. The public infrastructure costs within the Development Area are too high for the Project to occur without public assistance. It is estimated that the total development costs of the public infrastructure improvements planned within the Development Area is approximately \$11.7 million. Without public funding, the proposed Project within the Development Area would not be possible.
- e) The public benefits of redeveloping the Development Area justify the public costs proposed. As detailed in the Commonwealth Economics Report, attached hereto as Exhibit “D”, (the “Report”), the investment is expected to reach \$32.0 million, \$20.3 million of which relates to private costs, and \$11.7 million of which is expected to be spent on public infrastructure costs. Over a 30-year period, the proposed Project is estimated to support over 290 jobs annually and account for over \$970 million in total economic impact. While the City and County may pledge certain new ad valorem property taxes and occupational taxes to pay for the proposed public infrastructure, it will attract significant private investment on valuable interstate property and will generate new revenues from local incremental revenues not pledged (including school district taxes).

The Project is expected to generate much more tax revenue than is currently being generated within the Development Area. According to the Report, over a 30-year period, the Project is estimated to generate \$18.1 million of on-site local tax revenues. After subtracting the estimated baseline tax revenues, total tax revenues generated within the Development Area are estimated at approximately \$16.8 million over a 30-year period. Its construction, alone, is estimated to generate a one-time impact that includes approximately \$11.4 million of total wages and support for 282 total jobs.

- f) Pursuant to the Act, the establishment of a development area requires a finding that

the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise, or that there are certain special circumstances within the Development Area that would prevent its development without public assistance. The City finds that very few portions of the area immediately surrounding the Development Area have been subject to growth and development through investment by private enterprise without the use of incentives, and certainly none to the extent contemplated by this Project. Additionally, certain circumstances within the development area would prevent its redevelopment without the use of public assistance, due to the infrastructure needs as described herein.

SECTION 3. Establishment, Name, Boundaries. The Development Area, which is described on Exhibit A attached hereto and made a part hereof, is located within the City and is hereby established and designated as the "Morehead Gateway Development Area." At the time of the enactment of this Ordinance, the Development Area is less than three (3) square miles.

SECTION 4. Establishment Date, Commencement Date, Termination Date. The "Establishment Date" is the effective date of this Ordinance. The "Commencement Date" of the Development Area is the date of execution of the Local Participation Agreement. The "Termination Date", in accordance with the term of the pledge of Incremental Revenues in the Local Participation Agreement, shall be exactly thirty (30) years from the Activation Date of the Local Participation Agreement. However, the Termination Date for the Development Area shall in no event be more than forty (40) years from the Establishment Date.

SECTION 5. Adoption of Development Plan. The City, acting by and through its City Council, hereby adopts the Development Plan attached hereto and incorporated by reference herein as Exhibit B. The City hereby finds and determines that a public hearing was duly held on October 6, 2020 to solicit public comment on the Development Plan, following publication of notice thereof in accordance with Chapter 424 of the Kentucky Revised Statutes, as amended. It is hereby confirmed that a copy of the Development Plan was filed with the City of Morehead City Clerk on September 24, 2020.

SECTION 6. Local Participation Agreement. The City hereby approves the pledge of City Incremental Revenues as set forth in the Local Participation Agreement, and the Mayor of the City is hereby authorized and directed to execute, acknowledge and deliver on behalf of the City and Agency, the Local Participation Agreement authorizing the pledge of a portion of the Incremental Revenues of the City from the Development Area into the Special Fund to be used for the reimbursement of Redevelopment Assistance costs that have been expended within the Development Area. The form of Local Participation Agreement to be signed by the Mayor on behalf of the City, Agency and the County, shall be in substantially the form attached hereto as Exhibit C and incorporated by reference herein, subject to further negotiations and changes therein as determined by the Mayor in her discretion that are not materially inconsistent with this Ordinance and not substantially adverse to the City. The approval of such changes by said officers, and that such changes are not substantially adverse to the City, shall be conclusively evidenced by the execution of such Local Participation Agreement by such officials.

SECTION 7. Master Development Agreement. The Mayor of the City is hereby authorized and directed to execute, acknowledge and deliver on behalf of the City and Agency, a Master Development Agreement with the Developer relating to the Project and Development Area. The form of Master Development Agreement to be signed by the Mayor on behalf of the City, the Agency and the Developer, shall be in substantially the form attached hereto as Exhibit E and incorporated by reference herein, subject to further negotiations and changes therein as determined by the Mayor in her discretion that are not materially inconsistent with this Ordinance and not substantially adverse to the City. The approval of such changes by said officers, and that such changes are not substantially adverse to the City, shall be conclusively evidenced by the execution of such Master Development Agreement by such officials.

SECTION 8. Special Fund. There is hereby established a Special Fund of the City to be known as the Morehead Gateway Development Area Special Fund, and City officials are hereby authorized and directed to issue to the Agency for deposit into the Special Fund, all Pledged Revenues. The Agency shall maintain the Special Fund unencumbered except for the purposes set forth in Section 9 hereof. Funds deposited in the Special Fund shall be disbursed in accordance with the TIF Documents and the Act and are pledged to pay for Redevelopment Assistance as defined by this Ordinance and in accordance with the Local Participation Agreement and Master Development Agreement.

SECTION 9. Use of Pledged Revenues. Pledged Revenues shall be deposited into the Special Fund created under Section 7 hereof, and shall be used solely to in accordance with the TIF Documents and the Act, to reimburse or fund Redevelopment Assistance as defined by this Ordinance, and as set forth in the Local Participation Agreement, the Master Development Agreement, and the Act, as the same may be amended from time to time.

SECTION 10. Authorization of Application to KEDFA. The Mayor and Agency are hereby further authorized to execute, acknowledge and deliver on behalf of the City one or more applications to KEDFA and related offices of the State in order to obtain State TIF participation with regard to projects within the Development Area as may be determined by and requested by Developer. Any related costs incurred during the application process shall be paid for by Developer.

SECTION 11. Analysis. The City Council of the City shall review and analyze the progress of the development activity in the Development Area on an annual basis or at Council's discretion. Such reports shall, at a minimum, include (but not be limited to) a review of the progress in meeting the stated goals of the Development Area. The Agency and other City officials shall report to the Morehead City Council during such reviews and shall, when necessary, invite developers to participate in the review process to report on the progress of their developments within the Development Area. The review and documentation supporting the review shall be forwarded to KEDFA as may be required by any TIF Documents and the Act.

SECTION 12. Designation of Oversight Agency. Pursuant to the Act, the City hereby designates the Office of the Mayor of the City as the "Agency" of the City for purposes of the Act, for the implementation, oversight, administration and review responsibility for this Ordinance and the Special Fund, as established hereby and in accordance with the TIF Documents and the Act. The Mayor shall act on behalf of the City in administering this Ordinance and the Special Fund.

Upon execution of the Local Participation Agreement, the Mayor, City Attorney and Agency are further hereby authorized and directed to execute any development agreements, Tax Incentive Agreements and other agreements relating to the creation and establishment of the Development Area and the creation of the Special Fund. The Mayor, City Attorney and Agency is hereby further authorized and directed to take such additional actions and to execute such additional documents as may be required by KEDFA and other entities to meet all of the requirements of and to qualify to participate in a State TIF program(s) as set forth in the TIF Documents and the Act as may be desired by Developer, and to carry out the intent of this Ordinance, including but not limited to negotiating and executing any Memorandum of Agreement and/or Tax Incentive Agreement among KEDFA and the City and/or the Agency pertaining to a pledge of State Incremental Revenues for the Project pursuant to the Act, all on such terms and conditions as may be determined by the Mayor in his or her discretion that are not materially inconsistent with this Ordinance and not substantially adverse to the City. The Agency, acting on behalf of the City and County, shall utilize both the actual and anticipated future incremental revenues to be deposited to the Special Fund to assist in the financing of Approved Public Infrastructure costs and to otherwise provide Redevelopment Assistance in accordance with the purpose of this Ordinance and the Act. The Mayor, City Attorney and Agency shall obtain the approval and authorization of the Morehead City Council before executing any development agreements or amendments or modifications to any of the TIF Documents on behalf of the City that are materially inconsistent with the original version of such TIF Document and/or substantially adverse to the City.

SECTION 13. Severability. The provisions of this Ordinance are hereby declared to be severable, and if any section, phrase or provision shall for any reason be declared invalid, such declaration of invalidity shall not affect the validity of the remainder of this Ordinance.

SECTION 14. Repeal of Conflicting Orders and Ordinances. All prior resolutions, municipal orders or ordinances or parts of any resolution, municipal order or ordinance in conflict herewith are hereby repealed.

SECTION 15. Effective Date. This Ordinance shall be in full force and effect from and after its passage, attestation, recordation and publication of a summary hereof pursuant to KRS Chapter 424.

INTRODUCED, SECONDED AND GIVEN FIRST-READING APPROVAL AT A DULY CONVENED MEETING OF THE CITY COUNCIL OF THE CITY OF MOREHEAD, KENTUCKY, held on the 7th day of December, 2020.

INTRODUCED, SECONDED AND GIVEN SECOND READING AT A DULY CONVENED MEETING OF THE CITY COUNCIL OF CITY OF MOREHEAD, KENTUCKY, held on the 14th day of December, 2020.

APPROVED:

ATTEST:



LAURA WHITE-BROWN, MAYOR



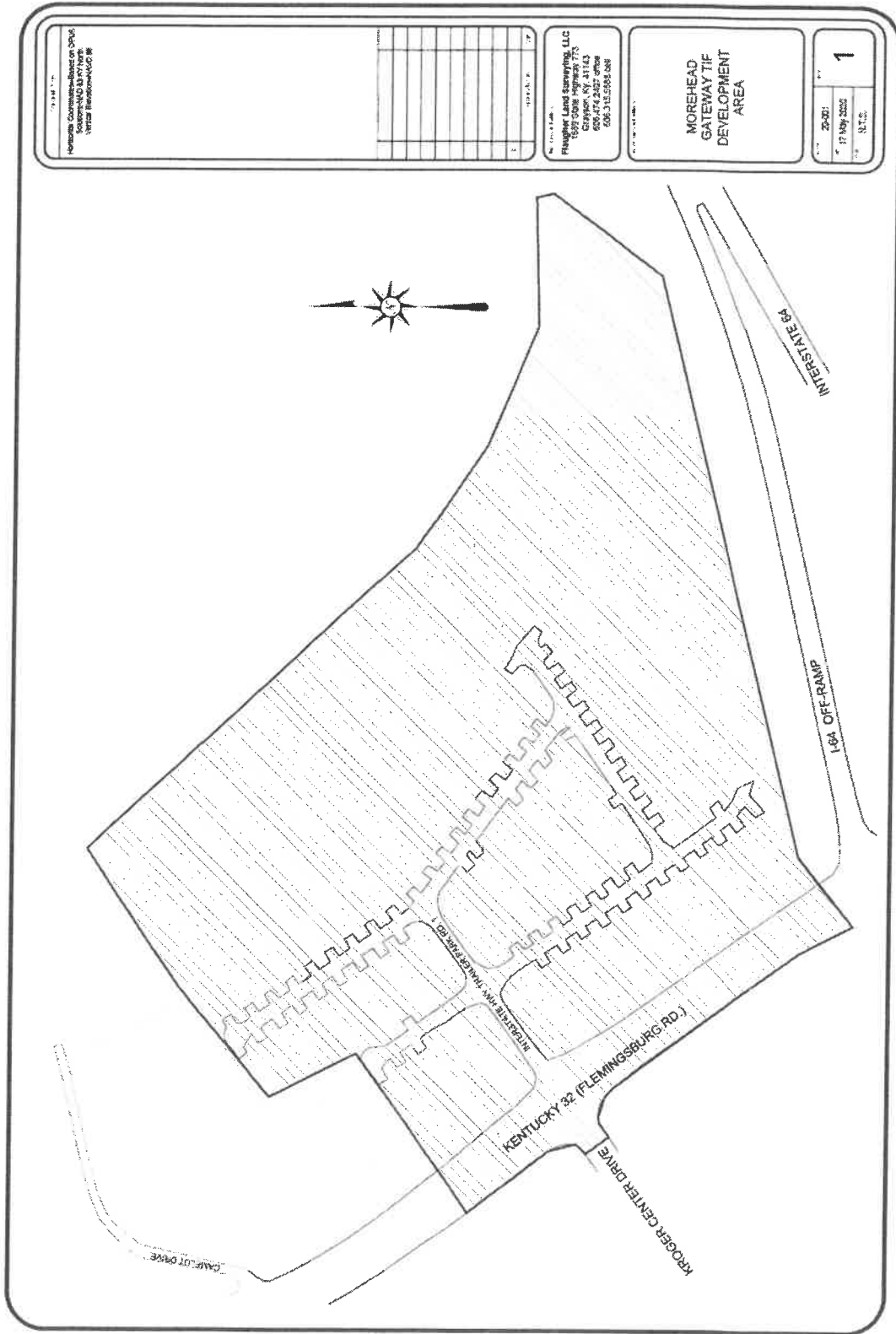
CRISSY CUNNINGHAM, CITY CLERK

PUBLISHED:

EXHIBIT A

**DEVELOPMENT AREA
DESCRIPTION AND MAP**

Exhibit A: Morehead Gateway Development Area



MOREHEAD TIF DEVELOPMENT AREA
LEGAL DESCRIPTION

BEGINNING AT AN IRON REBAR IN THE EAST SIDE OF THE JOHN G AND JOANNE H FRALEY REVOCABLE TRUST AND THE FRALEY COMMERCIAL PROPERTIES, LLC PROPERTY;

THENCE S 42°47'30" E A DISTANCE OF 730.05' TO A POINT;
THENCE S 55°28'15" E A DISTANCE OF 203.95' TO A POINT;
THENCE S 67°26'59" E A DISTANCE OF 214.06' TO A POINT;
THENCE N 88°31'43" E A DISTANCE OF 211.29 TO A POINT;
THENCE S 12°40'21" E A DISTANCE OF 29.19' TO A POINT;
THENCE S 36°37'19" W A DISTANCE OF 41.26' TO A POINT;
THENCE S 36°37'19" W A DISTANCE OF 183.75' TO A POINT;
THENCE S 76°29'17" W A DISTANCE OF 981.06' TO A POINT;
THENCE S 51°38'28" W A DISTANCE OF 144.01' TO A POINT;
THENCE N 27°48'44" W A DISTANCE OF 96.97' TO A POINT;
THENCE N 36°06'37" W A DISTANCE OF 381.61' TO A POINT;
THENCE N 49°12'01" W A DISTANCE OF 18.76' TO A POINT;
THENCE N 72°30'04" W A DISTANCE OF 32.92' TO A POINT;
THENCE S 84°11'59" W A DISTANCE OF 10.42' TO A POINT;
THENCE S 54°41'57" W A DISTANCE OF 27.86' TO A POINT;
THENCE N 36°36'53" W A DISTANCE OF 47.46' TO A POINT;
THENCE N 53°23'07" E A DISTANCE OF 6.65' TO A POINT;
THENCE N 42°10'00" E A DISTANCE OF 15.64' TO A POINT;
THENCE N 13°55'13" W A DISTANCE OF 46.00' TO A POINT;
THENCE N 37°35'25" W A DISTANCE OF 167.30' TO A POINT;
THENCE N 55°23'33" E A DISTANCE OF 168.32' TO A POINT;
THENCE N 54°48'19" E A DISTANCE OF 148.86' TO A POINT;
THENCE N 26°25'03" W A DISTANCE OF 160.02' TO A POINT;
THENCE N 50°23'50" E A DISTANCE OF 236.79' TO A POINT;
THENCE N 56°16'15" E A DISTANCE OF 86.85' TO A POINT;
THENCE N 56°16'15" E A DISTANCE OF 183.41' TO THE
BEGINNING;

HAVING AN AREA OF 994331.4 SQUARE FEET, 22.83 ACRES

EXHIBIT B
DEVELOPMENT PLAN

Tax Increment Financing Development Plan

For

The Morehead Gateway Development Area

1. Introduction.

1.1 Purpose. The City of Morehead (the “City”) and the County of Rowan (the “County”) intend to establish the Morehead Gateway Development Area (the “Development Area”) pursuant to the provisions of KRS 65.7041 to 65.7083 (collectively, the “Act”) to support a mixed-use redevelopment (the “Project”) within the Development Area being undertaken by a private development group and their affiliates (the “Developer”). The City and County propose to support the Project and provide redevelopment assistance through a pledge of certain new City and County incremental tax revenues generated from the Project within the Development Area and to undertake certain public infrastructure improvements needed within the Development Area. The Project proposed by the Developers is anticipated to include the redevelopment of underutilized properties near I-64 in Morehead, KY into various new businesses, including new retail space and new restaurants. To help ensure the success and support of the Project and the revitalization of a crucial interstate property, a variety of public infrastructure improvements are needed within the Development Area.

1.2 Size and Location. The Development Area consists of approximately 22.8 acres and is strategically located just off I-64 near the KY 32 Flemingsburg Road exit in Morehead, Kentucky (see Exhibit B).

1.3 Current Uses. The Development Area is currently located in the City's B-2 zone which is designated for Highway Business.

2. The Development Area.

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

(a) The Development Area is a contiguous Area consisting of approximately 22.8 acres, which is less than three (3) square miles in area;

(b) The establishment of the Development Area will not cause the assessed taxable value of real property within the Development Area and within all "development areas" and "local development areas" established by the City (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Morehead. The most recent assessed value of taxable real property within the Development Area was \$2.9 million. The City and County previously established another development area pursuant to the Act, the Downtown Morehead Development Area, which has a current taxable value of \$6.3 million. In total, the current assessed value of real taxable property within all existing and proposed "development areas" and "local development areas" established by the City and County was \$9.2 million in 2019. The total assessed value of taxable real property within the City and County for the calendar year 2019 was approximately \$1.0 billion. Therefore, the assessed value of taxable real property within all development areas is less than twenty percent (20%) of the assessed value of taxable real property within the City and County; 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 local incremental revenues pursuant to KRS 65.7041 to 65.7083:

- (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 and County have reviewed and analyzed the conditions within the Development Area and find that the Development Area exhibits at least two of the qualifying

characteristics:

- (1) More than fifty percent (50%) of the residential, commercial, or industrial structures are deteriorating or deteriorated.** A majority of the buildings included in the Development Area are old structures, most of which have experienced significant deterioration.
- (2) Forty percent (40%) or more of the households are low-income households.** At least 40% of households located within the Development Area are low-income households that fall below state poverty threshold. The Development Area includes private mobile homes, which tend to earn less income than their conventional home counterparts. However, a vast majority of City and County residents, including those that reside in conventional homes, have also fallen below the state poverty threshold in recent years. Upon completion, the Project will generate new jobs and business activity that will provide opportunities for these households to earn additional income.
- (3) Public improvements and public infrastructure are inadequate.** The area lacks the infrastructure needed to support and attract the investment that impactful redevelopment within the Development Area requires. The requisite public infrastructure creates a heavy financial burden for any potential developer within the Development Area. The public infrastructure needed to enable construction of the Project and additional growth and redevelopment within the Development Area, includes, but is not necessarily limited to: demolition, site work and landscaping, sanitary sewer and improved storm water management, sidewalks and curbs, roadway improvements, public parking, provision of utilities, and related soft costs.

(4) **There is a combination of factors that substantially impairs growth and economic development of the Development Area.** The challenges of encouraging the redevelopment of a property that requires significant infrastructure improvements but has visibility and access along the interstate, are unique. While the property has largely been utilized for lower income residential uses, it has underachieved as a site that has much greater potential to bring economic activity and employment to Morehead. Overcoming the cost of redeveloping this site so that it may reach its highest and best use as the fourth corner of a regional hub for commercial activity will promote growth and economic development within the City and County.

2.3 Assurances the Development Area Is Not Reasonably Expected to be Developed Without Public Assistance. The City and County find that the Development Area is not reasonably expected to be developed without public assistance. The public infrastructure costs within the Development Area are too high for the Project to occur without public assistance. It is estimated that the total development costs of the public infrastructure improvements planned within the Development Area is approximately \$11.7 million. Without public funding, the proposed Project within the Development Area would not be possible.

2.4 Assurances the Public Benefits of Developing the Development Area as Proposed Justify the Public Costs Proposed. The City and County find that the public benefits of redeveloping the Development Area justify the public costs proposed. As detailed in the Commonwealth Economics Report, attached hereto as Exhibit "A", (the "Report"), the investment is expected to reach \$32.0 million, \$20.3 million of which relates to private costs, and \$11.7 million of which is expected to be spent on public infrastructure costs. Over a 30-year period, the proposed Project is estimated to support over 290 jobs annually and account

for over \$970 million in total economic impact. While the City and County may pledge certain new ad valorem property taxes and occupational taxes to pay for the proposed public infrastructure, it will attract significant private investment on valuable interstate property and will generate new revenues from local incremental revenues not pledged (including school district taxes).

The Project is expected to generate much more tax revenue than is currently being generated within the Development Area. According to the Report, over a 30-year period, the Project is estimated to generate \$18.1 million of on-site local tax revenues. After subtracting the estimated baseline tax revenues, total tax revenues generated within the Development Area are estimated at approximately \$16.8 million over a 30-year period. After 100 percent of non-eligible school district taxes and 10 percent of eligible taxes are retained by the City and County, such amount translates to an estimated \$9.8 million available for local participation.

Based on research and analysis document in the Report, the Project is estimated to have a significant economic and fiscal impact to the regional economy. Its construction, alone, is estimated to generate a one-time impact that includes approximately \$11.4 million of total wages and support for 282 total jobs.

2.5 Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise, or that there are certain special circumstances within the Development Area that would prevent its development without public assistance. The City and County find that very few portions of the area

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

2.6 Development Area Description. The Development Area includes the real property within the boundaries described on the site plan and legal description attached hereto as Exhibit “B”.

2.7 Existing Uses and Conditions. The Development Area currently contains multiple zoning categories for commercial and residential uses and primarily includes blighted residential structures and an underperforming retail store, as well as a few areas on which public infrastructure improvements are needed. Without public investment, the property will continue to underperform and deter visitation to the City. There are no apparent conditions in the Development Area that would prevent it from being developed as contemplated by this Development Plan with the assistance of the City and County to defray the significant cost of public infrastructure.

2.8 Proposed Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. It is not anticipated that any zone changes will be necessary in order to implement the Development Plan as currently contemplated.

3. The Development Program.

The Project proposed for the Development Area is expected to include public infrastructure elements, in addition to the various private components, as described more particularly in the report attached hereto as Exhibit "A". While the final Project elements and scope may vary from what is described herein, in general, the proposed Project would provide new space for businesses, including new retail space and new restaurant space. Qualifying public infrastructure expenditures could reach an estimated \$11.7 million within the Development Area. The goal is to provide public infrastructure assistance which will allow the private sector to develop a very impactful Project within the Development Area.

4. Redevelopment assistance and Finance Plan.

The Proposed "redevelopment assistance", as defined in the Act, to be provided in the Development Area is estimated to support approximately \$11.7 million in public infrastructure development costs, including any additional interest expenditures for public infrastructure. The City and County are being asked to pledge up to ninety percent (90%) of their incremental tax revenues from real property taxes (excluding school district taxes) and occupational taxes from the project for up to a 30-year period and, in accordance with the Act; will create a special fund for the deposit of pledged incremental revenues.

The City and/or the County will establish a special fund for the deposit of pledged incremental revenues. Pledged incremental revenues deposited into this special fund will be used to provide "redevelopment assistance" and to reimburse the financing and/or upfront expenditure by private parties and/or the City or County on "approved public infrastructure costs" or to pay directly for such redevelopment assistance and public infrastructure costs, and

any other purposes in compliance with this Development Plan, the Act, and all agreements and documents entered into in connection therewith. It is anticipated that in some cases private parties will pay for the public improvements within the Development Area and seek reimbursement in conformity with the TIF statutes and agreements between the Developers and the government. The City and/or the County will enact an ordinance establishing the Development Area and adopting this Development Plan. The development ordinance will designate an agency, commission, or non-profit of the City and County's choosing to oversee, administer and implement the TIF ordinances and agreements.

As set forth in more detail in the attached report, the Project (as contemplated within) is estimated to directly generate approximately \$16.8 million in local incremental tax revenues over a 30-year period. Approximately \$9.8 million of this estimated total could be available for debt service related to the Project as may be participated through the TIF agreements.

5. Conclusions.

The Development Area's mix of private investment and public improvement will allow the for the continued revitalization of Morehead in creating a unique destination for residents and visitors traveling along I-64 and KY 32. The proposed assistance related to the public infrastructure improvements is critical to successful redevelopment of the Development Area and will act to facilitate the significant amount of private investment that will come with this Project.

List of Exhibits

Exhibit A – Commonwealth Economics Report

Exhibit B – Map and Legal Description of Development Area

Exhibit A



**Morehead Gateway Redevelopment Project
Local Tax Increment Financing Impact Analysis**

Submitted to:
Wildcat, LLC

Submitted by:
Commonwealth Economics

August 2020

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- II. PROJECT DESCRIPTION**
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I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics (“CE”) was retained by Wildcat, LLC (the “Developer”) to conduct an economic and fiscal impact analysis of the proposed Morehead Gateway Redevelopment Project (the “Project”) in Morehead, Kentucky, with a particular emphasis as relates to the Local Tax Increment Financing (“Local TIF”) Program.¹ The purpose of this analysis is to estimate the Project’s impacts and the related local tax revenues that may be eligible for participation through the Local TIF program to assist with financing public infrastructure needs or other economic challenges.

Executive Summary

The subject of this analysis is the Morehead Gateway Redevelopment Project, which is to be constructed by Wildcat, LLC just off the KY 32 Flemingsburg Road exit on I-64 in Morehead, Kentucky.

The Project is anticipated to include 62,425 square feet of new restaurant/retail space that will better utilize properties located on I-64. However, redevelopment of the site will require significant expenditures on public infrastructure components and other economic challenges that make the necessary financing difficult to achieve. Through better utilization of visible property along the interstate, the Project has the potential to support and attract various new business activity to the area.

Highlights

- **Project cost** - Total construction cost, public and private, is estimated to be approximately \$32.0 million. Of this amount, approximately \$11.7 million is related to public infrastructure costs.
- **Necessary public infrastructure expenditures** - The Project would not happen as planned without significant expenditures on public infrastructure. The Project

¹ The results presented herein are fair and reasonable. Based on Commonwealth Economics’ analysis, the Project is a strategic development that will bring significant economic and fiscal benefits to both Morehead and the Commonwealth of Kentucky.

Commonwealth Economics utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results. And because events and circumstances frequently do not occur as expected, those differences may be material.

includes multiple public infrastructure elements, such as; demo and site prep, storm and sanitary sewer improvements, public parking, provision of utilities, sidewalks, roadways, etc.

- **Project could generate substantial tax revenue** – The Project is requesting that local authorities participate 90% of the incremental property and occupational taxes generated through a Local TIF over a 30-year period (approximately \$9.8 million). Under this scenario, local authorities would retain an estimated \$7.0 million of the incremental tax revenues generated by the Project (Figure ES-1).

Figure ES-1

Morehead Redevelopment Project - Local TIF		
Estimated 30-Year Direct Fiscal Impact		
	Tax Rate	30-Year Total
Local Incremental Tax Revenues Generated from Project		
Rowan County Property Tax - General Fiscal Court	0.0720%	\$747,808
Rowan County Property Tax - Health	0.0450%	\$467,380
Rowan County Property Tax - Library	0.1070%	\$1,111,326
Morehead Property Tax - Full Service	0.3180%	\$3,302,819
Rowan County School Property Tax*	0.5660%	\$5,878,602
Rowan County Occupational License Tax	1.50%	\$2,631,058
Morehead Occupational License Tax	1.50%	\$2,631,058
Total Local Incremental Tax Revenues		\$16,770,051
Incremental Tax Revenues Retained by Local (100% School + 10% Other)		\$6,967,747
Incremental Tax Revenues Available for Local TIF Participation (90%)		\$9,802,304

**Not a TIF-eligible incremental tax revenue*

- **Ongoing impact to the local economy** – Over a 30-year period, the full Project (upon completion) is estimated to directly support 250 jobs. These jobs are estimated to generate approximately \$175.4 million in wages within the Project in Morehead-Rowan.

II. PROJECT DESCRIPTION

This section provides an overview of the proposed Morehead Gateway Redevelopment Project (the “Project”) to be located in Morehead, Kentucky, including a description of the proposed Project’s scope, amenities, and development costs.

Description of the Morehead Redevelopment Project

The Project involves the redevelopment of underutilized properties alongside I-64 in Morehead, KY and will require various public infrastructure improvements to support and attract various new businesses to the area. Planning is currently underway for the proposed Project, which is anticipated to include the following components:

- Public infrastructure ~ \$11.7 million
 - Demo and site prep, storm and sanitary sewer improvements, public parking, provision of utilities, sidewalks, roadways, etc.
- Restaurant space ~ \$9.4 million (25,575 sq ft)
- Retail space ~ \$10.9 million (36,850)

Total Project Cost ~ \$32.0 million

For the purposes of this analysis, each Project component is shown as being completed and opening for operations at the same time. It is important to note, however, that certain Project components may be phased in depending on demand, financing, construction timing/ability, etc. This can result in a slightly lower overall amount of incremental revenue being generated during this timeframe as any components that are built in or open at later dates will have less time to generate incremental tax revenues. The next page includes a summary of the Project’s anticipated components upon completion.

Figure 1

Morehead Redevelopment Project Estimates		
	<i>Component Cost</i>	<i>Unit Measure</i>
<u>Public Infrastructure</u>		
Demolition	\$246,760	
Site prep/ landscaping	\$4,270,222	
Storm & sanitary sewer	\$2,083,843	
Sidewalks	\$358,968	
Roadways	\$335,704	
Parking	\$3,825,280	
Utilities	\$591,246	
<i>Sub-total</i>	\$11,712,023	
<u>Private Components</u>		
Retail	\$10,922,272	36,850 Sq Ft
Restaurant	\$9,368,151	25,575 Sq Ft
<i>Sub-total</i>	\$20,290,423	62,425 Sq Ft
<i>Grand-total</i>	\$32,002,446	62,425 Sq Ft

III. INCREMENTAL TAX REVENUE ESTIMATES

This section estimates the amount of incremental tax revenues generated within the footprint that may be available to reimburse certain project costs through an incremental tax incentive. Fiscal impact measures incremental tax revenues that result from the spending and income related to the activities at the Project.

Below is a breakdown of the taxes used to estimate the local incremental tax revenues the Project could generate that would be eligible for Local TIF participation by Morehead and Rowan County (the “local authorities”):

- **Local taxes:**

- Rowan County Property Tax

General Fiscal Court	\$0.0720 per \$100 of assessed value
Health	\$0.0450 per \$100 of assessed value
Library	\$0.1070 per \$100 of assessed value
Morehead Property Tax (Full-Service).....	\$0.3180 per \$100 of assessed value
Rowan County Occupational Tax	1.5 percent of salaries
Morehead Occupational Tax	1.5 percent of salaries

Tax Revenue Assumptions

Estimated incremental tax revenues were generated using the following input assumptions, which are based on blended industry averages, IMPLAN, and discussions with the Project team.²

Retail ~ 36,850 sq ft

- Sales per sq ft ~ \$405
- Occupancy ~ 90%
- Average salary ~ \$21,743
- Sq ft / employee ~ 611

Restaurant ~ 25,575 sq ft

- Sales per sq ft ~ \$615
- Occupancy ~ 90%
- Average salary ~ \$15,419
- Sq ft / employee ~ 135

² Wildcat, LLC provided Project scope estimates and initial building tenant assumptions for input into our analysis.

Baseline Tax Revenue Calculation

To properly estimate the tax revenues that will actually be available for a Local TIF project, it is necessary to subtract the baseline tax revenues from the expected future revenues. The Project footprint includes a handful of private properties, so the amount of property tax revenues currently being generated has been estimated.

Commonwealth Economics and the Project team have estimated a total current assessed value of \$2.9 million for the properties using the Rowan County PVA database. Based on this analysis, the resulting property tax baseline calculation for the footprint totals an estimated \$32,298 annually, as shown in Figure 2.

Figure 2

Estimated On-Site Baseline Taxes - Morehead Redevelopment Project				
	TIF Rate	Base Taxable Amount		Tax Revenue
City of Morehead Property Tax	0.3180%	\$2,915,000	(private property value)	\$9,270
Rowan County Property Tax	0.2240%	\$2,915,000	(private property value)	\$6,530
Rowan County School Property Tax	0.5660%	\$2,915,000	(private property value)	\$16,499
Total Tax Revenues				\$32,298

Incremental Tax Revenue Calculations

Figure 3, on the next page, shows the estimated local incremental tax revenues resulting from the Project over a 30-year period. All applicable property and occupational taxes are included, with only TIF-eligible incremental tax revenue estimates shown as being potentially available for TIF participation. To account for the potential growth in future tax revenues, all calculations are adjusted for inflation at a rate of 2.0% each year.

After the baseline tax revenues are subtracted, it is estimated that the Project components could generate approximately \$16.8 million in local incremental tax revenues over a 30-year period. Due to the high cost of the public infrastructure improvements and other economic challenges, the Project is requesting that local authorities participate at 90% of the incremental property and occupational taxes generated over the 30-year period (approximately \$9.8 million). Under this scenario, it is estimated that the local authorities would still retain approximately \$7.0 million of the incremental tax revenues generated by the Project.

Figure 3

Morehead Redevelopment Project - Local TIF Incremental Tax Revenues Generated from Project										
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	30-Year Total
Local Future Tax Revenues from Project										
Rowan County Property Tax - General Fiscal Court	\$832,952	\$20,532	\$20,943	\$21,362	\$21,789	\$22,215	\$24,538	\$29,912	\$36,462	\$832,952
Rowan County Property Tax - Health	\$520,595	\$12,833	\$13,089	\$13,351	\$13,618	\$13,890	\$15,336	\$18,695	\$22,789	\$520,595
Rowan County Property Tax - Library	\$1,237,860	\$30,513	\$31,123	\$31,746	\$32,381	\$33,028	\$36,466	\$44,452	\$54,187	\$1,237,860
Morehead Property Tax - Full Service	\$3,678,873	\$90,684	\$92,498	\$94,348	\$96,235	\$98,159	\$108,376	\$132,109	\$161,041	\$3,678,873
Rowan County School Property Tax*	\$6,547,930	\$161,406	\$164,634	\$167,927	\$171,285	\$174,711	\$192,895	\$235,138	\$286,632	\$6,547,930
Rowan County Occupational License Tax	\$2,631,058	\$64,855	\$66,152	\$67,476	\$68,825	\$70,202	\$77,508	\$94,482	\$115,173	\$2,631,058
Morehead Occupational License Tax	\$2,631,058	\$64,855	\$66,152	\$67,476	\$68,825	\$70,202	\$77,508	\$94,482	\$115,173	\$2,631,058
Total Local Future Tax Revenues	\$18,080,327	\$445,679	\$454,592	\$463,684	\$472,958	\$482,417	\$532,627	\$649,270	\$791,456	\$18,080,327
Total Local Future Tax Revenues from Project	\$18,080,327	\$445,679	\$454,592	\$463,684	\$472,958	\$482,417	\$532,627	\$649,270	\$791,456	\$18,080,327
Local "Baseline" Tax Revenues										
Rowan County Property Tax - General Fiscal Court	\$85,144	\$2,099	\$2,141	\$2,184	\$2,227	\$2,272	\$2,508	\$3,058	\$3,727	\$85,144
Rowan County Property Tax - Health	\$33,215	\$1,312	\$1,338	\$1,365	\$1,392	\$1,420	\$1,568	\$1,911	\$2,329	\$33,215
Rowan County Property Tax - Library	\$126,534	\$3,119	\$3,181	\$3,245	\$3,310	\$3,376	\$3,728	\$4,544	\$5,539	\$126,534
Morehead Property Tax - Full Service	\$376,054	\$9,270	\$9,455	\$9,644	\$9,837	\$10,034	\$11,078	\$13,504	\$16,462	\$376,054
Rowan County School Property Tax*	\$669,329	\$16,499	\$16,829	\$17,165	\$17,509	\$17,859	\$19,718	\$24,036	\$29,299	\$669,329
Total Local "Baseline" Tax Revenues	\$1,310,276	\$32,298	\$32,944	\$33,603	\$34,275	\$34,961	\$38,599	\$47,052	\$57,357	\$1,310,276
Local "Baseline" Tax Revenues	\$1,310,276	\$32,298	\$32,944	\$33,603	\$34,275	\$34,961	\$38,599	\$47,052	\$57,357	\$1,310,276
Local Incremental Tax Revenues Retained										
Rowan County Property Tax - General Fiscal Court	\$74,781	\$1,843	\$1,880	\$1,918	\$1,956	\$1,995	\$2,203	\$2,685	\$3,273	\$74,781
Rowan County Property Tax - Health	\$46,738	\$1,152	\$1,175	\$1,199	\$1,223	\$1,247	\$1,377	\$1,678	\$2,046	\$46,738
Rowan County Property Tax - Library	\$111,133	\$2,739	\$2,794	\$2,850	\$2,907	\$2,965	\$3,274	\$3,991	\$4,865	\$111,133
Morehead Property Tax - Full Service	\$330,282	\$8,141	\$8,304	\$8,470	\$8,640	\$8,813	\$9,730	\$11,861	\$14,438	\$330,282
Rowan County School Property Tax*	\$5,878,602	\$144,907	\$147,805	\$150,761	\$153,777	\$156,852	\$173,177	\$211,102	\$257,332	\$5,878,602
Rowan County Occupational License Tax	\$263,106	\$6,486	\$6,615	\$6,748	\$6,883	\$7,020	\$7,751	\$9,448	\$11,517	\$263,106
Morehead Occupational License Tax	\$263,106	\$6,486	\$6,615	\$6,748	\$6,883	\$7,020	\$7,751	\$9,448	\$11,517	\$263,106
Total Local Incremental Tax Revenues	\$6,967,747	\$171,754	\$175,190	\$178,693	\$182,267	\$185,913	\$205,262	\$250,214	\$305,009	\$6,967,747
Local Incremental Tax Revenues Retained	\$6,967,747	\$171,754	\$175,190	\$178,693	\$182,267	\$185,913	\$205,262	\$250,214	\$305,009	\$6,967,747
Local Incremental Tax Revenues Available for Local TIF Participation										
Rowan County Property Tax - General Fiscal Court	\$673,027	\$16,590	\$16,922	\$17,260	\$17,606	\$17,958	\$19,827	\$24,169	\$29,461	\$673,027
Rowan County Property Tax - Health	\$420,642	\$10,369	\$10,576	\$10,788	\$11,003	\$11,224	\$12,392	\$15,105	\$18,413	\$420,642
Rowan County Property Tax - Library	\$1,000,193	\$24,655	\$25,148	\$25,651	\$26,164	\$26,687	\$29,465	\$35,917	\$43,783	\$1,000,193
Morehead Property Tax - Full Service	\$2,972,537	\$73,273	\$74,738	\$76,233	\$77,758	\$79,313	\$87,568	\$106,745	\$130,121	\$2,972,537
Rowan County Occupational License Tax	\$2,367,953	\$58,370	\$59,537	\$60,728	\$61,943	\$63,181	\$69,757	\$85,034	\$103,656	\$2,367,953
Morehead Occupational License Tax	\$2,367,953	\$58,370	\$59,537	\$60,728	\$61,943	\$63,181	\$69,757	\$85,034	\$103,656	\$2,367,953
Total Local Incremental Tax Revenues	\$9,802,304	\$241,626	\$246,459	\$251,388	\$256,415	\$261,544	\$288,765	\$352,004	\$429,090	\$9,802,304
Local Incremental Tax Revenues Available for Local TIF Participation	\$9,802,304	\$241,626	\$246,459	\$251,388	\$256,415	\$261,544	\$288,765	\$352,004	\$429,090	\$9,802,304

*Note: TIF-Eligible Incremental Tax Revenues

IV. ECONOMIC AND FISCAL IMPACT

When construction of the proposed Project is complete, various activities and transactions occurring within the improved site will generate ongoing, annual economic and fiscal impacts to the local economy. Initial transactions occurring within the Project footprint will ripple out into the local economy and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues. It is important to understand that these impacts include economic and fiscal activity that may take place outside of the Project footprint, and therefore, are not all recoverable through a Local TIF. These impact estimates, however, assist in quantifying the Project’s overall economic role within the local community.

Economic Impact- Definitions

Economic impact reflects the “ripple effect” or “multiplying effect” from initial transaction, or “direct spending,” that occurs as a direct result of a project being developed. As relates to the Morehead Redevelopment Project, examples of initial transactions are the visitors’ expenditures during their time in Morehead at the Project site. The “ripples” from these initial transactions include the following:

- **Indirect Spending** – consists of re-spending of the initial or direct expenditures. For example, a visitor’s direct expenditure on a retail purchase causes the store to purchase goods and other items from suppliers. The portion of these store purchases that are within the local and regional economies is counted as an indirect economic impact.
- **Induced Spending** – represents changes to consumption due to the personal spending by employees whose incomes are affected by the Project. For example, a waiter at a restaurant may spend more because he/she earns more. The amount of the increased income the waiter spends in the local economy is considered an induced impact.
- **Increased Earnings** – measures the change in total personal income, area-wide, that results from the initial spending activities occurring as a result of the Project.
- **Increased Employment** – measures the change in number of jobs, area-wide, that result from the initial spending activities that occur as a result of the Project.

Indirect spending, induced spending, increased earnings, and employment impact are estimated using multiplier factors. The multipliers utilized were derived from an

IMPLAN input-output model. IMPLAN is a nationally recognized model commonly used to estimate economic impact. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy.

Impact Analysis of Construction

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

There are two key impacts from construction to Morehead-Rowan County. First, the construction will directly create construction jobs, which are subject to local occupational taxes. Second, construction spending will generate indirect output due to increased earnings and employment throughout the economy. Figure 4, below, conceptually illustrates the flows of construction impacts, as well as the assumptions and tax rates utilized for the impact calculation.

Figure 4

Morehead Redevelopment Project		
Conceptual Diagram of One-Time Economic and Fiscal Impact from Construction		
Sources of Impact	Economic and Fiscal Impact	Rate
Total Construction Costs		
» Employment and Income Impacts		
	» Morehead Occupational Tax on Direct Wages	1.50%
	» Rowan County Occupational Tax on Direct Wages	1.50%

Figure 5, below, shows the IMPLAN-calculated impacts derived from construction costs of the Project in order to estimate the resulting direct, indirect, and induced impacts.

Figure 5

Impact Summary - Construction Only				
Impact Type	Employment	Wages	Total Value Added	Output
Direct Effect	282	\$11,356,637	\$14,712,444	\$32,002,446
Indirect Effect	27	\$1,033,582	\$1,902,546	\$3,982,590
Induced Effect	41	\$1,386,909	\$2,465,685	\$4,565,902
Total Effect	350	\$13,777,127	\$19,080,675	\$40,550,938

Shown in Figure 5, the \$32.0 million of capital investment is estimated to generate 282 direct construction jobs. These direct jobs are estimated to generate approximately \$11.4 million of direct wages.

The one-time influx of these economic impacts will “ripple” throughout the economy and result in indirect increased earnings and employment, both of which create related tax revenues. These fiscal impacts are described in detail in Figure 6, below, which shows the taxes derived from the IMPLAN model results generated using the estimated construction costs of the various Project components.

Figure 6

Morehead Redevelopment Project	
Estimates of One-Time Economic and Fiscal Impacts of Construction	
Full Project	
Economic Impact	Total
Direct	\$32,002,446
Indirect	\$3,982,590
Induced	\$4,565,902
Total Output	\$40,550,938
Direct Employment	282
Direct Wages	\$11,356,637
Fiscal Impact (Tax Revenues)	
Local Tax Revenues	
Rowan County Occupational Tax	
On Direct Wages	\$170,350
Morehead Occupational Tax	
On Direct Wages	\$170,350
Total Local Tax Revenues	\$340,699

As shown in Figure 6, the one-time impact of construction, alone, is estimated to generate \$40.6 million of total output, \$11.4 million of direct wages, 282 direct jobs, and over \$340,000 of local tax revenues during the construction period.

Annual Operational Impact

Upon completion of construction, the various Project components will generate annual impacts to the local community. Spending at the Project will support direct jobs and wages and will also have indirect and induced impacts on both wages and jobs throughout the area. The combined estimated economic impacts of all components over a 30-year period are shown, below, in Figure 7.

Figure 7

Morehead Redevelopment Project Summary of Economic Impacts - Total						
	Year 1	Year 2	Year 3	Year 4	Year 5	30-Year Total
Economic Impact						
Total Revenue (Direct)	\$19,402,147	\$19,790,190	\$20,185,994	\$20,589,713	\$21,001,508	\$787,107,830
Indirect Impact	\$2,689,299	\$2,743,085	\$2,797,947	\$2,853,906	\$2,910,984	\$109,099,693
Induced Impact	\$1,881,534	\$1,919,165	\$1,957,548	\$1,996,699	\$2,036,633	\$76,330,221
Total Economic Impact	\$23,972,980	\$24,452,439	\$24,941,488	\$25,440,318	\$25,949,124	\$972,537,744
Total Employment						
Total Employment	291	291	291	291	291	291
Direct Employment	250	250	250	250	250	250
Total Wages						
Total Wages	\$5,896,747	\$6,014,682	\$6,134,976	\$6,257,676	\$6,382,829	\$239,219,719
Direct Wages	\$4,323,692	\$4,410,166	\$4,498,370	\$4,588,337	\$4,680,104	\$175,403,899

The combined operational economic impacts over a 30-year period are estimated to include approximately \$787.1 million in direct impact throughout the area. Ongoing employment is expected to support an additional 250 direct jobs and \$175.4 million in direct wages over the 30 years.

V. CONCLUSION

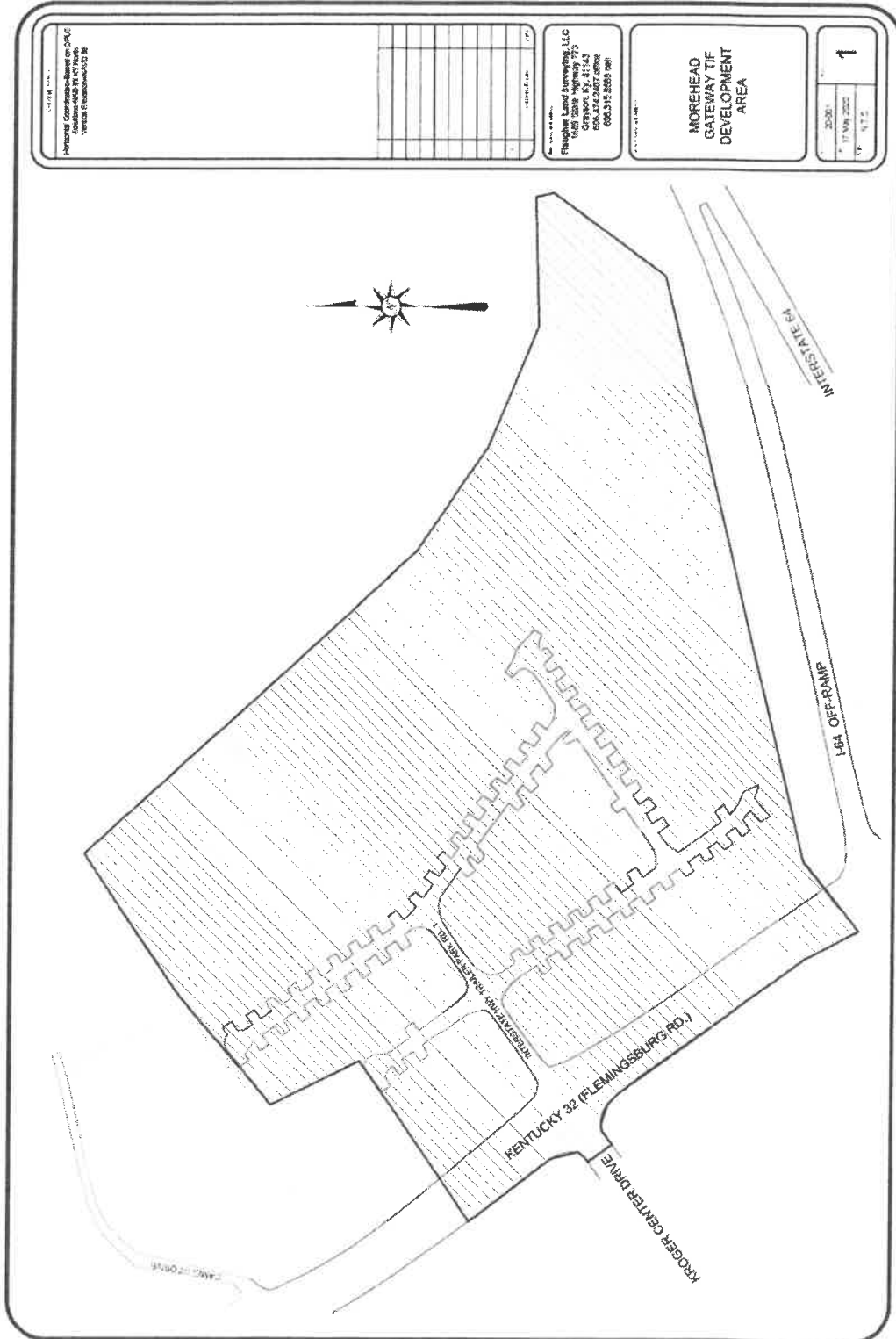
This Project will benefit to Morehead and Rowan County, as well as the surrounding region. The proposed mix of private investment and public improvement will better utilize highly visible properties located near I-64 by providing additional dining and shopping options for both interstate travelers and the local community.

However, the Project would not happen as planned without expenditures on public infrastructure, which create an economic challenge at this site. While the Project would result in approximately \$32.0 million of construction at the site, it requires approximately \$11.7 million in public infrastructure elements, such as; demo and site prep, storm and sanitary sewer improvements, public parking, provision of utilities, sidewalks, roadways, etc. The Local TIF program provides a mechanism for local authorities to support the necessary public infrastructure costs that are a barrier to development, without the risk that comes with issuing debt to fund public infrastructure improvements.

The TIF program is a useful mechanism to incentivize the Project through the reimbursement of incremental tax revenue generated within its footprint. After subtracting the baseline tax revenues, it is estimated that the Project components could generate approximately \$16.8 million in local incremental tax revenues over a 30-year period. In order to fund certain public infrastructure improvements, the Project is requesting that local authorities participate up to 90% of the incremental property and occupational taxes generated each year over a 30-year period (approximately \$9.8 million) through a Local TIF program. Under this scenario, it is estimated that the local authorities would still retain approximately \$7.0 million of the incremental tax revenues generated by the Project.

Exhibit B

Exhibit A: Development Area Map and Description



Legal Description

BEGINNING AT AN IRON REBAR IN THE EAST SIDE OF THE JOHN G AND JOANNE H FRALEY REVOCABLE TRUST AND THE FRALEY COMMERCIAL PROPERTIES, LLC PROPERTY;
THENCE S 42°47'30" E A DISTANCE OF 730.05' TO A POINT;
THENCE S 55°28'15" E A DISTANCE OF 203.95' TO A POINT;
THENCE S 67°26'59" E A DISTANCE OF 214.06' TO A POINT;
THENCE N 88°31'43" E A DISTANCE OF 211.29 TO A POINT;
THENCE S 12°40'21" E A DISTANCE OF 29.19' TO A POINT;
THENCE S 36°37'19" W A DISTANCE OF 41.26' TO A POINT;
THENCE S 36°37'19" W A DISTANCE OF 183.75' TO A POINT;
THENCE S 76°29'17" W A DISTANCE OF 981.06' TO A POINT;
THENCE S 51°38'28" W A DISTANCE OF 144.01' TO A POINT;
THENCE N 27°48'44" W A DISTANCE OF 96.97' TO A POINT;
THENCE N 36°06'37" W A DISTANCE OF 381.61' TO A POINT;
THENCE N 49°12'01" W A DISTANCE OF 18.76' TO A POINT;
THENCE N 72°30'04" W A DISTANCE OF 32.92' TO A POINT;
THENCE S 84°11'59" W A DISTANCE OF 10.42' TO A POINT;
THENCE S 54°41'57" W A DISTANCE OF 27.86' TO A POINT;
THENCE N 36°36'53" W A DISTANCE OF 47.46' TO A POINT;
THENCE N 53°23'07" E A DISTANCE OF 6.65' TO A POINT;
THENCE N 42°10'00" E A DISTANCE OF 15.64' TO A POINT;
THENCE N 13°55'13" W A DISTANCE OF 46.00' TO A POINT;
THENCE N 37°35'25" W A DISTANCE OF 167.30' TO A POINT;
THENCE N 55°23'33" E A DISTANCE OF 168.32' TO A POINT;
THENCE N 54°48'19" E A DISTANCE OF 148.86' TO A POINT;
THENCE N 26°25'03" W A DISTANCE OF 160.02' TO A POINT;
THENCE N 50°23'50" E A DISTANCE OF 236.79' TO A POINT;
THENCE N 56°16'15" E A DISTANCE OF 86.85' TO A POINT;
THENCE N 56°16'15" E A DISTANCE OF 183.41' TO THE BEGINNING;

HAVING AN AREA OF 994331.4 SQUARE FEET, 22.83 ACRES

EXHIBIT C

LOCAL PARTICIPATION AGREEMENT

LOCAL PARTICIPATION AGREEMENT
FOR THE
MOREHEAD GATEWAY DEVELOPMENT AREA
BY AND AMONG
CITY OF MOREHEAD, KENTUCKY
AND
COUNTY OF ROWAN, KENTUCKY
AND
OFFICE OF THE MAYOR OF THE CITY OF MOREHEAD, KENTUCKY
JANUARY 1, 2021

- Exhibit A – The Development Area, including legal description**
- Exhibit B – The Project**
- Exhibit C – The Plan for Financing the Project**
- Exhibit D – Estimated Incremental Revenues**

INDEX
TO
LOCAL PARTICIPATION AGREEMENT
DATED
JANUARY 1, 2021
CITY OF MOREHEAD, KENTUCKY, COUNTY OF ROWAN, KENTUCKY,
AND
OFFICE OF THE MAYOR OF THE CITY OF MOREHEAD, KENTUCKY

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**LOCAL PARTICIPATION AGREEMENT
MOREHEAD GATEWAY DEVELOPMENT AREA**

THIS LOCAL PARTICIPATION AGREEMENT (this “Agreement”) is made as of the 1st day of January, 2021 (the “Effective Date”) by and among the CITY OF MOREHEAD, KENTUCKY, a Kentucky municipal corporation of the Home Rule Class (the “City”), the COUNTY OF ROWAN, KENTUCKY, a county government organized under the laws of the Commonwealth of Kentucky, and the OFFICE OF THE MAYOR OF THE CITY OF MOREHEAD, KENTUCKY, a duly established Department of the City (the “Agency”), collectively (the “Parties”);

RECITALS

WHEREAS, pursuant to the Act, as hereinafter defined, the City has on the _____ day of _____, 2020, adopted Ordinance Number _____, (the “Development Area Ordinance”), whereby it established the Morehead Gateway Development Area (the “Development Area”) for the purpose of promoting a mixed-use development of previously developed land; and

WHEREAS, the City Council of the City (“City Council”) recognizes and determines that the real property that constitutes the Development Area has been and is currently characterized by low-income housing and deteriorated structures, that the continuation of the physical deterioration and inadequate infrastructure within the Development Area will discourage and interfere with the City’s growth policies to encourage the sensible development of land within the Development Area, and that the acquisition, financing, construction and development of those improvements and buildings, as identified in Exhibit B herein (collectively, the “Project”), will contribute to the public welfare of the citizens of the City, County, and the Commonwealth of Kentucky (the “State”) and will

thereby materially enhance the area and be in furtherance of the general health and welfare of the citizens of the City, County, and the State; and

WHEREAS, the City Council recognizes and determines that the project is a mixed-use development which includes significant public infrastructure improvements; and

WHEREAS, the Parties recognize that the development of the Development Area will not likely occur without a public-private partnership and financial assistance provided to the Project by the City, County, and, potentially, the State; and

WHEREAS, the Parties desire to set forth the duties and responsibilities of the Parties with respect to the administration, financing and pledging of Incremental Revenues in support of the development of the Project within the Development Area; and

WHEREAS, pursuant to the Development Area Ordinance, the City has authorized the Mayor to execute and enter into this Agreement between the City, County, and Agency, and the Agency desires to enter into this Agreement;

WHEREAS, pursuant to Ordinance No. _____, the Rowan County Fiscal Court has authorized the County Judge/Executive to execute this Agreement on behalf of the County; and

WHEREAS, pursuant to the Act (as hereinafter defined), the City, County and the Agency desire to set forth their mutual agreements, understandings and obligations in

this Local Participation Agreement, in order to facilitate development of the Project within the Development Area.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties hereto, and in consideration of the premises and the mutual covenants and undertakings contained herein, it is agreed and covenanted by and among the Parties hereto as follows:

SECTION I Recitals

The Parties hereto agree that the above “recitals” or “recital clauses” are incorporated herein by reference as if fully restated herein and form a part of the agreement among the Parties hereto.

SECTION II Definitions

For the purposes of this Agreement, the following words and phrases shall have the meanings assigned in this Section II, unless the context clearly indicates that a contrary or different meaning is intended.

1. “Act” or “the Act”. Shall mean KRS 65.7041 to KRS 65.7083 and KRS 154.30-010-154.30-090.
2. “Activation”. Shall be the 1st day of the calendar year, established in accordance with Section XI of this Agreement, for the calculation of New Revenues and the pledge of Incremental Revenues.
3. “Administrative Costs”. Shall mean three (3%) of the annual amount of Incremental Revenues received by the Agency, but not to exceed \$1,500 annually, which

shall be retained by the Agency to pay for administrative costs relating to the Development Area.

4. "Agency". Shall mean the Office of the Mayor of the City of Morehead, Kentucky, which shall be responsible for administering the Special Fund and the Development Area Ordinance pursuant to the TIF Documents and the Act.

5. "Agreement". Shall mean this Local Participation Agreement, including all Exhibits attached hereto.

6. "City". Shall mean the City of Morehead, Kentucky.

7. "City Authorizations". Shall mean those necessary governmental authorizations, resolutions, orders, hearings, notices, ordinances, and other acts, required by laws, rules, or regulations to provide the City and its officers with the proper authority to perform all obligations of the City resulting from this Agreement, and perform all other obligations of the City made necessary by, or resulting from the establishment of the Development Area.

8. "County". Shall mean the County of Rowan, Kentucky acting by and through the Rowan County Fiscal Court.

9. "Developer". Shall mean Polo 1, LLC, a Georgia limited liability company, its assigns, successors, affiliates, subsidiaries or related entities, who propose to develop the Development Area.

10. "Development Area". Shall mean the "Morehead Gateway Development Area" as defined in the Development Area Ordinance.

11. "Development Area Ordinance." Shall mean Ordinance No. _____, adopted by the City on _____, 2020.

12. "Effective Date". Shall have the meaning given in the introductory paragraph of this Agreement.

13. "Financing Costs". Shall be the actual interest and financing costs for that portion of Capital Investment expended by the Developer for Public Infrastructure Costs, related to financing or loans from a commercial or other lender obtained to construct the Project; or in the case of equity or cash from the Developer to pay Public Infrastructure Costs, a presumed interest rate of six percent (6%) per annum.

14. "Financing Plan". Shall mean the plan for financing the Project as described in Section X of this Agreement and in Exhibit C attached hereto, as it may be amended by Developer, the City and Agency.

15. "Incremental Revenues". Shall mean the amount of revenues received by the City and County with respect to the Development Area, by subtracting "Old Revenues" from "New Revenues" in a calendar year after Activation.

11. "KEDFA". Shall mean the Kentucky Economic Development Finance Authority.

12. "New Revenues". Shall mean the annual amount of City and County taxes generated from the Development Area from real property *ad valorem* taxes and occupational taxes from businesses operating in the Development Area, including business license fees, net profits fees and employee payroll taxes, but shall not include occupational taxes from the construction of the Project, and the City's special restaurant tax, after Activation.

13. "Old Revenues". Shall mean the annual amount of City and County taxes generated from the Development Area, during calendar year 2020, from real property *ad*

valorem taxes and occupational taxes, including business license fees, net profits fees and employee payroll taxes, but shall not include the City's special restaurant tax.

14. "Private Financing". Shall mean the financing needed to provide for the development and construction of the Project elements or any financing received by the Developer(s) that is not from City, County, or the State.

15. "Project". Shall mean the improvements within the Development Area to be known as the Morehead Gateway Development Area Project.

16. "Project Costs". Shall mean any capital investment as defined in the Act incurred or expended to undertake the Project, an estimate of which is attached as Exhibit "B".

17. "Public Infrastructure Costs" Shall be those costs shown on Exhibit B and identified as "Public Infrastructure," including the actual Financing Costs thereon, which are eligible for reimbursement from Incremental Revenues pledged under the Local Participation Agreement and/or Tax Incentive Agreement.

18. "Redevelopment Assistance" shall have the meaning as provided in the Development Area Ordinance.

19. "Special Fund". Shall mean the Morehead Gateway Development Area Special Fund established in the Development Area Ordinance and maintained by the Agency, for the purpose of receiving, distributing and maintaining Incremental Revenues pledged by the City, County and/or State, in the manner set forth in the TIF Documents in connection with the Development Area.

20. "State". Shall mean the Commonwealth of Kentucky, including any of its agencies and departments.

21. "Tax Incentive Agreement". Shall mean any anticipated agreement(s) between KEDFA and the Agency related to the pledge of State Incremental Revenues to pay for "Approved Public Infrastructure Costs" as set forth in the Tax Incentive Agreement..

22. "Termination Date". Shall have the meaning as provided in the Development Area Ordinance.

23. "TIF Documents". Shall mean the Development Area Ordinance, the Local Participation Agreement, the Master Development Agreement, the Development Plan, any Tax Incentive Agreement, and related documents.

24. "Unavoidable Delays". Shall mean delays due to labor disputes, lockouts, acts of God, enemy action, civil commotion, riot, governmental regulations not in effect at the date of execution of this Agreement, conditions that could not have been reasonably foreseen by the claiming party, inability to obtain construction materials or energy, fire, or unavoidable casualty, provided such matters are beyond the reasonable control of the party claiming such delay.

SECTION III Parties

The parties to this Agreement shall be the City, the County and the Agency.

SECTION IV Duties and Responsibilities of City and County

The City and County shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Provide for the payment of Incremental Revenues after Activation, to the Agency for deposit into the Special Fund that is to be created by the Agency for the collection of Incremental Revenues pledged herein from City and/or County to pay for or

reimburse Administrative Costs, Public Infrastructure Costs; and the receipt and payment of State Incremental Revenues pledged in accordance with the terms of the Tax Incentive Agreement, within the Development Area.

2. The City agrees to pledge ninety percent (90%) of the City's Incremental Revenue generated within the Development Area to pay for or reimburse Administrative Costs and Public Infrastructure Costs in connection with the Project and pursuant to the terms of the TIF Documents, for a thirty-year period from the Activation.

3. The County agrees to pledge ninety percent (90%) of its Incremental Revenues from real property *ad valorem* taxes and sixty-six and sixth tenths percent (66.6%) of its Incremental Revenues from occupational taxes generated within the Development Area to pay for or reimburse Administrative Costs and Public Infrastructure Costs in connection with the Project pursuant to the terms set forth in the TIF Documents, for a thirty-year (30) period from the Activation.

4. Make, in participation with the Agency and the Developer, application(s) to KEDFA requesting State TIF participation in accordance with applicable provisions of the Act if requested by Developer. The application(s) shall request State participation, as considered in the Financing Plan and at the sole discretion of Developer, who will be responsible for any costs incurred as a result of the application process.

5. The City shall designate the Agency as the entity responsible for the oversight, administration, and implementation of the Development Area Ordinance and the Special Fund pursuant to the TIF Documents and the Act.

6. Meet as may be required with the Developer and the Agency for the purpose of reviewing the progress of the development of the Development Area and review the

analysis of such progress prepared by the Agency (in conjunction with the Developer) for distribution to the City, County and the State in accordance with the TIF Documents and the Act.

7. Provide the Agency with information necessary for the Agency to prepare by March 15, or such other date to meet the reporting schedule of KEDFA or the State to receive State Incremental Revenues under the Tax Incentive Agreement, of each year during the term of this Agreement an annual report including, but not limited to: (a) the total real property taxes and business occupational taxes and fees collected within the Development Area during the previous calendar year; (b) a determination of New Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, of Incremental Revenues spent from the Special Fund on Administrative Costs, and Public Infrastructure Costs in connection with the Project.

8. Upon receipt of Developer's request provide, or require the Agency to provide, written confirmation that the Developer(s) is in good standing with its obligations under the terms of this Agreement.

SECTION V Duties and Responsibilities of the Agency

The Agency shall have the following duties and responsibilities in connection with the development of the Development Area:

1. Act as the party responsible for the oversight, administration, and implementation of the Development Area Ordinance and the Special Fund.

2. Participate with the City, County and Developer in the application(s) to KEDFA, requesting State TIF participation in accordance with the applicable provisions

of the Act. The application(s) shall request State participation, as considered in the Financing Plan and as may be directed by Developer.

3. Meet as may be required with the Developer, the City and County for the purpose of reviewing the progress of the development of the Development Area and prepare an analysis of such progress for distribution to the City, County and the State in accordance with the Act.

4. On or before May 1, 2021, with assistance from the City, the County, and the Developer, as may be necessary, establish the Old Revenues, which when established shall be a part of this Agreement.

5. Prepare by no later than March 15, or such other date to meet the reporting schedule of KEDFA or the State to receive Incremental Revenues from the State under the Tax Incentive Agreement, of each year during the term of this Agreement, an annual report and provide same to the City and County, the Developer and KEDFA including, but not limited to: (a) the total real property taxes and business occupational taxes and fees collected within the Development Area during the previous calendar year; (b) a determination of New Revenues collected within the Development Area during the previous calendar year; and (c) the amount, if any, of Incremental Revenues spent from the Special Fund on Administrative Costs, Approved Public Infrastructure Costs and/or Redevelopment Assistance in connection with the Project.

6. Each year, once the Agency has received deposits of Incremental Revenues into the Special Fund from the City, County, and/or State the Agency shall pay or retain the Administrative Costs, and then pay the balance of such funds to the Developer, or another entity as directed by the Developer, within thirty (30) days to

reimburse costs expended by the Developer, and certified by the Developer to the Agency, for Public Infrastructure Costs, pursuant to the terms set forth in the TIF Documents.

7. Comply with any requirements and carry out any duties and responsibilities as the Agency under the terms of any Tax Incentive Agreement (as defined in the Act) with KEDFA and this Agreement.

8. Upon receipt of Developer's request provide written confirmation that the Developer(s) is in good standing with its obligations under the terms of this Agreement.

SECTION VI Identification and Pledge of Incremental Revenues

1. For the thirty (30) year period after the Activation of the Development Area, as provided in the TIF Documents and the Act, the City hereby pledges ninety percent (90%) of the City's Incremental Revenues generated within the Development Area to pay for Administrative Costs and Public Infrastructure Costs, pursuant to the terms set forth in the TIF Documents. The Incremental Revenues shall be determined by calculating the New Revenues collected from the Development Area, and subtracting the Old Revenues collected from within the Development Area, as provided for in the TIF Documents and the Act.

2. For the thirty (30) year period after the Activation of the Development Area, the County hereby pledges ninety percent (90%) of the County's Incremental Revenues from real property *ad valorem* taxes and sixty-six and sixth tenths percent (66.6%) of its Incremental Revenues from its occupational license taxes (consisting of business license fees, net profits fees and employee payroll taxes) generated within the Development Area to pay for Administrative Costs and Public Infrastructure Costs, pursuant to the terms set

forth in the TIF Documents. The Incremental Revenues shall be determined by calculating the New Revenues collected from the Development Area, and subtracting the Old Revenues collected from within the Development Area, as provided for in the TIF Documents and the Act.

3. Incremental Revenues pledged by the City and County in this Section shall be paid at least annually, no later than each June 1st after the first calendar year of Activation, to the Agency for deposit to the Special Fund. The Incremental Revenues from the City and County are hereby irrevocably pledged and shall be maintained by the Agency and used solely for payment of Administrative Costs and Public Infrastructure Costs in support of the Project and for no other purpose. Such Special Fund shall be continued and maintained until the Termination Date of the Development Area.

4. Any incremental Revenues received by the Agency from the State pursuant to the Tax Incentive Agreement shall be deposited in the Special Fund as soon as they are received each year after the first calendar year of activation of the Tax Incentive Agreement. The Incremental Revenues from the State are hereby irrevocably pledged and shall be maintained by the Agency and used solely for payment of, or as reimbursement for, Approved Public Infrastructure Costs in support of the Project pursuant to the terms set forth in the TIF Documents and for no other purpose. The Special Fund shall be continued and maintained until the Termination Date of the Development Area.

5. After the Public Infrastructure Costs have been fully paid to the Developer, the City and County may terminate the Development Area and this Agreement, or at their

joint option, may agree to pay for other eligible costs under the Act within the Development Area.

6. At the Termination Date (as defined in the Development Area Ordinance) all amounts remaining in the Special Fund shall be transferred to the General Fund of the City and County based upon how much of the increment each had deposited.

SECTION VII
Anticipated Benefits to the City and County

The City and County anticipate receiving substantial benefits as a result of the pledge of their Incremental Revenues to support development of the Development Area as set forth herein. Detailed summaries of projected Incremental Revenues for the City and County on an annual basis during the term of this Agreement are attached as Exhibit D hereto. The maximum amount of Incremental Revenues to be paid each by the City and County shall be ninety percent (90%) of the identified Incremental Revenues generated from the Development Area, except that the County's pledge of Incremental Revenues from its occupational taxes shall be sixty-six and sixth tenths percent (66.6%) and the maximum number of years the payment of City and County Incremental Revenues to support the development of the Development Area is thirty (30) years.

SECTION VIII
Description of Development Area

A detailed description of the Development Area is set forth in Exhibit A attached hereto and incorporated herein.

SECTION IX
Description of Project; Costs

A detailed description of the Project is set forth in Exhibit B attached hereto and incorporated herein. Also included in Exhibit B is an estimate of the costs of construction,

acquisition and development of the proposed Project. The elements of the Project planned to be supported or paid for with Incremental Revenues are listed on the attached Exhibit B, subject to further amendment as deemed necessary by the City, County, and Agency and in accordance with the TIF Documents. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that the Project may be changed and modified so long as the Project continues to fulfill the goals of the Development Area as established in the Development Area Ordinance and the TIF Documents.

SECTION X
Financing Plan

The financing for the Project shall generally be in accordance with the Financing Plan set forth in Exhibit C attached hereto. It is understood that the Financing Plan for the Project may be modified as development of the Project progresses and that more specific details of the nature of each aspect of financing the proposed Project components shall be more particularly contained in any Private Financing and other documents at the time that each aspect of the financing needed for the Project is obtained. However, the pledge of Incremental Revenues herein to support the Project shall not be modified without the specific approval of the City, County, Agency, Developer and/or State as may be applicable.

IT IS UNDERSTOOD BY THE PARTIES THAT THE FINANCING FOR THE PROJECT AS PROVIDED IN THIS AGREEMENT SHALL NOT CONSTITUTE A DEBT OF THE CITY, COUNTY, THE AGENCY OR THE STATE OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY, COUNTY, THE AGENCY OR THE STATE AND THE CITY, COUNTY, AGENCY AND THE STATE SHALL HAVE NO OBLIGATION, WHATSOEVER, TOWARD THE PAYMENT OF ANY OF THE DEVELOPER'S COSTS

FOR THE PROJECT BEYOND THE PLEDGE OF INCREMENTAL REVENUES AS PROVIDED FOR IN THIS AGREEMENT, AND THAT ANY PROJECT FINANCING NEEDED FOR THE PROJECT SHALL BE THE RESPONSIBILITY OF THE DEVELOPER.

SECTION XI

Commencement Date; Activation Date; Termination Date

This Agreement shall commence and be effective as of the date of execution hereof by the City and County. The Activation Date for the pledge of Incremental Revenues as set forth in Section VI hereof shall be determined by the Agency in accordance with the Act and at the direction of the Developer. This Agreement shall terminate upon the Termination Date. This Agreement shall not terminate upon the execution of any deeds or other agreements required or contemplated by this Agreement, or referred to herein, and the provisions of this Agreement shall not be deemed to be merged into the deeds, or any other such deeds or other agreements, it being the intent of the parties hereto that this Agreement shall survive the execution and delivery of any such agreements.

SECTION XII

Default

If the City, County or the Agency (a "Defaulting Party") shall default in its obligation to make payments of Incremental Revenues set forth herein, the Agency (unless it is the Defaulting Party), the Developer and/or the indenture trustee or trustees for outstanding financing obligations secured by such Incremental Revenues shall have the power to enforce the provisions of this Agreement against the Defaulting Party. If the City, County or the Agency materially breaches or defaults on any of its nonpayment related obligations under this Agreement, the Developer, and/or the indenture trustee or trustees

for the outstanding financing obligations may give notice that remedial action must be taken within thirty (30) days. The Defaulting Party shall correct such breach or default within thirty (30) days after such notice, provided however that if (i) the default is one which cannot with due diligence be remedied by the Defaulting Party within thirty (30) days and (ii) the Defaulting Party proceeds as promptly as reasonably possible after such notice and with all due diligence to remedy such default, the period after such notice within which to remedy the default shall be extended for such period of time as may be necessary to remedy the same with all due diligence.

SECTION XIII
Governing Law

The laws of the State shall govern as to the interpretation, validity and effect of this Agreement.

SECTION XIV
Severability

If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties essential objectives as expressed herein.

SECTION XV
Force Majeure

The City and/or County shall not be deemed to be in default in the performance of any obligation on such parties' part to be performed under this Agreement, other than an

obligation requiring the payment of a sum of money, if and so long as the nonperformance of such obligation shall be directly caused by Unavoidable Delays; provided, that within fifteen (15) days after the commencement of such Unavoidable Delay, the non performing party shall notify the other party in writing of the existence and nature of any such Unavoidable Delay and the steps, if any, which the non-performing party shall have taken or planned to take to eliminate such Unavoidable Delay. Thereafter, the non-performing party shall, from time to time, on written request of the other party, keep the other party fully informed, in writing, of further developments concerning such Unavoidable Delay and the effort being made by the non-performing party to perform such obligation as to which it is in default. All provisions of any construction schedule shall be adjusted in accordance with such Unavoidable Delay.

SECTION XVI
Notices

Any notice to be given under this Agreement shall be in writing, shall be addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed to have been given upon the earliest of (i) three (3) days following deposit in the U.S. Mail with proper postage prepaid, Certified or Registered, (ii) the next business day after delivery to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, or (iii) receipt of notice given by telecopy or personal delivery:

If to the City: Office of the Mayor
Attn: Mayor Laura White-Brown
314 Bridge St.
Morehead, Kentucky 40351

With a Copy to: Morehead City Attorney
314 Bridge St.
Morehead, Kentucky 40351

If to the Agency: Office of the Mayor
Attn: Mayor Laura White-Brown
314 Bridge St.
Morehead, Kentucky 40351

If to the County: Office of Judge Executive
Attn: Judge Harry L. Clark
600 W. Main St.
Ste. 158
Morehead, Kentucky 40351

With a Copy to: Rowan County Attorney
600 W. Main St.
Ste. 158
Morehead, Kentucky 40351

SECTION XVII
Approvals

Whenever a party to this Agreement is required to consent to, or approve, an action by the other party, or to approve any such action to be taken by another party, unless the context clearly specifies a contrary intention, or a specific time limitation, such approval or consent shall be given within thirty (30) business days and shall not be unreasonably withheld or delayed by the party from whom such approval or consent is required.

SECTION XVIII
Entirety of Agreement

As used herein, the term "Agreement" shall mean this Local Participation Agreement and the Exhibits attached hereto. This Agreement embodies the entire agreement and understanding of the parties hereto with respect to the subject matter

herein contained, and supersedes all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intention has been made by any party which has not been embodied in this Agreement, and no party shall be bound by or be liable for any alleged representation, promise, inducement, or statement of intention not so set forth. This Agreement may be amended, modified, superseded, or cancelled only by a written instrument signed by all of the parties hereto, and any of the terms, provisions, and conditions hereof may be waived only by a written instrument signed by the waiving party. Failure of any party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of any such provision by any part.

SECTION XIX
Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

SECTION XX
Headings and Index

The headings in this Agreement and the Index are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any provision hereof.

SECTION XXI
Exhibits

All exhibits to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof, above the signatures of the parties hereto, as if set out in full herein.

SECTION XXII
No Waiver; Construction

No waiver of any condition or covenant of this Agreement to be satisfied or performed by the City and or County shall be deemed to imply or constitute a further waiver of the same, or any like condition or covenant, and nothing contained in this Agreement nor any act of either party, except a written waiver signed by such party, shall be construed to be a waiver of any condition or covenant to be performed by the other party. No provisions of this Agreement shall be construed against a party by reason of such party having drafted such provisions.

SECTION XXIII
Multiple Counterparts

This Agreement may be executed in multiple counterparts, each of which shall constitute an original document.

SECTION XXIV
Relationship of the Parties

Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association among any of the Parties of this Agreement.

SECTION XXV
No Third Party Beneficiary

Except as otherwise specified herein, the provisions of this Agreement are for the exclusive benefit of the City, the County, the Agency, and the Developer, their successors and permitted assigns, and not for the benefit of any other person or entity, nor shall this

Agreement be deemed to have conferred any rights, express or implied, upon any other person or entity.

SECTION XXVI
Diligent Performance

With respect to any duty or obligation imposed on a party to this Agreement, unless a time limit is specified for the performance of such duty or obligation, it shall be the duty or obligation of such party to commence and perform the same in a diligent and workmanlike manner and to complete the performance of such duty or obligation as soon as reasonably practicable after commencement of the performance thereof. Notwithstanding the above, time is of the essence with respect to any time limit specified herein.

SECTION XXVII
Assignment of Rights and Delegation of Duties

No Party to this Agreement may assign this Agreement, or any part hereof, except as provided herein, without the prior written consent of the other Parties, except that the Developer or other ultimate recipient of Incremental Revenues as may be determined in subsequent agreements may assign its rights to receive reimbursement of Public Infrastructure Costs to a financial institution that provides financing. Nothing in this Section shall be construed to require prior written consent for the Developer to assign any of its rights or obligations under this Agreement to a subsidiary, affiliate or related entity.

IN WITNESS WHEREOF, the Parties hereto have hereunto set their hands on the date and year first above set forth herein, to be effective as of the Effective Date.

CITY OF MOREHEAD, KENTUCKY

Approval as to Form:

By: _____
Laura White-Brown
Its: Mayor

Joyce Stevens
City Attorney

COUNTY OF ROWAN, KENTUCKY

Approval as to Form:

By: _____
Harry T. Clark
Its: Judge Executive

Cecil Watkins
County Attorney

OFFICE OF THE MAYOR OF THE CITY OF MOREHEAD, KENTUCKY

By: _____
Laura White-Brown
Its: Mayor

EXHIBITS

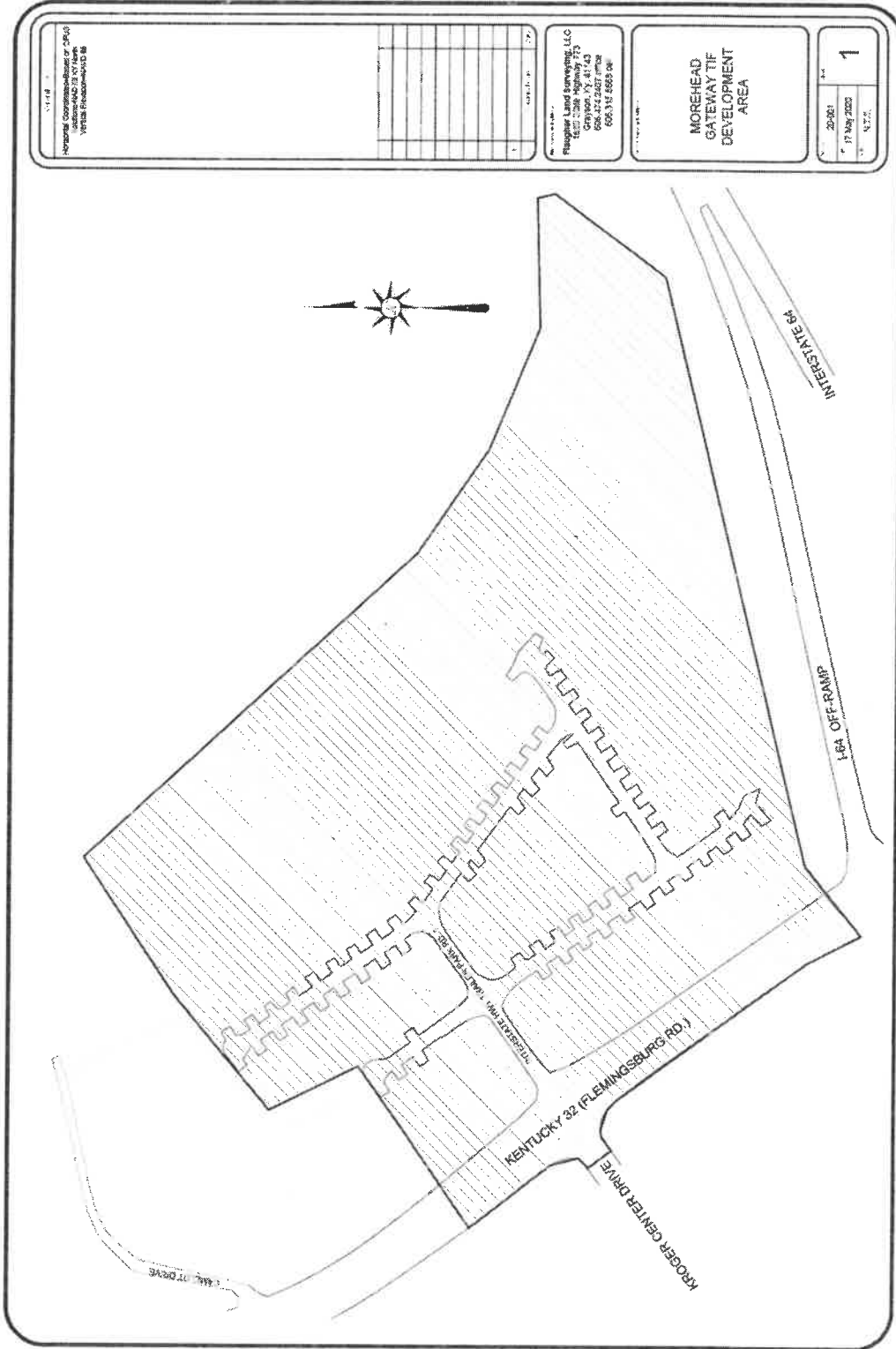
Exhibit A: Development Area Map and Description

Exhibit B: The Project

Exhibit C: Financing Plan

Exhibit D: Estimated Incremental Revenues

Exhibit A: Development Area Map and Description





Legal Description

BEGINNING AT AN IRON REBAR IN THE EAST SIDE OF THE JOHN G AND JOANNE H FRALEY REVOCABLE TRUST AND THE FRALEY COMMERCIAL PROPERTIES, LLC PROPERTY;
THENCE S 42°47'30" E A DISTANCE OF 730.05' TO A POINT;
THENCE S 55°28'15" E A DISTANCE OF 203.95' TO A POINT;
THENCE S 67°26'59" E A DISTANCE OF 214.06' TO A POINT;
THENCE N 88°31'43" E A DISTANCE OF 211.29 TO A POINT;
THENCE S 12°40'21" E A DISTANCE OF 29.19' TO A POINT;
THENCE S 36°37'19" W A DISTANCE OF 41.26' TO A POINT;
THENCE S 36°37'19" W A DISTANCE OF 183.75' TO A POINT;
THENCE S 76°29'17" W A DISTANCE OF 981.06' TO A POINT;
THENCE S 51°38'28" W A DISTANCE OF 144.01' TO A POINT;
THENCE N 27°48'44" W A DISTANCE OF 96.97' TO A POINT;
THENCE N 36°06'37" W A DISTANCE OF 381.61' TO A POINT;
THENCE N 49°12'01" W A DISTANCE OF 18.76' TO A POINT;
THENCE N 72°30'04" W A DISTANCE OF 32.92' TO A POINT;
THENCE S 84°11'59" W A DISTANCE OF 10.42' TO A POINT;
THENCE S 54°41'57" W A DISTANCE OF 27.86' TO A POINT;
THENCE N 36°36'53" W A DISTANCE OF 47.46' TO A POINT;
THENCE N 53°23'07" E A DISTANCE OF 6.65' TO A POINT;
THENCE N 42°10'00" E A DISTANCE OF 15.64' TO A POINT;
THENCE N 13°55'13" W A DISTANCE OF 46.00' TO A POINT;
THENCE N 37°35'25" W A DISTANCE OF 167.30' TO A POINT;
THENCE N 55°23'33" E A DISTANCE OF 168.32' TO A POINT;
THENCE N 54°48'19" E A DISTANCE OF 148.86' TO A POINT;
THENCE N 26°25'03" W A DISTANCE OF 160.02' TO A POINT;
THENCE N 50°23'50" E A DISTANCE OF 236.79' TO A POINT;
THENCE N 56°16'15" E A DISTANCE OF 86.85' TO A POINT;
THENCE N 56°16'15" E A DISTANCE OF 183.41' TO THE BEGINNING;

HAVING AN AREA OF 994331.4 SQUARE FEET, 22.83 ACRES

Exhibit B: The Project

The City and the County, in conjunction with Polo 1, LLC (the “Developer”), is planning involves the redevelopment of underutilized properties alongside I-64 in Morehead, KY and will require various public infrastructure improvements to support and attract various new businesses to the area. Planning is currently underway for the proposed Project, which is anticipated to include the following components but are subject to change:

Morehead Redevelopment Project Estimates		
	<i>Component Cost</i>	<i>Unit Measure</i>
<u>Public Infrastructure</u>		
Demolition	\$246,760	
Site prep/ landscaping	\$4,270,222	
Storm & sanitary sewer	\$2,083,843	
Sidewalks	\$358,968	
Roadways	\$335,704	
Parking	\$3,825,280	
Utilities	\$591,246	
<i>Sub-total</i>	\$11,712,023	
<u>Private Components</u>		
Retail	\$10,922,272	36,850 Sq Ft
Restaurant	\$9,368,151	25,575 Sq Ft
<i>Sub-total</i>	\$20,290,423	62,425 Sq Ft
<i>Grand-total</i>	\$32,002,446	62,425 Sq Ft



Exhibit C: Financing Plan

To provide funding support for the needed capital improvements set forth in the Development Plan and to provide support for the Project and provide redevelopment assistance, the City of Morehead ("City") and Rowan County ("County") plan to create the Morehead Gateway Development Area pursuant to the provision of KRS 65.7041 to KRS 65.7083 and to utilize a portion of the new incremental revenues generated to provide redevelopment assistance and support the financing of public infrastructure improvements.

The plan provides that the City and County will pledge ninety percent (90%) of the City's incremental real property *ad valorem* taxes and occupational taxes and fees (consisting of occupational privilege fees/payroll taxes and business license fees/gross receipts tax) and, from the County's Incremental Revenues, ninety percent (90%) of its real property *ad valorem* taxes and sixty-six percent and sixth tenths percent (66.6%) of its occupational taxes and fees (consisting of occupational privilege fees/payroll taxes and business license fees/gross receipts tax) generated within the Development Area by properties and business operations, as more clearly defined in the Local Participation Agreement, for a thirty (30) year period to provide Redevelopment Assistance within the Development Area pursuant to the terms set forth in the TIF Documents as reimbursement for project costs.

In addition, the plan may include the submission of an application to the Kentucky Economic Development Finance Authority (KEDFA) to seek a pledge of new incremental state revenues from the footprint of the Project, to provide funding for approved public infrastructure costs. Other state and federal incentive programs may also be levered in order to make the Project feasible.

Financing Plan

The Project is made up of both public and private components. The total cost of the project is estimated to be approximately \$32.0 million, which includes approximately \$11.7 million in public infrastructure costs.

The Capital Investment, including the Public Infrastructure Costs, will be financed privately by the Developer, subject to the pledge of Incremental Revenues to reimburse the Public Infrastructure Costs. At the request of the Developer the Incremental Revenues may be paid directly to the Developer's lender(s) that provides financing to pay for such costs. The pledge of these Incremental Revenues is critical to the affordability of financing the project. Until the structure of the deal is finalized it is too early at this time to detail the financing costs of the project.

Exhibit D: Estimated Incremental Revenues

Morehead Redevelopment Project - Local TIF Incremental Tax Revenues Generated from Project										
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	30-Year Total
Local Future Tax Revenues from Project										
Rowan County Property Tax - General Fiscal Court	\$832,952	\$20,532	\$20,943	\$21,362	\$21,789	\$22,225	\$24,538	\$29,912	\$36,462	\$832,952
Rowan County Property Tax - Health	\$520,595	\$12,833	\$13,089	\$13,351	\$13,618	\$13,890	\$15,336	\$18,695	\$22,789	\$520,595
Rowan County Property Tax - Library	\$1,237,860	\$30,513	\$31,123	\$31,746	\$32,381	\$33,028	\$36,466	\$44,452	\$54,187	\$1,237,860
Morehead Property Tax - Full Service	\$3,678,873	\$90,684	\$92,498	\$94,348	\$96,235	\$98,159	\$108,376	\$132,109	\$161,041	\$3,678,873
Rowan County School Property Tax*	\$6,547,930	\$161,406	\$164,634	\$167,927	\$171,285	\$174,711	\$192,895	\$235,138	\$286,632	\$6,547,930
Rowan County Occupational License Tax	\$2,631,058	\$64,855	\$66,152	\$67,476	\$68,825	\$70,202	\$77,508	\$94,482	\$115,173	\$2,631,058
Morehead Occupational License Tax	\$2,631,058	\$64,855	\$66,152	\$67,476	\$68,825	\$70,202	\$77,508	\$94,482	\$115,173	\$2,631,058
Total Local Future Tax Revenues	\$18,080,327	\$445,679	\$454,592	\$463,684	\$472,958	\$482,417	\$532,627	\$649,270	\$791,456	\$18,080,327
Total Local Future Tax Revenues from Project	\$18,080,327	\$445,679	\$454,592	\$463,684	\$472,958	\$482,417	\$532,627	\$649,270	\$791,456	\$18,080,327
Local "Baseline" Tax Revenues										
Rowan County Property Tax - General Fiscal Court	\$85,144	\$2,099	\$2,141	\$2,184	\$2,227	\$2,272	\$2,508	\$3,058	\$3,727	\$85,144
Rowan County Property Tax - Health	\$53,215	\$1,312	\$1,338	\$1,365	\$1,392	\$1,420	\$1,568	\$1,911	\$2,329	\$53,215
Rowan County Property Tax - Library	\$126,534	\$3,119	\$3,181	\$3,245	\$3,310	\$3,376	\$3,728	\$4,544	\$5,539	\$126,534
Morehead Property Tax - Full Service	\$376,054	\$9,270	\$9,455	\$9,644	\$9,837	\$10,034	\$11,078	\$13,504	\$16,462	\$376,054
Rowan County School Property Tax*	\$669,329	\$16,499	\$16,829	\$17,165	\$17,509	\$17,859	\$19,718	\$24,036	\$29,299	\$669,329
Total Local "Baseline" Tax Revenues	\$1,310,276	\$32,298	\$32,944	\$33,603	\$34,275	\$34,961	\$38,599	\$47,052	\$57,357	\$1,310,276
Total "Baseline" Tax Revenues	\$1,310,276	\$32,298	\$32,944	\$33,603	\$34,275	\$34,961	\$38,599	\$47,052	\$57,357	\$1,310,276
Local Incremental Tax Revenues Retained										
Rowan County Property Tax - General Fiscal Court	\$74,781	\$1,843	\$1,880	\$1,918	\$1,956	\$1,995	\$2,203	\$2,685	\$3,273	\$74,781
Rowan County Property Tax - Health	\$467,380	\$11,521	\$11,751	\$11,986	\$12,226	\$12,471	\$13,769	\$16,784	\$20,459	\$467,380
Rowan County Property Tax - Library	\$1,111,326	\$27,394	\$27,942	\$28,501	\$29,071	\$29,652	\$32,738	\$39,908	\$48,648	\$1,111,326
Morehead Property Tax - Full Service	\$330,282	\$8,141	\$8,304	\$8,470	\$8,640	\$8,813	\$9,730	\$11,861	\$14,458	\$330,282
Rowan County School Property Tax*	\$5,878,602	\$144,907	\$147,805	\$150,761	\$153,777	\$156,852	\$173,177	\$211,102	\$257,332	\$5,878,602
Rowan County Occupational License Tax	\$877,011	\$21,618	\$22,051	\$22,492	\$22,941	\$23,400	\$25,836	\$31,494	\$38,391	\$877,011
Morehead Occupational License Tax	\$263,106	\$6,486	\$6,615	\$6,748	\$6,883	\$7,020	\$7,751	\$9,448	\$11,517	\$263,106
Total Local Incremental Tax Revenues	\$9,002,487	\$221,911	\$226,349	\$230,876	\$235,493	\$240,203	\$265,204	\$323,282	\$394,079	\$9,002,487
Total Local Incremental Tax Revenues Retained	\$9,002,487	\$221,911	\$226,349	\$230,876	\$235,493	\$240,203	\$265,204	\$323,282	\$394,079	\$9,002,487
Local Incremental Tax Revenues for Local TIF Participation										
Rowan County Property Tax - General Fiscal Court	\$673,027	\$16,590	\$16,922	\$17,260	\$17,606	\$17,958	\$19,827	\$24,169	\$29,461	\$673,027
Morehead Property Tax - Full Service	\$2,972,537	\$73,273	\$74,738	\$76,233	\$77,758	\$79,313	\$87,568	\$106,745	\$130,121	\$2,972,537
Rowan County Occupational License Tax	\$1,754,021	\$43,236	\$44,101	\$44,983	\$45,883	\$46,801	\$51,672	\$62,987	\$76,781	\$1,754,021
Morehead Occupational License Tax	\$2,367,953	\$58,370	\$59,537	\$60,728	\$61,943	\$63,181	\$69,757	\$85,034	\$103,656	\$2,367,953
Total Local Incremental Tax Revenues	\$7,767,538	\$191,469	\$195,299	\$199,205	\$203,189	\$207,252	\$228,823	\$278,934	\$340,020	\$7,767,538
Total Local Incremental Tax Revenues for Local TIF Participation	\$7,767,538	\$191,469	\$195,299	\$199,205	\$203,189	\$207,252	\$228,823	\$278,934	\$340,020	\$7,767,538

*Not a TIF-Eligible Incremental Tax Revenue

EXHIBIT D
COMMONWEALTH ECONOMICS REPORT



**Morehead Gateway Redevelopment Project
Local Tax Increment Financing Impact Analysis**

Submitted to:
Wildcat, LLC

Submitted by:
Commonwealth Economics

August 2020

TABLE OF CONTENTS

- I. INTRODUCTION AND EXECUTIVE SUMMARY**
- II. PROJECT DESCRIPTION**
- III. INCREMENTAL TAX REVENUE ESTIMATES**
- IV. ECONOMIC AND FISCAL IMPACTS**
- V. CONCLUSION**

I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics (“CE”) was retained by Wildcat, LLC (the “Developer”) to conduct an economic and fiscal impact analysis of the proposed Morehead Gateway Redevelopment Project (the “Project”) in Morehead, Kentucky, with a particular emphasis as relates to the Local Tax Increment Financing (“Local TIF”) Program.¹ The purpose of this analysis is to estimate the Project’s impacts and the related local tax revenues that may be eligible for participation through the Local TIF program to assist with financing public infrastructure needs or other economic challenges.

Executive Summary

The subject of this analysis is the Morehead Gateway Redevelopment Project, which is to be constructed by Wildcat, LLC just off the KY 32 Flemingsburg Road exit on I-64 in Morehead, Kentucky.

The Project is anticipated to include 62,425 square feet of new restaurant/retail space that will better utilize properties located on I-64. However, redevelopment of the site will require significant expenditures on public infrastructure components and other economic challenges that make the necessary financing difficult to achieve. Through better utilization of visible property along the interstate, the Project has the potential to support and attract various new business activity to the area.

Highlights

- **Project cost** - Total construction cost, public and private, is estimated to be approximately \$32.0 million. Of this amount, approximately \$11.7 million is related to public infrastructure costs.
- **Necessary public infrastructure expenditures** - The Project would not happen as planned without significant expenditures on public infrastructure. The Project

¹ The results presented herein are fair and reasonable. Based on Commonwealth Economics’ analysis, the Project is a strategic development that will bring significant economic and fiscal benefits to both Morehead and the Commonwealth of Kentucky.

Commonwealth Economics utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this study are based on trends and assumptions, which usually result in differences between the projected results and actual results. And because events and circumstances frequently do not occur as expected, those differences may be material.

includes multiple public infrastructure elements, such as; demo and site prep, storm and sanitary sewer improvements, public parking, provision of utilities, sidewalks, roadways, etc.

- **Project could generate substantial tax revenue** – The Project is requesting that local authorities participate 90% of the incremental property and occupational taxes generated through a Local TIF over a 30-year period (approximately \$9.8 million). Under this scenario, local authorities would retain an estimated \$7.0 million of the incremental tax revenues generated by the Project (Figure ES-1).

Figure ES-1

Morehead Redevelopment Project - Local TIF		
Estimated 30-Year Direct Fiscal Impact		
	Tax Rate	30-Year Total
Local Incremental Tax Revenues Generated from Project		
Rowan County Property Tax - General Fiscal Court	0.0720%	\$747,808
Rowan County Property Tax - Health	0.0450%	\$467,380
Rowan County Property Tax - Library	0.1070%	\$1,111,326
Morehead Property Tax - Full Service	0.3180%	\$3,302,819
Rowan County School Property Tax*	0.5660%	\$5,878,602
Rowan County Occupational License Tax	1.50%	\$2,631,058
Morehead Occupational License Tax	1.50%	\$2,631,058
Total Local Incremental Tax Revenues		\$16,770,051
Incremental Tax Revenues Retained by Local (100% School + 10% Other)		\$6,967,747
Incremental Tax Revenues Available for Local TIF Participation (90%)		\$9,802,304

**Not a TIF-eligible incremental tax revenue*

- **Ongoing impact to the local economy** – Over a 30-year period, the full Project (upon completion) is estimated to directly support 250 jobs. These jobs are estimated to generate approximately \$175.4 million in wages within the Project in Morehead-Rowan.

II. PROJECT DESCRIPTION

This section provides an overview of the proposed Morehead Gateway Redevelopment Project (the “Project”) to be located in Morehead, Kentucky, including a description of the proposed Project’s scope, amenities, and development costs.

Description of the Morehead Redevelopment Project

The Project involves the redevelopment of underutilized properties alongside I-64 in Morehead, KY and will require various public infrastructure improvements to support and attract various new businesses to the area. Planning is currently underway for the proposed Project, which is anticipated to include the following components:

- Public infrastructure ~ \$11.7 million
 - Demo and site prep, storm and sanitary sewer improvements, public parking, provision of utilities, sidewalks, roadways, etc.
- Restaurant space ~ \$9.4 million (25,575 sq ft)
- Retail space ~ \$10.9 million (36,850)

Total Project Cost ~ \$32.0 million

For the purposes of this analysis, each Project component is shown as being completed and opening for operations at the same time. It is important to note, however, that certain Project components may be phased in depending on demand, financing, construction timing/ability, etc. This can result in a slightly lower overall amount of incremental revenue being generated during this timeframe as any components that are built in or open at later dates will have less time to generate incremental tax revenues. The next page includes a summary of the Project’s anticipated components upon completion.

Figure 1

Morehead Redevelopment Project Estimates		
	<i>Component Cost</i>	<i>Unit Measure</i>
<u>Public Infrastructure</u>		
Demolition	\$246,760	
Site prep/ landscaping	\$4,270,222	
Storm & sanitary sewer	\$2,083,843	
Sidewalks	\$358,968	
Roadways	\$335,704	
Parking	\$3,825,280	
Utilities	\$591,246	
<i>Sub-total</i>	\$11,712,023	
<u>Private Components</u>		
Retail	\$10,922,272	36,850 Sq Ft
Restaurant	\$9,368,151	25,575 Sq Ft
<i>Sub-total</i>	\$20,290,423	62,425 Sq Ft
<i>Grand-total</i>	\$32,002,446	62,425 Sq Ft

III. INCREMENTAL TAX REVENUE ESTIMATES

This section estimates the amount of incremental tax revenues generated within the footprint that may be available to reimburse certain project costs through an incremental tax incentive. Fiscal impact measures incremental tax revenues that result from the spending and income related to the activities at the Project.

Below is a breakdown of the taxes used to estimate the local incremental tax revenues the Project could generate that would be eligible for Local TIF participation by Morehead and Rowan County (the “local authorities”):

- **Local taxes:**

- Rowan County Property Tax

General Fiscal Court	\$0.0720 per \$100 of assessed value
Health	\$0.0450 per \$100 of assessed value
Library	\$0.1070 per \$100 of assessed value
Morehead Property Tax (Full-Service).....	\$0.3180 per \$100 of assessed value
Rowan County Occupational Tax	1.5 percent of salaries
Morehead Occupational Tax	1.5 percent of salaries

Tax Revenue Assumptions

Estimated incremental tax revenues were generated using the following input assumptions, which are based on blended industry averages, IMPLAN, and discussions with the Project team.²

Retail ~ 36,850 sq ft

- Sales per sq ft ~ \$405
- Occupancy ~ 90%
- Average salary ~ \$21,743
- Sq ft / employee ~ 611

Restaurant ~ 25,575 sq ft

- Sales per sq ft ~ \$615
- Occupancy ~ 90%
- Average salary ~ \$15,419
- Sq ft / employee ~ 135

² Wildcat, LLC provided Project scope estimates and initial building tenant assumptions for input into our analysis.

Baseline Tax Revenue Calculation

To properly estimate the tax revenues that will actually be available for a Local TIF project, it is necessary to subtract the baseline tax revenues from the expected future revenues. The Project footprint includes a handful of private properties, so the amount of property tax revenues currently being generated has been estimated.

Commonwealth Economics and the Project team have estimated a total current assessed value of \$2.9 million for the properties using the Rowan County PVA database. Based on this analysis, the resulting property tax baseline calculation for the footprint totals an estimated \$32,298 annually, as shown in Figure 2.

Figure 2

Estimated On-Site Baseline Taxes - Morehead Redevelopment Project				
	TIF Rate	Base Taxable Amount		Tax Revenue
City of Morehead Property Tax	0.3180%	\$2,915,000	(private property value)	\$9,270
Rowan County Property Tax	0.2240%	\$2,915,000	(private property value)	\$6,530
Rowan County School Property Tax	0.5660%	\$2,915,000	(private property value)	\$16,499
Total Tax Revenues				\$32,298

Incremental Tax Revenue Calculations

Figure 3, on the next page, shows the estimated local incremental tax revenues resulting from the Project over a 30-year period. All applicable property and occupational taxes are included, with only TIF-eligible incremental tax revenue estimates shown as being potentially available for TIF participation. To account for the potential growth in future tax revenues, all calculations are adjusted for inflation at a rate of 2.0% each year.

After the baseline tax revenues are subtracted, it is estimated that the Project components could generate approximately \$16.8 million in local incremental tax revenues over a 30-year period. Due to the high cost of the public infrastructure improvements and other economic challenges, the Project is requesting that local authorities participate at 90% of the incremental property and occupational taxes generated over the 30-year period (approximately \$9.8 million). Under this scenario, it is estimated that the local authorities would still retain approximately \$7.0 million of the incremental tax revenues generated by the Project.

Figure 3

**Morehead Redevelopment Project - Local TIF
Incremental Tax Revenues Generated from Project**

	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	Year 30	30-Year Total
Local Future Tax Revenues from Project										
Rowan County Property Tax - General Fiscal Court	\$832,952	\$20,532	\$21,362	\$21,789	\$22,225	\$22,675	\$24,538	\$29,912	\$36,462	\$832,952
Rowan County Property Tax - Health	\$520,595	\$12,833	\$13,089	\$13,618	\$13,890	\$14,179	\$15,336	\$18,695	\$22,789	\$520,595
Rowan County Property Tax - Library	\$1,237,860	\$30,513	\$31,123	\$31,746	\$32,381	\$33,028	\$36,466	\$44,452	\$54,187	\$1,237,860
Morehead Property Tax - Full Service	\$3,678,873	\$90,684	\$92,498	\$94,348	\$96,235	\$98,159	\$108,376	\$132,109	\$161,041	\$3,678,873
Rowan County School Property Tax*	\$6,547,930	\$161,406	\$164,634	\$167,927	\$171,285	\$174,711	\$192,895	\$235,138	\$286,632	\$6,547,930
Rowan County Occupational License Tax	\$2,631,058	\$64,855	\$66,152	\$67,476	\$68,825	\$70,202	\$77,508	\$94,482	\$115,173	\$2,631,058
Morehead Occupational License Tax	\$2,631,058	\$64,855	\$66,152	\$67,476	\$68,825	\$70,202	\$77,508	\$94,482	\$115,173	\$2,631,058
Total Local Future Tax Revenues	\$18,080,327	\$445,679	\$454,592	\$463,684	\$472,958	\$482,417	\$532,627	\$649,270	\$791,456	\$18,080,327
Total Local Future Tax Revenues from Project										
\$18,080,327	\$445,679	\$454,592	\$463,684	\$472,958	\$482,417	\$532,627	\$649,270	\$791,456	\$791,456	\$18,080,327
Local "Baseline" Tax Revenues										
Rowan County Property Tax - General Fiscal Court	\$85,144	\$2,099	\$2,141	\$2,184	\$2,227	\$2,272	\$2,508	\$3,058	\$3,727	\$85,144
Rowan County Property Tax - Health	\$53,215	\$1,312	\$1,338	\$1,365	\$1,392	\$1,420	\$1,568	\$1,911	\$2,329	\$53,215
Rowan County Property Tax - Library	\$126,534	\$3,119	\$3,181	\$3,245	\$3,310	\$3,376	\$3,728	\$4,544	\$5,539	\$126,534
Morehead Property Tax - Full Service	\$376,054	\$9,270	\$9,455	\$9,644	\$9,837	\$10,034	\$11,078	\$13,504	\$16,462	\$376,054
Rowan County School Property Tax*	\$669,329	\$16,499	\$16,829	\$17,165	\$17,509	\$17,859	\$19,718	\$24,036	\$29,299	\$669,329
Total Local "Baseline" Tax Revenues	\$1,310,276	\$32,298	\$32,944	\$33,603	\$34,275	\$34,961	\$38,599	\$47,052	\$57,357	\$1,310,276
Local "Baseline" Tax Revenues										
\$1,310,276	\$32,298	\$32,944	\$33,603	\$34,275	\$34,961	\$38,599	\$47,052	\$57,357	\$57,357	\$1,310,276
Local Incremental Tax Revenues Retained										
Rowan County Property Tax - General Fiscal Court	\$74,781	\$1,843	\$1,880	\$1,918	\$1,956	\$1,995	\$2,203	\$2,685	\$3,273	\$74,781
Rowan County Property Tax - Health	\$46,738	\$1,152	\$1,175	\$1,199	\$1,223	\$1,247	\$1,377	\$1,678	\$2,046	\$46,738
Rowan County Property Tax - Library	\$111,133	\$2,739	\$2,794	\$2,850	\$2,907	\$2,965	\$3,274	\$3,991	\$4,865	\$111,133
Morehead Property Tax - Full Service	\$330,282	\$8,141	\$8,304	\$8,470	\$8,640	\$8,813	\$9,730	\$11,861	\$14,458	\$330,282
Rowan County School Property Tax*	\$5,878,602	\$144,907	\$147,805	\$150,761	\$153,777	\$156,852	\$173,177	\$211,102	\$257,332	\$5,878,602
Rowan County Occupational License Tax	\$263,106	\$6,486	\$6,615	\$6,748	\$6,883	\$7,020	\$7,751	\$9,448	\$11,517	\$263,106
Morehead Occupational License Tax	\$263,106	\$6,486	\$6,615	\$6,748	\$6,883	\$7,020	\$7,751	\$9,448	\$11,517	\$263,106
Total Local Incremental Tax Revenues	\$6,967,747	\$171,754	\$175,190	\$178,693	\$182,267	\$185,913	\$205,262	\$250,214	\$305,009	\$6,967,747
Local Incremental Tax Revenues Retained										
\$6,967,747	\$171,754	\$175,190	\$178,693	\$182,267	\$185,913	\$205,262	\$250,214	\$305,009	\$305,009	\$6,967,747
Local Incremental Tax Revenues Available for Local TIF Participation										
Rowan County Property Tax - General Fiscal Court	\$673,027	\$16,590	\$16,922	\$17,260	\$17,606	\$17,958	\$19,827	\$24,169	\$29,461	\$673,027
Rowan County Property Tax - Health	\$420,642	\$10,369	\$10,576	\$10,788	\$11,003	\$11,224	\$12,392	\$15,105	\$18,413	\$420,642
Rowan County Property Tax - Library	\$1,000,193	\$24,655	\$25,148	\$25,651	\$26,164	\$26,687	\$29,465	\$35,917	\$43,783	\$1,000,193
Morehead Property Tax - Full Service	\$2,972,537	\$73,273	\$74,738	\$76,230	\$77,758	\$79,313	\$87,568	\$106,745	\$130,121	\$2,972,537
Rowan County Occupational License Tax	\$2,367,953	\$58,370	\$59,537	\$60,728	\$61,943	\$63,181	\$69,757	\$85,034	\$103,656	\$2,367,953
Morehead Occupational License Tax	\$2,367,953	\$58,370	\$59,537	\$60,728	\$61,943	\$63,181	\$69,757	\$85,034	\$103,656	\$2,367,953
Total Local Incremental Tax Revenues	\$9,802,304	\$241,626	\$246,459	\$251,388	\$256,415	\$261,544	\$288,765	\$352,004	\$429,090	\$9,802,304
Local Incremental Tax Revenues Available for Local TIF Participation										
\$9,802,304	\$241,626	\$246,459	\$251,388	\$256,415	\$261,544	\$288,765	\$352,004	\$429,090	\$429,090	\$9,802,304

*Note: TIF-Eligible Taxable Tax Revenue

IV. ECONOMIC AND FISCAL IMPACT

When construction of the proposed Project is complete, various activities and transactions occurring within the improved site will generate ongoing, annual economic and fiscal impacts to the local economy. Initial transactions occurring within the Project footprint will ripple out into the local economy and generate indirect spending, induced spending, increased earnings, and employment, as well as various tax revenues. It is important to understand that these impacts include economic and fiscal activity that may take place outside of the Project footprint, and therefore, are not all recoverable through a Local TIF. These impact estimates, however, assist in quantifying the Project's overall economic role within the local community.

Economic Impact- Definitions

Economic impact reflects the "ripple effect" or "multiplying effect" from initial transaction, or "direct spending," that occurs as a direct result of a project being developed. As relates to the Morehead Redevelopment Project, examples of initial transactions are the visitors' expenditures during their time in Morehead at the Project site. The "ripples" from these initial transactions include the following:

- **Indirect Spending** - consists of re-spending of the initial or direct expenditures. For example, a visitor's direct expenditure on a retail purchase causes the store to purchase goods and other items from suppliers. The portion of these store purchases that are within the local and regional economies is counted as an indirect economic impact.
- **Induced Spending** - represents changes to consumption due to the personal spending by employees whose incomes are affected by the Project. For example, a waiter at a restaurant may spend more because he/she earns more. The amount of the increased income the waiter spends in the local economy is considered an induced impact.
- **Increased Earnings** - measures the change in total personal income, area-wide, that results from the initial spending activities occurring as a result of the Project.
- **Increased Employment** - measures the change in number of jobs, area-wide, that result from the initial spending activities that occur as a result of the Project.

Indirect spending, induced spending, increased earnings, and employment impact are estimated using multiplier factors. The multipliers utilized were derived from an

IMPLAN input-output model. IMPLAN is a nationally recognized model commonly used to estimate economic impact. An input-output model analyzes the commodities and income that normally flow through the various sectors of the economy.

Impact Analysis of Construction

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

There are two key impacts from construction to Morehead-Rowan County. First, the construction will directly create construction jobs, which are subject to local occupational taxes. Second, construction spending will generate indirect output due to increased earnings and employment throughout the economy. Figure 4, below, conceptually illustrates the flows of construction impacts, as well as the assumptions and tax rates utilized for the impact calculation.

Figure 4

Morehead Redevelopment Project		
Conceptual Diagram of One-Time Economic and Fiscal Impact from Construction		
Sources of Impact	Economic and Fiscal Impact	Rate
Total Construction Costs		
» Employment and Income Impacts		
	» Morehead Occupational Tax on Direct Wages	1.50%
	» Rowan County Occupational Tax on Direct Wages	1.50%

Figure 5, below, shows the IMPLAN-calculated impacts derived from construction costs of the Project in order to estimate the resulting direct, indirect, and induced impacts.

Figure 5

Impact Summary - Construction Only				
Impact Type	Employment	Wages	Total Value Added	Output
Direct Effect	282	\$11,356,637	\$14,712,444	\$32,002,446
Indirect Effect	27	\$1,033,582	\$1,902,546	\$3,982,590
Induced Effect	41	\$1,386,909	\$2,465,685	\$4,565,902
Total Effect	350	\$13,777,127	\$19,080,675	\$40,550,938

Shown in Figure 5, the \$32.0 million of capital investment is estimated to generate 282 direct construction jobs. These direct jobs are estimated to generate approximately \$11.4 million of direct wages.

The one-time influx of these economic impacts will “ripple” throughout the economy and result in indirect increased earnings and employment, both of which create related tax revenues. These fiscal impacts are described in detail in Figure 6, below, which shows the taxes derived from the IMPLAN model results generated using the estimated construction costs of the various Project components.

Figure 6

Morehead Redevelopment Project	
Estimates of One-Time Economic and Fiscal Impacts of Construction	
Full Project	
Economic Impact	Total
Direct	\$32,002,446
Indirect	\$3,982,590
Induced	\$4,565,902
Total Output	\$40,550,938
Direct Employment	282
Direct Wages	\$11,356,637
Fiscal Impact (Tax Revenues)	
Local Tax Revenues	
Rowan County Occupational Tax	
On Direct Wages	\$170,350
Morehead Occupational Tax	
On Direct Wages	\$170,350
Total Local Tax Revenues	\$340,699

As shown in Figure 6, the one-time impact of construction, alone, is estimated to generate \$40.6 million of total output, \$11.4 million of direct wages, 282 direct jobs, and over \$340,000 of local tax revenues during the construction period.

Annual Operational Impact

Upon completion of construction, the various Project components will generate annual impacts to the local community. Spending at the Project will support direct jobs and wages and will also have indirect and induced impacts on both wages and jobs throughout the area. The combined estimated economic impacts of all components over a 30-year period are shown, below, in Figure 7.

Figure 7

Morehead Redevelopment Project Summary of Economic Impacts - Total						
	Year 1	Year 2	Year 3	Year 4	Year 5	30-Year Total
Economic Impact						
Total Revenue (Direct)	\$19,402,147	\$19,790,190	\$20,185,994	\$20,589,713	\$21,001,508	\$787,107,830
Indirect Impact	\$2,689,299	\$2,743,085	\$2,797,947	\$2,853,906	\$2,910,984	\$109,099,693
Induced Impact	\$1,881,534	\$1,919,165	\$1,957,548	\$1,996,699	\$2,036,633	\$76,330,221
Total Economic Impact	\$23,972,980	\$24,452,439	\$24,941,488	\$25,440,318	\$25,949,124	\$972,537,744
Total Employment						
Direct Employment	250	250	250	250	250	250
Total Wages						
Direct Wages	\$4,323,692	\$4,410,166	\$4,498,370	\$4,588,337	\$4,680,104	\$175,403,899

The combined operational economic impacts over a 30-year period are estimated to include approximately \$787.1 million in direct impact throughout the area. Ongoing employment is expected to support an additional 250 direct jobs and \$175.4 million in direct wages over the 30 years.

V. CONCLUSION

This Project will benefit to Morehead and Rowan County, as well as the surrounding region. The proposed mix of private investment and public improvement will better utilize highly visible properties located near I-64 by providing additional dining and shopping options for both interstate travelers and the local community.

However, the Project would not happen as planned without expenditures on public infrastructure, which create an economic challenge at this site. While the Project would result in approximately \$32.0 million of construction at the site, it requires approximately \$11.7 million in public infrastructure elements, such as; demo and site prep, storm and sanitary sewer improvements, public parking, provision of utilities, sidewalks, roadways, etc. The Local TIF program provides a mechanism for local authorities to support the necessary public infrastructure costs that are a barrier to development, without the risk that comes with issuing debt to fund public infrastructure improvements.

The TIF program is a useful mechanism to incentivize the Project through the reimbursement of incremental tax revenue generated within its footprint. After subtracting the baseline tax revenues, it is estimated that the Project components could generate approximately \$16.8 million in local incremental tax revenues over a 30-year period. In order to fund certain public infrastructure improvements, the Project is requesting that local authorities participate up to 90% of the incremental property and occupational taxes generated each year over a 30-year period (approximately \$9.8 million) through a Local TIF program. Under this scenario, it is estimated that the local authorities would still retain approximately \$7.0 million of the incremental tax revenues generated by the Project.

EXHIBIT E
MASTER DEVELOPMENT AGREEMENT

MASTER DEVELOPMENT AGREEMENT

THIS MASTER DEVELOPMENT AGREEMENT (this “AGREEMENT”) dated as of the 1st day of December, 2020 (the “Effective Date”) by and among the CITY OF MOREHEAD, KENTUCKY (the “City”) and the OFFICE OF THE MAYOR OF THE CITY OF MOREHEAD, KENTUCKY (the “Agency”), and POLO 1, LLC, a Georgia limited liability company authorized to do business in Kentucky, and its affiliates (“Developer”);

RECITALS

Whereas, pursuant to the Act, as hereinafter defined, the City by Ordinance No. _____ (the “Development Area Ordinance”), adopted on _____ established the Morehead Gateway Development Area (the “Development Area”) and pledged certain Incremental Revenues [as hereinafter defined], through the execution of a local participation agreement as provided in the Act, dated December 1, 2020 (the “Local Participation Agreement”) to pay for Administrative Costs and Public Infrastructure Costs [as hereinafter defined] within the Development Area as more specifically identified within the Local Participation Agreement, a copy of which is attached as Exhibit “B ” to the Development Area Ordinance; and

Whereas, in the Development Area Ordinance, the City established the Agency as its agency and instrumentality and constituted authority for the purpose of performing functions related to the oversight, administration, and implementation of the Development Area Ordinance and Local Participation Agreement on behalf of the City; and

Whereas, the development planned within the Development Area is the Morehead Gateway Development Area Project (the “Project”), which will be a mixed-use project consisting of various commercial uses, together with related public infrastructure, and more specifically described in

Exhibit “B” attached hereto subject to adjustment that is not materially inconsistent with the intended purposes as stated herein and with the goals of the Development Area; and

Whereas, the City recognizes that the redevelopment of the Development Area and the construction of Project, as contemplated by the terms of this Agreement, will not occur without a public-private partnership and financial assistance provided to the Project by the City, County, and potentially the Commonwealth of Kentucky (the “State”); and

Whereas, the Parties desire to set forth their mutual agreements, understandings and obligations, in order to facilitate the design, financing, development and construction of the Development Area and the Project.

STATEMENT OF AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, and in consideration of the premises and the mutual covenants and undertakings contained in this Agreement, the Parties hereby agree and covenant as follows:

SECTION I Preambles

The Parties hereto agree that the above “preambles” or “preamble clauses” (the above “Recitals”) are incorporated herein by reference as if fully restated herein and form a part of the agreement between the parties hereto.

SECTION II Definitions

For the purposes of this Agreement, the following words and phrases shall have the meanings assigned in this Section II, unless the context clearly indicates that a contrary or different meaning is intended.

A. “Act”. Shall mean KRS 65.7041 to KRS 65.7083 and KRS 154.30-010 to KRS 154.30-090, relating to tax increment financing of projects to promote economic development.

B. “Administrative Costs”. Shall mean three (3%) of the annual amount of Incremental Revenues received by the Agency not to exceed \$1,500 annually, which shall be retained by the Agency to pay for administrative costs relating to the Development Area.

C. “Affiliate”. Shall mean a corporation or other entity controlled by, controlling or under common control of the Developer.

D. “Agency”. Shall mean the Office of the Mayor of the City of Morehead, Kentucky.

E. “Agreement”. Shall mean this Master Development Agreement, including all Exhibits attached hereto.

F. “Capital Investment”. Shall have the meaning as provided in the Act.

G. “City”. Shall mean the City of Morehead, Kentucky.

H. “County”. Shall mean the County of Rowan, Kentucky.

I. “Developer”. Shall mean Polo 1, LLC, a Georgia limited liability company, its successors, affiliates, subsidiaries or related entities, which intends to develop the Development Area in accordance with this Agreement.

J. “Development Area”. Shall have the meaning given in the Recitals to this Agreement and as depicted on Exhibit A.

K. “Effective Date”. Shall have the meaning given in the introductory paragraph of this Agreement.

L. “Financing Costs”. Shall be the actual interest and financing costs for that portion of Capital Investment expended by the Developer for Public Infrastructure Costs, related to financing or loans from a commercial or other lender obtained to construct the Project; or in the case of equity or cash from the Developer to pay Public Infrastructure Costs, a presumed interest rate of six percent (6%) per annum.

M. “Incremental Revenues”. Shall mean the tax revenues pledged to the Development Area as set forth in the Local Participation Agreement, and by the State (if participating), acting through KEDFA through the execution of the Tax Incentive Agreement with the Agency.

N. “Local Participation Agreement”. Shall mean the agreement pledging certain City and County Incremental Revenues to provide Redevelopment Assistance to reimburse Public Infrastructure Costs for the Project within the Development Area as set forth in Local Participation Agreement, authorized by the Development Area Ordinance, or as it may be amended, a copy which is attached as Exhibit “A”.

O. “KEDFA”. Shall mean the Kentucky Economic Development Finance Authority, which is assigned for administrative purposes to the Kentucky Economic Development Cabinet.

P. “Private Project Elements”. Shall mean the elements of the Project that shall be privately developed and owned and operated, including, retail, restaurants, offices, and other commercial aspects of the Project.

Q. “Project”. Shall mean the Morehead Gateway Development Area Project, more specifically described in Section IV and Exhibits “B” and “C” attached hereto.

R. “Project Costs”. Shall mean any capital investment as defined in the Act incurred or expended to undertake the Project, an estimate of which is attached as Exhibit “C”.

S. “Public Infrastructure Costs”. Shall be those costs shown on Exhibit C identified as “Public Infrastructure,” including the actual Financing Costs thereon, which are eligible for reimbursement from Incremental Revenues pledged under the Local Participation Agreement and/or Tax Incentive Agreement.

T. “Project Financing”. Shall mean the financing needed to provide for the development and construction of the Project or any financing received by the Developer that is not from the City, County, or State.

U. “State”. Shall mean the Commonwealth of Kentucky, including any of its agencies and departments.

V. “Tax Incentive Agreement”. Shall mean an agreement pledging certain State Incremental Revenues to pay for designated costs within the Development Area, as it may be amended, by and between the Agency and KEDFA.

W. “Tax Increment Financing” or “TIF”. Shall mean the tax increment financing that is created, regulated and administered by the Act, Local Participation Agreement and the Tax Incentive Agreement.

X. “Unavoidable Delays”. Shall mean delays due to labor disputes, lockouts, acts of God, enemy action, terrorist action, civil commotion, riot, governmental regulations not in effect at the date of execution of this Agreement, conditions that could not have been reasonably foreseen by the claiming party, or unavoidable casualty, provided such matters are beyond the reasonable control of the party claiming such delay.

SECTION III Representations

A. City and the Agency. The City and Agency possess the requisite authority to enter into this Agreement, and neither the City nor the Agency, in this Agreement or any schedule, exhibit, document or certificate delivered in accordance with the terms of this Agreement, has made any untrue statement of a material fact or failed to state a material fact.

B. Developer Representations. The Developer represents and warrants that: (i) the Developer (a) is a limited liability company possessing the requisite authority to enter into this

Agreement; (b) is not a "foreign person" as that term is defined in Section 1445 of the Internal Revenue Code; (c) has not, in this Agreement or any schedule, exhibit, document, or certificate delivered in accordance with the terms of this Agreement, made any untrue statement of a material fact or failed to state a material fact; and (d) would not enter into this Agreement to undertake and construct the Project but for the commitment of the City, County, and the Agency to provide financial and other incentives to the Project as provided in this Agreement; (ii) the execution of this Agreement and the construction of the Project by the Developer will not knowingly violate any applicable statute, law, ordinance, code, rule, or regulation or any restriction or agreement binding upon or otherwise applicable to the Developer; and (iii) there are no undisclosed actions, suits or proceedings pending or threatened against the Developer which would, if adversely determined, have a material effect on the Developer's ability to enter into this Agreement or construct the Project in accordance with this Agreement.

SECTION IV
Project

A. The Project proposed by the Developer or its Affiliate(s) is expected to include a variety of stand-alone and mixed-use buildings with retail, restaurant, office and similar commercial uses, with an estimated total capital investment in excess of \$32,000,000. The Project is also expected to include demolition, site preparation, sewer and drainage improvements, public parking options, roadway and traffic improvements, utility improvements, and public space improvements. The Project shall be constructed in substantial conformance with a concept plan (the "Concept Plan") to be submitted to the City for review and approval, within sixty (60) days from the Effective Date, which approval shall not be unreasonably withheld so long as it consistent with the Project description on Exhibit B. Construction on the Project is estimated to begin the Fall of 2021, and is estimated be completed by January 1, 2027.

B. 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 the City, certain public improvements are needed within the Development Area. The Developer, or its Affiliates, may contract with any company to develop, construct and/or operate the various Private Project Elements, and the Developer shall have the right to assign any rights created by this Agreement to one or more Affiliates. The Developer and its Affiliates shall remain in good standing with the Office of the Secretary of State and the City and County (Business License, Payroll Tax, Zoning and Code Enforcement, etc.) for the full term of this Agreement. In addition, the Developer and its Affiliates shall provide a listing of their officers and managers to the Agency upon request following the execution of this Agreement, with the current officer and managers of the Developer and its Affiliates being listed on Exhibit "D" attached hereto.

B. The Project shall be financed with Project Financing and equity provided by the Developer, and its Affiliates, subject to the pledge of Incremental Revenues to reimburse the Developer for Public Infrastructure Costs, as set forth in Section V of this Agreement, the Local Participation Agreement, and any Tax Incentive Agreement that may be executed between the Agency and KEDFA. The Developer shall keep the City and County informed as to the status of Project and its timing throughout the development process.

C. The Project shall be constructed in accordance the Concept Plan, and with any State and local requirements that govern the development of property within Kentucky. Developer shall not commence any site improvements without first obtaining the necessary permits and/or approvals from the relevant State government and/or the City and County agencies.

D. The Developer agrees to proceed expeditiously to complete construction plans and specifications to a level adequate to obtain all permits and approvals necessary to complete construction of the Project.

E. The Developer shall document all Project Costs and Capital Investment, including which costs represent Public Infrastructure Costs associated with construction of the Project, and submit such costs to the City and County and the Agency in the format to be determined by the Agency and KEDFA, (if a Tax Incentive Agreement is executed), to enable the Agency and the City and County to comply with its reporting requirements as set forth in the Local Participation Agreement (and any Tax Incentive Agreement). Should Developer fail to comply with these reporting requirements and cause the Agency to be unable to comply with the reporting requirements in the Tax Incentive Agreement and/or Local Participation Agreement, the City may, at its option, suspend any reimbursements due the Developer from Incremental Revenues, until such time as the Developer complies with the such reporting requirements; provided, that after notice the Developer fails to provide the requested information, or repeatedly provides the information late, the City and Agency may terminate this Agreement, in which case the City shall provide written notice to the Developer of the termination.

F. The anticipated Project Costs are itemized in Exhibit "C" to this Agreement, of which the Public Infrastructure Costs are eligible to be fully reimbursed by the Agency to the Developer, according to the terms and conditions of the Local Participation Agreement, and it is assumed that a portion of the costs associated with such improvements will be Approved Public Infrastructure Costs as defined in the Act.

G. The Developer shall assist the Agency in complying with any reporting requirements mandated by the Local Participation Agreement and Tax Incentive Agreement, including

working with businesses located within the Development Area in order to calculate the Incremental Revenues that may be due to the Agency for deposit into the Special Fund from the City, County, and State (as may be applicable). The Developer shall include provisions in any Affiliate agreements, construction agreements or leases relating to the construction or operation of the Project, to require the contractors constructing the Project and businesses operating within the Project to provide information, including federal and state tax identification numbers, etc., to the Agency or other information as may be required by the Agency, relating to the City, County, and State taxes that may be generated from the Project.

H. The Developer agrees to notify the City, in writing, when it intends to request activation of the TIF and/or if it intends to request an extension or delay of activation of the TIF. The Developer agrees to provide the City with a statement of Project Costs and expenditures incurred for every six (6) month period following execution of this Agreement and prior to activation of the TIF, and annually thereafter, in compliance with the reporting requirements as may be required by any State Tax Incentive Agreement.

I. The Developer at its own discretion, and with assistance of the City and the Agency, shall prepare the application to KEDFA and shall be responsible for providing any information as may be requested by the State in connection with its review and approval of the State TIF application. All related fees and expenses shall be paid by the Developer and reimbursed with Incremental Revenues generated within the Development Area.

J. In the event KEDFA fails to approve the Project for a pledge of State Incremental Revenues, through the execution of a Tax Incentive Agreement, any City and County Incremental Revenues generated by the Project will still be paid to reimburse the Developer for Public Infrastructure Costs, and this Agreement shall remain in full force and effect.

SECTION V
Priority on the Use of Incremental Revenues

Pursuant to the provisions of the Act and the Local Participation Agreement, the City and the Agency anticipate activating the TIF no later than four (4) years after execution of the Local Participation Agreement or the Tax Incentive Agreement, but will potentially allow for Incremental Revenues to be available to the Agency beginning in calendar year 2022. In consideration of the Developer constructing the Project and complying with the requirements and conditions of Section IV of this Agreement, the City and the Agency agree that priority for the use of the Incremental Revenues received by the Agency from the City, County, and the State shall be as follows:

A. Following the Activation of the Development Area, the City shall annually retain Administrative Costs.

B. After the payment of Administrative Costs, the Developer meeting its obligations set forth in Section IV of this Agreement, Incremental Revenues received by the Agency pursuant to the Local Participation Agreement and/or Tax Incentive Agreement shall be annually paid to the Developer to reimburse the Developer for Public Infrastructure Costs, paid by the Developer and certified to the Agency.

C. Should the State award final approval to the TIF Project, Agency agrees to execute a Tax Incentive Agreement with the State that provides for the pledging of certain State Incremental Revenues to help pay for Approved Public Infrastructure Costs within the Development Area, which will be utilized as described in Section V(B).

D. After the obligations set forth in Section V(B) of this Agreement have been fully satisfied, or the pledge of Incremental Revenues under the Local Participation Agreement has expired, whichever first occurs, Incremental Revenues received by the Agency pursuant to the

Local Participation Agreement and/or Tax Incentive Agreement may be used by the Agency, with approval of the City and County, to pay for other eligible capital costs within the TIF Development Area as set forth in the Local Participation Agreement and/or Tax Incentive Agreement, or the City may, at its option, terminate the Development Area.

E. It is understood by the Parties that after the activation of the TIF any State Incremental Revenues that may be generated and available to be paid by the State to the Agency pursuant to the provisions of the Tax Incentive Agreement, shall be held in escrow without interest accruing thereon, until all measures required for the release of State Incremental Revenues are met and certified as may be provided in the Tax Incentive Agreement. It is further understood that the payment of State Incremental Revenues to the Agency are limited to reimbursement for Approved Public Infrastructure Costs, as identified in the Tax Incentive Agreement, as may be certified by the Agency to the State and approved by the State.

F. Notwithstanding anything to the contrary, nothing in this Agreement shall be interpreted to commit the City, County and/or the Agency to pay for or reimburse any Project Costs, except from the Incremental Revenues that may be generated within the Development Area and due to the Agency as provided in the Local Participation Agreement and the Tax Incentive Agreement.

SECTION VI Default

If any Party or any Parties (in either case, the “Defaulting Party”) materially breaches or defaults on any of its obligations under this Agreement, the other Parties may give notice that remedial action must be taken by the Defaulting Party within thirty (30) days of the notice. The Defaulting Party shall correct such breach or default within thirty (30) days after such notice; provided, however, if (i) the default is one which cannot with due diligence be remedied by the

Defaulting Party within thirty (30) days, and (ii) the Defaulting Party proceeds as promptly as reasonably possible after such notice and with all due diligence to remedy such default, the period after such notice within which to remedy such default shall be extended for such period as may be necessary to remedy the same with all due diligence. If such action is not taken, the non-defaulting parties may, in addition to all other remedies available at law or in equity (including but not limited to specific performance and/or recovery of damages, including reasonable attorneys' fees and other costs and expenses), terminate this Agreement, or the portion of it affected by the default, by giving ten (10) days written notice to the defaulting Party or Parties.

In the event this Agreement is terminated, the City and the Agency shall be (i) relieved of any executory obligations under this Agreement, (ii) released from undertaking any additional obligations as provided in this Agreement.

SECTION VII Miscellaneous Provisions

A. Term; Survival; Termination. The term of this Agreement shall be from the date of this Agreement until the earliest of (i) the final payment of the Incremental Revenues and the use of such Incremental Revenues pursuant to this Agreement, the Local Participation Agreement and the Tax Incentive Agreement, or (ii) the termination of this Agreement in accordance with its terms or (iii) the termination of the Local Participation Agreement and the Tax Incentive Agreement. This Agreement shall not terminate upon the execution of any agreements required or contemplated by this Agreement, or referred to in this Agreement, and the provisions of this Agreement shall not be deemed to be merged into any such agreements, it being the intent of the Parties that this Agreement shall survive the execution and delivery of any such agreements and shall continue throughout the entire development of the Development Area.

B. Governing Law. The laws of the Commonwealth of Kentucky shall govern as to the interpretation, validity and effect of this Agreement.

C. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall to any extent be held in any proceeding to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it was held to be invalid or unenforceable, shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law, but only if and to the extent such enforcement would not materially and adversely frustrate the parties' essential objectives as expressed herein.

D. Force Majeure. The City, Agency or Developer shall not be deemed to be in default in the performance of any obligation on such parties' part to be performed under this Agreement, other than an obligation requiring the payment of a sum of money, if and so long as the non-performance of such obligation shall be directly caused by Unavoidable Delays; provided, that within fifteen (15) days after the commencement of such Unavoidable Delay, the non performing party shall notify the other party in writing of the existence and nature of any such Unavoidable Delay and the steps, if any, which the non-performing party shall have taken or planned to take to eliminate such Unavoidable Delay (provided, however, that a failure to give such notice timely shall not be a default hereunder or impair the non-performing party's immunities hereunder or account of Unavoidable Delay, unless the failure to give such notice timely actually prejudices the other party). Thereafter, the non-performing party shall, from time to time, on written request of the other party, keep the other party fully informed, in writing, of further developments concerning

such Unavoidable Delay and the effort being made by the non-performing party to perform such obligation as to which it is in default.

E. Notices. Any notice to be given under this Agreement shall be in writing, shall be addressed to the party to be notified at the address set forth below or at such other address as each party may designate for itself from time to time by notice hereunder, and shall be deemed to have been given upon the earliest of (i) three (3) days following deposit in the U.S. Mail with proper postage prepaid, Certified or Registered, Return Receipt Requested, (ii) the next business day after delivery to a regularly scheduled overnight delivery carrier with delivery fees either prepaid or an arrangement, satisfactory with such carrier, made for the payment of such fees, or (iii) receipt of notice given by telecopy or personal delivery:

If to the City:	Office of the Mayor Attn: Mayor Laura White-Brown 314 Bridge St. Morehead, Kentucky 40351
With a Copy to:	Morehead City Attorney 314 Bridge St. Morehead, Kentucky 40351
If to the Agency:	Office of the Mayor Attn: Mayor Laura White-Brown 314 Bridge St. Morehead, Kentucky 40351
If to Developer:	Polo 1, LLC Attn: Pat Madden 2517 Sir Barton Way, Suite 210 P.O. Box 12128 Lexington, KY 40509

F. Approvals. Whenever a party to this Agreement is required to consent to, or approve, an action by the other party, or to approve any such action to be taken by another party, unless the context clearly specifies a contrary intention, or a specific time limitation, such approval or consent shall be given within ten (10) business days and shall not be unreasonably withheld, conditioned or delayed by the party from whom such approval or consent is required.

G. Entirety of Agreement. As used herein, the term "Agreement" shall mean this Master Development Agreement and the Exhibits attached hereto. This Agreement embodies the entire agreement and understanding of the parties hereto with respect to the subject matter herein contained, and supersedes all prior agreements, correspondence, arrangements, and understandings relating to the subject matter hereof. No representation, promise, inducement, or statement of intention has been made by any party which has not been embodied in this Agreement or the previous agreements that are referenced herein, and no party shall be bound by or be liable for any alleged representation, promise, inducement, or statement of intention not so set forth. This Agreement may be amended, modified, superseded, or cancelled only by a written instrument signed by all of the Parties hereto, and any of the terms, provisions, and conditions hereof may be waived only by a written instrument signed by the waiving party. Failure of any party at any time or times to require performance of any provision hereof shall not be considered to be a waiver of any succeeding breach of any such provision by any party.

H. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

I. Headings. The headings in this Agreement are included for purposes of convenience only and shall not be considered a part of this Agreement in construing or interpreting any provision hereof.

J. Exhibits. All exhibits to this Agreement shall be deemed to be incorporated herein by reference and made a part hereof, above the signatures of the parties hereto, as if set out in full herein.

K. No Waiver. No waiver of any condition or covenant of this Agreement to be satisfied or performed by the City, Agency, or Developer shall be deemed to imply or constitute a further waiver of the same, or any like condition or covenant, and nothing contained in this Agreement nor any act of either party, except a written waiver signed by such party, shall be construed to be a waiver of any condition or covenant to be performed by the other party.

L. Construction. No provisions of this Agreement shall be construed against a Party by reason of such Party having drafted such provisions.

M. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original document.

N. Relationship of the Parties. Except as expressly stated and provided for herein, neither anything contained in this Agreement nor any acts of the Parties hereto shall be deemed or construed by the Parties hereto, or any of them, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of association between any of the Parties of this Agreement.

O. No Third-Party Beneficiary. Except as otherwise specified herein, the provisions of this Agreement are for the exclusive benefit of the City, Agency, and the Developer, any lender providing financing to Developer, and their successors and permitted assigns, and not for the

benefit of any other person or entity, nor shall this Agreement be deemed to have conferred any rights, express or implied, upon any other person or entity.

P. Diligent Performance. With respect to any duty or obligation imposed on a party to this Agreement, unless a time limit is specified for the performance of such duty or obligation, it shall be the duty or obligation of such party to commence and perform the same in a diligent and workmanlike manner and to complete the performance of such duty or obligation as soon as reasonably practicable after commencement of the performance thereof. Notwithstanding the above, time is of the essence with respect to any time limit specified herein.

Q. Assignment of Rights and Delegation of Duties. Neither the City nor the Agency shall assign this Agreement without the prior written consent of the Developer, which shall not be unreasonably withheld. The Developer shall have the right to assign this Agreement, or any part hereof, to an Affiliate, provided the assignee shall assume all assigned liabilities and obligations of the Developer hereunder and the City provides its consent in advance in writing, which consent shall not be unreasonably withheld.

Signature Page to Master Development Agreement.

IN WITNESS WHEREOF, the Parties hereto have hereunto set their hands on the date and year first above set forth herein, to be effective as of the Effective Date.

CITY OF MOREHEAD, KENTUCKY

By: _____
Laura White-Brown

Its: Mayor

Date: _____

OFFICE OF THE MAYOR OF THE CITY OF MOREHEAD, KENTUCKY

By: _____
Laura White-Brown

Its: Mayor

Date: _____

POLO 1, LLC,
a Georgia limited liability company

By: _____
Patrick Madden

Date: _____

Exhibit A: Morehead Gateway Development Area

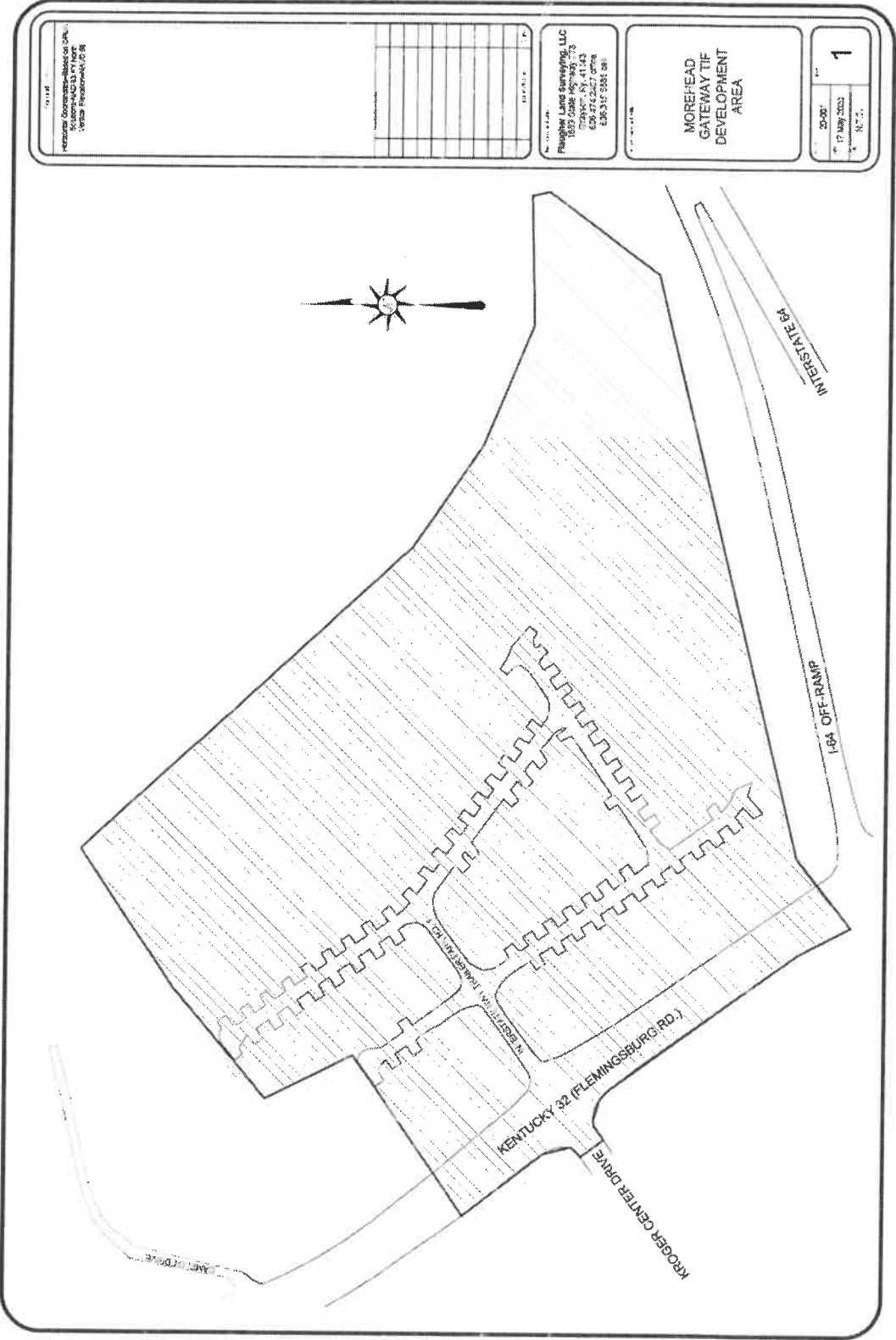


Exhibit B: Project Description

The City of Morehead in conjunction with Polo 1, LLC (the “Developer”), is planning involves the redevelopment of underutilized properties alongside I-64 in Morehead, KY and will require various public infrastructure improvements to support and attract various new businesses to the area. Planning is currently underway for the proposed Project, which is anticipated to include approximately 60,000 square feet of commercial space and public infrastructure costs including, demolition, site prep and landscaping, sanitary and storm sewer improvements, roadways, utility connections, and parking.

Exhibit C: Project Costs

Morehead Redevelopment Project Estimates		
	<i>Component Cost</i>	<i>Unit Measure</i>
<u>Public Infrastructure</u>		
Demolition	\$246,760	
Site prep/ landscaping	\$4,270,222	
Storm & sanitary sewer	\$2,083,843	
Sidewalks	\$358,968	
Roadways	\$335,704	
Parking	\$3,825,280	
Utilities	\$591,246	
<i>Sub-total</i>	\$11,712,023	
<u>Private Components</u>		
Retail	\$10,922,272	36,850 Sq Ft
Restaurant	\$9,368,151	25,575 Sq Ft
<i>Sub-total</i>	\$20,290,423	62,425 Sq Ft
<i>Grand-total</i>	\$32,002,446	62,425 Sq Ft

Exhibit D: Officials of Developer and Affiliates

Patrick W. Madden