

2/22
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COPY

**Economic Analysis
I-24 Park**

The I-24 park was developed in the 1995 to help attract industrial clients to Paducah/McCracken County. The park, originally about 200 acres, has about 100 acres left for the development. The prime site for future development will be a 48 acres site with rail access (P&L). The other sites are smaller, more suited for build to suits under 25,000 sq. ft. The park has covenants and is governed by the Paducah/McCracken Development Authority. The park is also owned by the authority. Grass mowing in the park is the responsibility of the County.

Current Tenants of 1-24 Park

Coca-Cola Consolidated – distribution – *Spec Bldg with PACRO*
Genova – PVC pipe – *city/County owned*
Whitehall/UACJ – auto parts manufacturing (UACJ Purchased Whitehall in 2017)
HT Hackney – grocery distribution
Global Maintenance – maintenance, plant shutdown

Vacant Parcels (maps can be viewed at www.epaducah.com)

All parcels remaining in the park are owned by the Paducah/McCracken County Development authority. The remaining parcels have vegetation, but utilities are all readily available. The largest contiguous parcel, approximately 48 acres +- is rail served and would work well for a larger client looking for a rail served site, with close interstate access. Smaller parcels are more appropriate for build to suit under 25,000 sq.ft. A majority of activity has been focused on the 48 acre parcel, which can also be subdivided. Jackson Purchase Energy serves the park.

Interlocal Agreement

The City and County have an interlocal agreement in the park. Ordinance 1997-2-5642 authorized the joint development of the I-24 Park, for economic development purposes, as well as an inter-local agreement authorizing the city to share 50% of all payroll tax revenue generated in the park. This agreement is good for 10 years after 97% of the park property is developed for 25 years (March 6, 2022), whichever is first.

For the year ended June 30 ,2018, the City shared payroll tax revenue totaling \$150,400 under this agreement with the County, as follows:

<u>Company</u>	<u>Start Date</u>	<u>Current Year</u>	<u>Inception to Date</u>
Coca Cola	Sept. 2005	\$11,240	\$306,066
Genova	Sept. 2014	\$30,466	\$65,719
H.T. Hackney	March 2012	\$24,020	\$140,258
Whitehall	March 2014	\$84,674	\$159,925

Debt

There is no debt on the I-24 Park. The Paducah/McCracken County Development Authority actually has no money either. The administration of the Authority is the responsibility of GPEDC, Inc., which is outlined in the annual ordinance from the City of Paducah for their annual contribution to GPEDC, Inc. Denton Law Firm does all the legal work, GPEDC, Inc. pays the bill.

Transactions:

Whitehall/UACJ

The building was a 100,000 sq.ft. build to suit project. The project, with a cost of \$5 million, received a 99 years lease on the 15-acre parcel for \$1 from the Paducah/McCracken County Development Authority. The building lease was 23 years, in a NNN structure. The building is owned according to LLC filings by Kenny Hunt and Tony Reck. The initial annual lease rate was \$400,000 annually.

There was a buy-out provision in the lease. GPEDC, Inc. was to purchase the building for \$5 million by December 15, 2016, with conditions such as 1) GPEDC, Inc. to obtain financing at current market rate interest rates for borrower of similar creditworthiness 2) The private investors are able to deliver and convey clear title. If GPEDC, Inc. is unable to purchase the building by December 15, 2016, then the next date is December 31, 2020 with a purchase price of \$4,291,668.37.

The buyout provision was removed due to an expansion (60,000 sq.ft.) in 2017, with the same owners doing the expansion as the original 100,000 sq.ft. building. However, there is a clause that obligates GPEDC, Inc. to pay the lease if the owner defaults, with certain conditions until a new tenant is found. This clause has been shown on GPEDC, Inc's audit as a potential liability. The lease provision only applies to 100,000 sq.ft., not the newer 60,000 sq.ft. expansion.

UACJ purchased Whitehall, Inc. in 2017. UACJ is a Japanese company with other KY locations.

Whitehall initially promised to create 150 jobs. The claw-back for not creating jobs is assessed after 10 years, subject to many conditions and a sliding scale. All funds repaid for not creating jobs as outlined in the agreement will be given to GPEDC, Inc.

The following incentives were offered for the project:

GPEDC, Inc.

\$1.5 million – Borrowed from PACRO to purchase aluminum press. The note is \$15,186.78 monthly with maturity on 10/13/23. As of June 30, 2018, the balance was \$873,968.

\$400,000 – GPEDC, Inc. paid to real estate owners \$200,000 annually for 2 years, for rent subsidies.

\$250,000 – GPEDC, Inc. paid directly to Whitehall \$250,000 prior to building construction for purchase of a piece of machinery.

McCracken County

\$1.7 million – Direct grant to company. Money was borrowed along with the MACCO project under one Bond. (Whitehall/MACCO). In 2018, the annual debt service was \$215,000 for Principle and \$84,375 in interest. The Bond matures in 2034.

\$500,000 Loan Forgiveness – The McCracken County Fiscal Court forgave \$500,000 of a note that was originally issued for the OHIO River Triple Rail Site in the amount of \$911,375 to GPEDC Inc. The current balance is \$411,375 and matures on 6-30-2020. The note isn't amortized currently.

*Due
never
quite understood
this -*

City of Paducah

\$125,000 – The City of Paducah used a previous grant fund (Matrix) and contributed to the project. These were state funds that were never used by a local company (Matrix).

KBI – Kentucky Business Incentive Program

The I-24 park is in the City; therefore, the City occupational tax is applicable (2%). Whitehall/UACJ is eligible and has preliminary approval for 2 KBI applications. The program allows the company to capture 1% (50%) of local occupational taxes for a period of up to 10 years. Whitehall/UACJ has 2 projects, one for the original 100,000 sq.ft. and the additional 60,000 sq. Ft. expansion. **The first application can begin in 2019 and run through 2028, while the second one can begin in 2023 and run through 2028.** The City payroll tax will be reduced from 2% to 1% if the company moves forward and gets final approval. The company has not exercised their right to the program thus far. **According the interlocal agreement for the park, the payroll tax is split 50/50, so an assumption would be if the KBI program begins prior to the expiration of the Interlocal agreement, then the City/County would split 1% of the payroll, while Whitehall/UACJ receives the other 1%.** This would reduce McCracken County's 2018 share of the payroll tax for Whitehall/UACJ from \$84,674 to \$42,337.

Genova

In 2004, the City and County decided to build a 100,000 sq.ft. building to lease to Infinity Plastics, Inc. which produced CD cases. The lease by Infinity was covering the costs of the bond.

Infinity Plastics never was a large job producer (machinery and automation), therefore GPEDC, Inc. felt it important to work with Infinity to vacate the building and get another client that

would produce jobs. The process of removing the client came with an expense, which GPEDC, Inc. spent more than \$250,000 of terminating the lease. The building is served by Paducah Power, the only building/parcel served by them in the I-24 park.

In 2014, Genova, a PVC pipe manufacturer agreed to locate in the building, signing a 10- year lease, committing to create 125 jobs in the facility. There are no claw-backs if Genova does not create the jobs.

McCracken County is 50% owner in the building with the City of Paducah, and the lease specifies that the City Manager of Paducah is the lead contact for the tenant. The 10-year lease is set to expire in June of 2024. McCracken County's portion of the debt in 2018 is \$155,000 in principle and \$41,032 in interest, mirroring the City's. The lease rate is \$289,000 annually, therefore debt service is about \$100,000 more than the current lease on the building. The note for the debt matures in 2025. Infiniti Plastic's lease was about \$390,000 annually, the same as the City/County debt on the building. The City/County are responsible for the roof, but the lease is a fair NNN transaction, with the tenant assuming maintenance responsibility. The building will have little debt at lease expiration in 2024. The building I predict will have a value of \$2.5 million + in 2024. Replacement costs today without land would be \$75 + sq. ft. Genova has lease options for renewal. The building is rail served and has an expansion pad to double the size.

GPEDC, Inc. provided all incentives for the transaction. The total costs of tenant removal (Infinity), legal, rent subsidies, etc. was approximately \$700,000. GPEDC Inc. borrowed money to meet this obligation, but that debt was retired from the City/County assistance with the sale of the Spec building proceeds in December of 2018, of approximately \$320,000. GPEDC, Inc. has no more debt or obligations related to this transaction. The retirement of the debt has freed up \$4,983.85 monthly to GPEDC, Inc., which began in January of 2019.

The City/County did agree as part of the transaction to lend up to \$1.1 million to Genova for equipment purchases. The loan was split between the City and County and the entire \$1.1 million was offered under 2 different transactions. The loan was underwritten with commercial loan procedures and secured properly, at 4.5% interest. The loan is performing and the note matures before lease expiration in 2024. The loan is monitored according to the agreements on a quarterly basis. The money used to lend the \$550,000 from the County was from the Whitehall/Macco bond issue, previously communicated under Whitehall. David Booth of McMurray and Livingston handled the transaction on behalf of City, County, & GPEDC, Inc. GPEDC, Inc. was responsible for paying the first 12 months of the note, principle and interest to the City/County.

Summary of I-24 Park

Debt: No debt on the park. Paducah/McCracken County Development Authority owns park. 3 appointees from Mayor, 3 Appointees from Judge.

Genova Building: City/County own building, lease with Genova expires in June 2024. Annual rent of \$289,000. City/County subsidize building about \$100,000 annually. Building paid for in 2025. Value of building in 2024, \$2.5 million +. Genova doesn't create jobs, nothing can be done with current agreement.

Whitehall/UACJ - County Contributed \$1.7 million, debt on this until 2034. County forgave another \$500,000 owed for OHIO Triple Rail Site. City Contributed \$125,000. Payroll taxes split 50/50. McCracken County's right to 50/50 payroll tax expires on March 6, 2022. City then receives 100% of payroll tax. Activation of KBI Program will reduce payroll tax revenue by 50%. Claw-backs on job creation will be reviewed in 2023 time-frame, if money is owed, GPEDC, Inc. will receive funds.

City/County have a loan with Genova. Loan is performing, County receives loan proceeds monthly, monitoring in place to review loan ongoing. Money that was lent to Genova was part of bond with Whitehall/Macco, which expire in 2034. City/County have no further obligations to lend money in the future.

Grass Mowing is current responsibility of County. Not sure why.

Future Deals – discussion needs to take place regarding County contribution to any projects in the park with the approaching expiration of the Interlocal Agreement.

Economic Analysis

Information Age Park (IAP)

The Information Age Park was developed in the 1992 to help attract technology companies to Paducah, KY. The park was initially regarded as ahead of its time with advanced telecommunication infrastructure. Over the years, the park as evolved into more of a general business use park. The park was initially developed by GPEDC, Inc. and First Park Partners. First Park Partners, LLC. was a group of local business leaders interested in seeing growth and quality job creation in Paducah, KY. First Park Partners, LLC. had the understanding any future proceeds from the park in terms of land sales would return their investment. To date, no funds have been returned to First Park Partners, LLC, and many of the original investors or their estates have written the investment off. GPEDC, Inc. still carries the note to First Park Partners, LLC. on their books. The future growth of Paducah to the West, along with the new High School has made this once remote location more local to the Hinkleville Commercial District.

Current Tenants of Information Age Park

Lynx – Backoffice, insurance support services. Ex. Hail damage calls for State Farm Insurance

Ulrich – medial, various tenant building. Owned by Falconite Development, Inc.

Pepsi – maintenance support

Marquette – River Industry, HQ

Teletech - Backoffice

A&K Construction – Commercial Construction

System Solutions – information technology support company

ACBL – River Industry

Swift and Staley, Inc. – contractor, DOE

Kentucky Publishing – newspaper

Superior Care – Nursing, long term care

Credit Bureau Systems – credit collections

AGC – Contactor Association

Vacant Parcels (www.epaducah.com for map of parcels)

All parcels remaining in the park are owned by GPEDC, Inc, except 5. A law firm, owns 4 parcels along McCracken Boulevard (23,25,27,29), which were associated with the failed law school years ago. A dentist, also owns 26c, which was purchased on spec for a future dentist office.

The remaining parcels are owned by GPEDC, Inc. which encompasses 185 acres remaining, in 35 various lots. The lots range from 1.26 acres to 14.27 acres.

Interlocal Agreement

The City and County have an interlocal agreement in the park. Ordinance 2005-11-7046 authorized an inter-local agreement between the City and County relating to payroll tax revenue generated in the Park. If the City invites the County to participate in the cost of an economic development project, the City will share 50% of all payroll tax generated through the term of the agreement, which expires February 13, 2021. X

For the year ended June 30, 2018, the City shared payroll tax revenue totaling \$194,499 under this agreement with the County, as follows:

<u>Company</u>	<u>Start Date</u>	<u>Current Year</u>	<u>Inception to Date</u>
Lynx	March 2006	\$61,098	\$681,891
Ulrich	March 2006	\$13,964	\$166,903
Pepsi	December 2007	\$3,385	\$75,382
Marquette	March 2008	\$81,571	\$814,349
Teletech	December 2014	\$34,481	\$156,361

Debt

The following debt is represented as of 6/30/2018 on the park by GPEDC, Inc.:

Creditor: First Park Partners
Original Loan Amount: \$1,550,000
Original Loan Date: 6/1/92
Current Balance: \$1,629,083
Interest Rate: 0%
Maturity Date: N/A
Payment: N/A
Security: Property

Creditor: KEDFA
Original Loan Amount: \$3,500,000
Original Loan Date: 12/14/92
Current Balance: \$1,616,875
Interest Rate: 2%
Maturity Date: 12/31/18
Payment: Monthly payments of \$1,500 plus quarterly interest payments of \$15,000 per acre or 77% of sales price (whichever is greater) if property is sold in IAP.
Security: Property

Sample Transactions

Company: Superior Care

Date: 2013

Parcels: frontage on HWY 62, +-20 acres. Value from \$800,000 to \$1,000,000.

Jobs: 15, employment agreement has been met

Sale Price: \$0, plus \$20,000 from City/County to pay for sewer tap fee

Company: Credit Bureau Systems

Date: 2017

Parcels: McCracken Boulevard, next to current Credit Bureau building

Size: 2 +- acres

Jobs: 60 over 5 years

Sales Price: \$30,000. City of Paducah reimbursed GPEDC, Inc. for land, proceeds to KEDFA according to loan agreement

Recreation Opportunities

The original concept of the park had a recreation component. Over the years, the park has become a popular destination for running/walking and biking. The traffic volume over the years has also increased due to becoming a pass through for the new High School.

Parcels 19,18,17,16, and 15 all have been reviewed in the past for a possible recreation component. Soccer fields have been the primary focus, but other uses are possible as well. The elevation of the land and topography would be challenging for development. The highest best use for these parcels, especially 18,17,16, & 15 would be a recreation setting.

A sample layout for a single-track mountain bike/running trail has also been looked at throughout the park. This project, estimated to cost around \$125,000 would utilize the boundaries of the park, creating 2 loops totaling close to 7 miles.

Maintenance Challenges

For years, the maintenance of the common areas and right away has been the responsibility of the City. At the time of construction of the park, the City employed a very talented landscape associate, creating beautiful and voluminous beds throughout the park, requiring ongoing maintenance. The City agreed to take on the maintenance of the park with annexation to the City.

The City continues to grow more property maintenance responsibility; thus, maintenance of this park has been an ongoing challenge. Both tenants and the City agree a better solution needs to be established to better address the issue. In fairness, some of the tenant's interpretation of landscaping services vs a municipalities interpretation is often different.

In July of 2018, GPEDC, Inc. was approached by some park tenants about creating a permanent solution to landscaping. The answer was the removal and installation of more low maintenance items in the beds, removing ongoing maintenance expense and time that currently creates the challenges. The initial upfront costs were approximately \$80,000 (private bid), but annual maintenance after that was in the \$8,000 - \$10,000 range. My belief was the park tenants would be willing to share in these initial costs, then create a Property Owners Association, handling ongoing maintenance issues. The City could also invest, thus removing their commitment to any maintenance in the future. I estimated the City probably is spending in the \$30,000 + range annually, probably a conservative estimate. The movement of people and equipment to the park ongoing away from the core city properties is challenging.

The expansion of HWY 62 is going to remove the signage and reimbursement for those costs would be paid by KY DOT, so money from that transaction could pay for new signage at both entrances as well as low maintenance landscaping around the new signage. New signage to reflect a more modern appearance is warranted, as well as landscaping.

The establishment of a Property Owners Association is the best long-term solution for all parties, especially if the sale of the park were ever to be considered. The formation of a POA wouldn't be complex in my opinion if improvements towards low maintenance is part of the discussion. Regardless, the City would save money changing the landscaping to low maintenance and outsourcing maintenance if a POA wasn't formed. The break-even would be a little more than 3 years, then cost savings annually would be \$20,000 + annually if the City maintains maintenance responsibility. The formation of a POA after improvements are made could put all future responsibility on the tenants. GPEDC, Inc. hasn't had the funds to assist in maintenance of its own property.

In 2018, the roads were milled and repaved in most of the park by the City.

Summary Information Age Park

Debt: GPEDC, Inc. owes over \$1.6 million on park. Any future land sales require a minimum amount per acre to go to principle. There are strategies to increase the value of the park that can be explored.

Maintenance: There needs to be a better approach to maintaining the park.

Future Prospects: The park isn't designed toward industrial development and covenants limit its potential tenants. The growth of Paducah, as well as the High School has positioned this park more towards small office, commercial development. Job creation, though important, will mirror other small office development occurring throughout the City/County.

Interlocal Agreement – the County must consider the interlocal agreement, expiring in February of 2021, if invited by the City to participate.

Economic Analysis

OHIO Triple Rail Site – DRAFT and NOTES

Riverport West or the OHIO Triple Rail site is a 410-acre site that is located in West Paducah. Site acquisition began in the 2001 timeframe. The site, a total of 410 acres, under the ownership of P&L Railroad and GPEDC, Inc. is owned approximately 50/50 by both parties. The site's unique capabilities include rail service, capable of being served by P&L, BNSF, and CN. The other capabilities of the site include heavy industry zoning, low density of residential neighbors, and possible easement/access to the OHIO River. Originally the site had approximately 50% of the site with rail access by GPEDC Inc. and 50% of the site with rails access by P&L. In 2013, the ownership boundaries changed with 100% of rail access ownership by P&L and adjoining land being owned by GPEDC, Inc. For years, GPEDC, Inc. held options on surrounding parcels. The initial goal of the site was to locate a "big fish" to the community.

Current Tenants of OHIO Triple Rail Site

The site is vacant and leased for farmland by both GPEDC, Inc. as well as P&L. GPEDC, inc. leases the land for approximately \$150 per acre. There is also a house that is owned by GPEDC, Inc. and is rented on a month to month basis for \$650. The long-term plan would be for the home to be demolished if a client ever pursued the purchase of the site. The house also could be used for temporary construction offices if not in the footprint of the development.

Surrounding Neighbors

The site is currently zoned heavy industrial, but rural residential zoning exists to the east of the site, with the boundary of railroad to the west, and Noble road/OHIO river to the north. The south boundary of the South is Bobo Road (County Road) as well as vacant land. The proposed road, 2 or 4 lanes would enter the south boundary of the site. The area's largest industrial asset is the TVA Shawnee Coal Plant, approximately 1 mile west of the site. The residential neighbors along Bobo Road, east of the site have been vocal in the past regarding development of the site. Re-Zoning of land in the area in the past has had opposition.

Debt on Site

GPEDC, Inc. currently has 4 obligations outstanding to their approximately 200 +- acres.

Paducah Bank

Original Loan Date: \$671,883

Current Balance: \$543,119 (June 30, 2018)

Interest Rate: 4.5%

Maturity Date: 1/08/2023

Monthly P&I: \$4,182.25

Security: Land, +- 100 acres

City of Paducah

Original Loan Date: \$911,375

Current Balance: \$911,375

Interest Rate: N/A

Maturity Date: 6/30/2020

Monthly P&L: N/A

Security: Property, not sure what, TBD

McCracken County

Original Loan Date: \$411,375

Current Balance: \$411,375

Interest Rate: N/A

Maturity Date: 6/30/2020

Monthly P&L: N/A

Security: Property, not sure what, TBD

**McCracken County forgave \$500k in December of 2013 for Whitehall Incentive.

PACRO

Original Loan Date: \$100,000

Current Balance: \$25,000

Interest Rate: 4.24%

Maturity Date: October 2019

Monthly P&L: Balloon, \$25K + annual interest in October 2019

Security: Property

Site Analysis - SWOT

The site, gently rolling is approximately 410 acres. The site is jointly owned, therefore cooperation among both owners will be required unless subdivided. The following SWOT (Strength, Weakness, Opportunities, & Threats) is:

Strengths:

- 2 owners, GPEDC, Inc. and P&L, Inc. Local decision making.
- 410- acres, heavy industry zoning
- Gently rolling topography, less than 2% wetlands
- Access to OHIO River for large water withdrawal, permitting in KY not difficult
- Triple Rail access
- Low residential density in surrounding area

- Access to gas, water, readily available. Water tower and pressure close to site and sufficient. Expansive gas capacity a possibility.
- Sink holes not present on site
- Endangered species study complete, minimal disturbance

Weakness:

- **Electrical Power.** In proximity to a TVA power plant, visible from site, served by CO-OP. Visual interpretation creates challenges when competing with customer choice areas.
- Site is joint ownership, both owners must cooperate, especially if rail is requirement. Site subdivision would be challenging without both partners working together if rail is needed.
- Road access. Site development would require the construction of a 2 to 4 land road. Costs estimates range from \$15 million to \$20 million +.
- Poor road access. Current roads are designed for rural residential, not industry. Upgrade of roads/bridges would be need to be considered for construction access.
- Site Expansion Limited. Site is surrounded by rail to west, river by north, and floodway land to east. Expanding beyond 415 acres would be buffer only due to flooding/boundary issues. Additional acreage for staging is a possibility with land owned by Southern Coal Handling.
- Easement to OHIO River. An easement does exist to the OHIO River, via Southern Coal Handling, Inc. property, however, this easement isn't specified where on the property. SCH has a robust footprint and infrastructure which would take consideration if the easement were to be needed.
- Development Costs. Sewer, upgrades to County roads, incentives for new industry, buyout of residential properties could become expensive. Land costs by P&L are unknown and discussions of sale of land by GPEDC, Inc. because of encumbrances needs to be discussed.
- Volunteer Fire Department. Large capital investments may have concern with volunteer only fire service. This could be mitigated with a more formal strategy to address this concern.
- Soil compaction, water table.

Opportunities

- **Electrical Power.** Creative partnership to look at power with a different perspective. TVA maintains infrastructure nearby that once powered the Paducah Gaseous Diffusion Plant.
- 410-acre Heavy Industry Site – growth in the South is decreasing availability of larger industry sites
- Access to OHIO River. Large water users requiring 4 to 5 million + gallons of brown water would be no issue with a KY withdrawal permit. Sewer discharge a possibility with pre-treatment. This is a tremendous costs advantage for industries needing large water volumes.

- Partnership with Southern Coal Handling (SCH). SCH is in the business of moving production via river and rail. A client could locate on the OHIO Triple Rail site and enter into a long-term contract with SCH to use their infrastructure, knowledge, and rail contract to move product. This partnership and variable cost structure can be a competitive advantage.
- Current Rail Spur. The CN has a rail spur, with switch on the OHIO Triple Rail site. This infrastructure could be available immediately with little to no expense. However, this would mean CN probably becomes the rail provider.
- Triple Rail Access. Competition means lower price, long term competitive advantage.
- No City Taxes. Large capital investments are concerned about property taxes; however, this site is not in the City and the likelihood of annexation seems slim.
- Low Residential Density – the site has little residential surrounding it and likelihood for future residential growth in the area is minimal.

Threats

- 50% of the site is owned by private sector interests. Site cost isn't controlled at this point, this needs to be addressed prior to a client, including rail scenarios since the site is served by 3 railroads, but owned 50% by one. P&L needs to communicate their expectations of other railroads becoming the provider when they are selling their land.
- P&L could choose to sale the 200 acres as well, or the firm owning the land could be acquired. Agreements/options could address some of these scenarios.
- Road Development. The road infrastructure is a major concern to any client. The KY DOT will need to commit to build this road, along with temporary access for construction equipment, especially during December to March, when flooding can affect road access in the area. Improvements to surrounding roads will need to be considered.
- Site Development. The site will take significant resources to make a commitment to a prospective industry. This site typically has had users from \$500 million to \$2 billion in investment, 300 to 1,000 people. Competition will be fierce and expectations will be high by the client. The McCracken County Fiscal Court will need to address this in advance of an industry developing strong interest in the site.
- Commonwealth of KY Fiscal Condition – the site may work for a large industry, however does the Commonwealth? The ongoing challenge with pension reform and lack of sound fiscal strategy to address budgetary commitments of the Commonwealth, will decrease viable prospects for this site. Industries investing large amounts of capital want to know their future location will have long term financial stability.
- Declining Population – the labor analysis for this site can be challenging. The employment analysis in an area with a declining population takes some finessing. The larger the employment number of the prospective client, the more the declining population of the area becomes a consideration. A tight labor market nationwide makes this exercise more important. The labor draw areas seem much smaller to clients since the site is located in West Paducah, away from the I-24.

Development Costs

There are many variables when considering the development of any site. Depending on the client, their footprint on the size, location, type of industry, etc. all are variables that are unknown. Here is an analysis for discussion purposes only.

Water: West McCracken Water is the provider. They have a water tower approximately 3000 feet from the site. There is sufficient pressure at 80 psi for industrial usage, as well as fire suppression at the site. The 10-inch line is on Noble Road, therefore extension to the site isn't a major obstacle. The water's origin is Paducah Water, which does a great job keeping all the necessary investments to supply quality water long term to West McCracken Water. The authority is more suited to sale to residential users, therefore larger users on the site may require a water rate more suitable for larger users. I see no concern of West McCracken Water being a great partner and being flexible for a larger volume rate. Paducah Water's large user rate would be a great start.

Sewer: Sewer would need to be extended. The current estimates are almost 17,000 feet of force main. The location on the site would require some different configurations that have been discussed. More than likely, the site footprint is more likely to occur closer to Noble Road, on the north end of the site. The volume of sewer is also a major factor. The following costs were discussed for a variety of different projects:

Sewer Estimates: \$1.6 million to \$2 million

Timeline: 12 to 14 months (Plant construction estimates have been 18 to 24 months)

Volume: TBD, consideration of future/surrounding development can be considered as well.

Easement/Right of Way Access – McCracken County can assist with this. Further discussion with JSA is needed to outline variables with this opportunity to speed up construction timelines.

Grant Funding: A pro-active strategy for grant funding needs to begin prior to a client's interest. The following grant opportunities have been identified and confirmed with JSA:

DRA (Delta Regional Authority) – though funds are limited and timing a consideration, grants in the \$200,000 range would be feasible and conservative for a large project.

CDBG (Community Development Block Grant) – An infrastructure CDBG could be up to \$1 million, \$20,000 per job, up to 50 jobs. This requires low to mod jobs being created, but could be packaged creatively in an incentive offering beneficial to all parties. There is a joint-jurisdiction CDBG that could go up to \$2 million (\$1 million from City and County each) that will need to be examined further to understand if it is applicable.

The most important factor with any grant is to understand the what, how, and timeframes from each opportunity and have a team in place ready to move when the opportunity is appropriate. The KY Department of Local Government (DLG) has authority and influence over CDBG, as well DRA funding. Discussions and strategy with DLG need to begin prior to a client having interest.

The budget numbers for infrastructure and employment scenarios are enough to start the discussion with DLG about "What if" considerations with a project.

**** Its reasonable that a large portion of costs of sewer construction can be done with grant funding ****

Gas: Gas line and capacity is available at the site. Past projects have required tremendous gas volume and pressures not available in the other areas of the Commonwealth, but West KY have performed well. Gas investments to meet the needs of the client are in partnership with Atmos Energy and have worked very well in the past.

Telecommunications: Customers in the past have used local CLEC's (Competitive Local Exchange Carriers) which can be Comcast or Paducah Power. Both have offered robust opportunities in the past and could meet the needs I am confident with different options for voice or data. Local partners can coordinate hardware seamlessly with these providers, offering a competitive offering.

Rail: the site is triple rail served, however, there are criteria and limitations in place with BNSF, CN, and P&L. This is communicated easily by the rail providers and the working relationship among them is positive, though they are all competitors. The bridge that crosses the OHIO River near the site is jointly owned and serviced the BNSF, CN, and the P&I railroad. It is a reasonable assumption that P&L, 50% owner of the site would like the client to be their rail customer.

Site Costs: P&L as a private owner, can sale, lease, or not sale if they choose and their financial arrangement regarding their portion of the site is unknown. GPEDC, Inc. can do the same, but they owe 4 different parties that have security of the site as collateral. As discussed, a formal discussion needs to take place with P&L regarding their expectations of their portion of the site, as well as GPEDC, Inc.

Debt by GPEDC, Inc. on the OHIO Triple Rail Site:

\$1,890,869 (Debtors: Paducah Bank, City of Paducah, McCracken County, PACRO).

In typical loan arrangement, collateral must be offered in exchange for borrowing money. Partners will need to discuss the sale of the land and a price for GPEDC, Inc. portion, or if offered as an incentive, who will be paying for the land. Debtors like Paducah Bank and PACRO are unlikely to release their lien without other consideration. McCracken County/others must also discuss with the City of Paducah their expectation, since annexation by the City will be unlikely. If annexation were a consideration, the higher tax rate of the City would make the site less competitive than being only in the County with the real/personal tax rate, as well as City's occupational tax rate and insurance premium tax.

Farming Contract: The site has an active lease for farming, which outlines reimbursements in the event the farming lease needs to be broken. If a client becomes interested, this discussion will be very important. The current lease with GPEDC, Inc. has about 3 years remaining. The arrangement or contractual relationship with P&L is unknown.

Transportation Access: the KY Department of Transportation has done initial planning for a 2 to 4 lane extension to the site. A better understanding of where they are in terms of planning/right away determination needs to updating. Depending on the design of the road, costs estimates have been in the \$15 to \$20 million costs range. The construction of the road could be in 24-month timeframe, so additional access to the site is an important discussion as well.

Temporary routes for construction, bridge upgrades, as well as contingency plans for accessing the site when River levels are greater than 50 feet has all been discussed. KY DOT must plan also for radius turns of lowboys (trailers), relocation of power lines, etc. with this plan.

KY DOT, as well as their contractor Stantec have done an excellent job in the past. The road, both temporary and permanent plans must be communicated confidently and accurately.

Improvements to Site:

The site, like any site is a marketing tool. Like selling a house, a few things can always be done to make the presentation better. The following recommendations should be considered:

- Code enforcement, McCracken County jurisdiction. Bobo Road, east of the site has residences along it that need addressing. Trash and debris create visual blight when traveling down Bobo Road. Owners should be reminded of their responsibility.
- Right Away Maintenance/Mowing. The site overall remains in great condition, but the right away along Bobo should be maintained better. Light tree trimming also can be done to create better canopy along Bobo.
- GPEDC, Inc. owns a residence in disrepair along Bobo Road. This property has been occupied in the past with vagrants and needs to be demolished.
- Site Studies. All site studies need updating to reflect the perception the site data is updated and reflects the most current condition. The estimated costs of all these studies can easily be estimated.
- Several vacant structures have been removed from the site, but 1 or 2 remain. These need to be removed. Many searches today begin on Google Earth and these old barns in disrepair always prompt questions.
- Surrounding property ownership needs to be updated. This listing exists in the file, but it needs to be updated with current contact information if needed. Clients often ask for surrounding property information.
- Maps. McCracken County GIS can assist with updated maps. These need to show current zoning related to the site and surrounding parcels, as well as updated land plan use.

Incentives

When thinking about the OHIO Triple Rail Site, incentives are going to be a major discussion at some point. The understanding of your incentive structure needs to begin prior to engaging with a client. A good perspective of incentives needs to begin with a core foundation of any business, that is they want to make money. Making money means keeping costs low. Every variable, from water rates, costs per K/W with electricity, to property taxes need to be understood and considered in the overall incentive approach.

Projects in the \$300 million and up range, typically will employ experts in different categories to help maximize costs reduction in many areas for the client. Being prepared, increases the chance of not being eliminated. The projects considering the site in the past are large utility users, therefore that is a prime area of discussion. Labor will be important, but supply of labor is much more important in beginning, as well as costs of labor that will need to be answered. Every competitive advantage that can be gained through partners (utilities, etc.), could lower the costs of incentives by McCracken County, others.

The following areas need discussion prior to engaging with a client:

- What message do you want delivered regarding incentives? Who has authority to answer incentive questions on behalf of the County? Being prepared early on can make a positive impression on the consultant and client.
- What does P&L want for their land and what does that sales price entail? Is the price higher if they are not the rail provider? Are they committed to sale of the property if they are not the rail provider?
- Electricity. What flexibility is there? Can multiple options be presented?
- Utility Extension. Grant options, who's taking the lead, who's writing the grants?
- GPEDC, Inc. How is the debt on the land going to be addressed? Are they wanting to sale the land or are they offering it as an incentive? If they offer it is an incentive, are those institutions holding the land as collateral going to release the collateral? What other collateral can GPEDC, Inc. pledge?
- GPEDC, Inc. owes the County \$411,375, the City of Paducah \$911,375 for the land. What is the City and County's expectation?
- Incentive Structures & IRB's. The County needs to understand the process of Industrial Revenue Bonds, their obligation, and willingness to participate. The incentive structure with an IRB can be a PILOT arrangement. The County must understand these structures.
- Farming Agreements. This needs to be understood with timing of site acquisition and commencement of any site preparation/construction commencement. This revenue is a receivable of GPEDC, Inc.
- McCracken County Fiscal Position. If the County needs to borrow money to offer incentives, what are they willing to commit, borrowing options/capacity, timing, etc. Are future increases in revenue need to be discussed? The client also may ask if future revenue increases are needed to offer incentives.

- Review of the Prospect. Will partners and McCracken County like to review financials, requiring disclosure of client prior to incentive offerings, etc.? If they are an International Client, do you have the expertise to review their financials? What outside groups may need to assist?
- Tolerance of Risk. Are the site owners and McCracken County willing to take a risk of a start-up company, or a company that hasn't secured financing?
- Eminent Domain – What is the County's attitude toward using Eminent Domain for a project?
- Legal. Can the Attorney for McCracken County handle the project, or is outside counsel needed? What does outside Counsel need to be used and for what area?

Next Steps

Further discussion of this analysis will be needed, specific to discussions of incentives and other areas, perhaps in a mock project based on parameters (investment, job creation) that may consider the OHIO Triple Rail site. This would give McCracken County a realistic example to build from with future opportunities and understand areas that needs to be addressed.

Economic Analysis DRAFT, NOTES
TTEC (Teletech)

In 2013, TTEC (Teletech) showed interest in locating a back-office center in Paducah/McCracken County. The company eventually chose to locate in the community, committing to create and maintain 450 jobs in the community over the next five years. The jobs would be created in 2 different locations. The company supports corporations back office operations.

401 Kentucky Avenue (Former location of GPEDC, Inc. and Paducah Chamber of Commerce)
2301 McCracken Boulevard (30,000 sq.ft. build to suit, Information Age Park)

Deal Structure:

TTEC would agree to employ and maintain 450 jobs during the initial lease term of 5 years, with up to 3 renewals (5-year terms), between both locations in Downtown Paducah and the Information Age Park. The lease commencement date was put in place to reflect occupancy of both facilities, which was October 27, 2014. The lease expiration is October 26, 2019.

The commitment was to hire and maintain a total of 450 employees, at a minimum wage rate of \$9.50 per hour and would include health insurance benefits with an estimate of 50% employer contribution and bonus opportunities. In August of 2014, Teletech communicated the additional hiring of an additional 100 employees, which is not reflected in the original agreement, and no modifications were made. In October of 2014, McCracken County gave TTEC an additional \$100,000 cash incentive. The City of Paducah did not. The incentive was never reflected in any document tied to performance. The company was not eligible for KY incentives due to the low wage levels.

Claw backs for not meeting the employment goal will be discussed later.

401 Kentucky Avenue

The building was occupied at the time by GPEDC, Inc. and the Paducah Chamber of Commerce. The building was owned by the City of Paducah, and used as general offices by the organization. The plan to turn the building into a back-office center was going to take signification upfit and improvements to the building.

The City offered to gift the building to GPEDC, Inc. for \$1, and the County offered to sponsor a \$1,000,000 CDBG to make improvements to the building. GPEDC also participated in the transaction by contribution to the building construction, as well as acquiring a parking lot from Regions Bank for \$150,000. GPEDC, Inc. generated capital for improvement by taking out a mortgage on the building. The construction manager on the project for A&K Construction, while the construction was performed by BH Greene. The following debt exist on the building:

Paducah Bank
Original Loan Amount: \$585,000
Balance: \$507,171 (6/30/2018)
Origination Date: 6/23/2014
Maturity Date: 7/7/2034
Interest Rate: 4.25%
Payment: \$3,648.23 monthly

CDBG (McCracken County)
Original Loan Amount: \$950,000
Balance: \$950,000
Origination Date: 2014
Maturity Date: 2025
Interest Rate: N/A
Payment: \$7,500 monthly, not being paid currently

A CDBG, is a loan, not a grant. There are 2 key provisions of a CDBG, 1) Job creation 2) allocation of CDBG funds for future public benefit of economic development. Job creation has been met, the funds for future benefits of economic development are not being met. Ongoing discussions regarding how to meet the future benefit of \$950,000 are taking place. Currently, this should be reflected as non-performing debt on the facility, or owed to McCracken County.

Annual Lease Rate: \$1

Teletech is responsible only for real property taxes up to \$15,000 annually. Any additional taxes above \$15,000, are the responsibility of GPEDC, Inc. 100% of all payroll taxes go to the City of Paducah, and GPEDC, Inc. is responsible for the roof of the building.

The relocation of GPEDC, Inc. and the Chamber occurred, which created the lease arrangement/occupancy with Paducah Freighthouse LLC in 2013, which under the KY Secretary of State, lists the following owners: Kenny Hunt, Steve Palace, Stan Eckenberg, and Tony Reck. GPEDC, Inc. pays \$115,000 annually for rent and the Chamber pays \$55,000 annually, in a 10-year lease. Expenses for the building are split. The rent on 401 Kentucky Avenue was \$1 annually.

2301 McCracken Boulevard

The City/County agreed to build a 30,000 sq.ft. back office center in the Information Age Park. The City and County both agreed to borrow the money and GPEDC, Inc. contributed as well. The approximate costs of the project was \$3 million, not including the land that was given to the City/County by GPEDC, Inc. for the project. GPEDC, Inc. also contributed \$250,000 in a cash grant for furnishings in the building. A&K Construction was the contractor.

Debt:

City of Paducah – 2013B Bond Issuance, along with MACCO Project (failed project at Speculative Building in I-24 Park) of \$2,475,000. The bonds must be paid in 15 years.

McCracken County:

Issuance Amount: \$1,415,000

Maturity Date: December 2013 to December 2032

Interest Rate: 1% to 5%

Payments: 2018, \$103,062

Annual Lease Rate: \$1

Real Property Taxes: The City/County are responsible for the real property taxes at 2301 McCracken Boulevard. In 2018, those taxes were a little more than \$33,000, split evenly between City/County.

Payroll taxes at 2301 McCracken County are split 50/50. In the fiscal year ending 2018, the amount to McCracken County was:

2018: \$34,481

The payroll taxes since inception to McCracken County is:

\$156,361

The Interlocal agreement on Information Age Park will expire on February 13, 2021. The expiration of that agreement will stop the 50/50 split of payroll taxes with McCracken County.

Leases and Employment Commitments

The lease requires TTEC to hire and maintain 450 employees throughout the term of the 5 year lease, which gives them rent on both locations for \$1 annually. If they company does not maintain 450 employees, then the claw back or penalty will be assessed at the next 5-year renewal. In terms of performance, TTEC, actually only has to maintain 450 people for a consecutive duration of 24 months, out of 60 months to keep the lease rate at \$1 for renewal. There is no penalty during the current 5 year term if less than 450 jobs are created, only on renewal.

If the company at renewal, has not met the 450 jobs requirement for 24 consecutive months, then at renewal they are to pay rent, on both facilities, which is determined by 3 certified appraisers, to establish market rate. If TTEC renews for another term and is paying market rate

rent, but maintains the 450 employees for 24 consecutive months, then the rent will revert back to \$1. This process can repeat itself for up to 3 terms (15 years).

Market Rate Rent Ranges and Backoffice/Call Centers

According to Site Selection Group, there were over 850 vacated call centers available across the United States. The advantages of utilizing these vacated centers is they typically require the least amount of up-front capital and less time to become operational.

401 Kentucky Avenue – the building is an open concept, privacy is minimal, however, the building has been modernized and is supported by a generator. Market rent could be in the \$6,000 to \$8,000 range monthly. It is questionable if future back office centers would consider this location. The site typically employs 75 to 100 people, which would be small for another operation. A certified appraiser per agreement will establish market rent.

2301 Kentucky Avenue – the 30,000 sq.ft. facility, a build to suit with back up generation and adequate parking. Market rate rent could be in the \$10 to \$12 range or \$300,000 to \$360,000 annually. (City/County would split 50/50). A certified appraiser per agreement will establish market rent.

For reference, here is an overview of costs for different real estate options/ costs nationwide that back office/call centers would expect to encounter (Site Selection Group) * This is not certified appraisal numbers specific to our market*:

Build to Suits: Requires longer lease, higher costs

Annual Base Rent: \$14 to \$15 sq.ft.
Annual Operating Expense: \$4 to \$5 sq.ft.
Lease Term: 10 to 15 years
Parking Ratio: 8 to 10 spaces/1,000 sq.ft.
Construction Schedule: 8 to 12 months
Landlord Construction Allowance: included in base rent
Tenant Construction Costs: included in base rent
Furniture: \$1,000 per workstation
Cabling: \$250 per workstation
IT and Telephony Equipment: \$750 per workstation
Backup Generator: \$50,000 to \$100,000

Vacated Call Centers: Condition varies, terms more flexible, lower costs

Annual Base Rent: \$8 to \$12 sq.ft.
Annual Operating Expense: \$5 to \$6 sq.ft.
Lease Term: 3 to 5 years
Parking Ratio: 6 to 8 spaces/1,000 sq.ft.

Construction Schedule: 30 to 60 days
Landlord Construction Allowance: \$10 to \$20 sq.ft.
Tenant Construction Costs: \$0
Furniture: \$250 per workstation
Cabling: \$250 per workstation
IT and Telephony Equipment: \$750 per workstation
Backup Generator: included, if not \$50,000 to \$100,000

Converting Formal Retail Space: significant investment, longer lease terms, most often in smaller communities

Annual Base Rent: \$4 to \$5 sq.ft.
Annual Operating Expense: \$5 to \$6 sq.ft.
Lease Term: 7 to 10 years
Parking Ratio: 7 to 10 spaces/1,000 sq.ft.
Construction Schedule: 3 to 4 months
Landlord Construction Allowance: \$30 to \$40 sq.ft.
Tenant Construction Costs: \$10 to \$20 sq.ft.
Furniture: \$1,000 per workstation
Cabling: \$250 per workstation
IT and Telephony Equipment: \$750 per workstation
Backup Generator: \$50,000 to \$100,000

Summary

- **Lease Expiration: October 26, 2019.** 5-year renewal an option on both facilities.
- Lease Rate Currently: \$1 on both facilities, property tax assistance in Information Age Park, \$33,000 +- shared 50/50 by City/County.
- Job Requirements: If they have met the requirements, \$1 lease continues. If they haven't, market rate rent on both locations for next 5-year renewal. Will revert back to \$1 annually if they maintain 450 jobs for 24 consecutive months.
- Payroll Tax: Split 50/50 only in Information Age Park. County has received a total of \$156,361 since inception, \$34,481 ending June 30, 2018. The City of Paducah has collected a gross of \$564,482 through September of 2018 in payroll taxes from both locations.
- Interlocal Agreement – Payroll tax split ends in February 12, 2021. County will no longer receive 50% of payroll taxes in Information Age Park.
- Debt: McCracken County pays \$103,062 annually, through 2032
- CDBG: McCracken County received the grant. \$950,000 of public economic development funds compliance not being met. Compliance TBD.