

Exhibit A

The logo for Commonwealth Economics, featuring a solid blue square with the text "Commonwealth" in a bold, white, sans-serif font on the top line and "Economics" in a lighter, white, sans-serif font on the bottom line.

Commonwealth
Economics

City of Paducah Riverfront TIF Project Tax Increment Financing Impact Analysis

Submitted to:
City of Paducah

Submitted by:
Commonwealth Economics Partners

January 2019

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I. INTRODUCTION AND EXECUTIVE SUMMARY

Introduction

Commonwealth Economics, LLC was retained by the City of Paducah (the “City” or “Paducah”) to conduct a Tax Increment Financing (“TIF”) analysis of The Paducah Riverfront TIF Project (the “Project”) in Paducah, Kentucky.¹ The role of this TIF study is to compare the impact of this new economic activity on state and local tax revenues to the requested amount of the TIF.

Executive Summary

The subject of this analysis is the Paducah Riverfront Mixed-use TIF Redevelopment Project, which is to be located on various lots along Broadway, 5th, 2nd, and 3rd street in Paducah, Kentucky.

The Project is anticipated to include:

- Public Buildings/Structures: Riverfront Park, Steamboat Landing, Parking, Town Square, and Broadband Infrastructure Improvements
- Redeveloped/New Restaurant and Retail Space - 111,728 total square feet
- Hotel rooms - 147
- Independent Art House/Theater - 12,540 square feet
- Redeveloped Manufacturing Space - 130,000 square feet
- Redeveloped/New Residential Housing - 204 units
- Museum - 12,500 square feet
- Conference/Event Space - 15,000 square feet

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 Paducah 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.

- Conference Food Services – 2,500 square feet

Its estimated costs include:

- Total cost of \$156.4 million
 - \$99.9 million in private costs
 - \$56.5 million in public infrastructure costs

It is important to understand that the Project would not happen without certain expenditures on infrastructure. The Project includes multiple public infrastructure elements, such as; the riverfront park, steamboat landing, museum, conference/event space, town square, a portion of the broadband infrastructure, an independent art house/theater, parking, and all site work and utility provisions. This type of Project is specifically what the State’s TIF Program is designed to incentivize.

Based on research and analysis documented in this report, the Paducah Riverfront TIF redevelopment Project is estimated to have a significant economic and fiscal impact to the local economy. In the 20-year period following completion, the Paducah Riverfront TIF footprint is estimated to generate \$113.5 million of eligible state and local incremental tax revenues.²

After at least 20 percent is retained by the State, approximately \$94.8 million of this incremental tax revenue may be available over 20 years through the TIF program to cover costs that qualify as approved public infrastructure. However, this participation would be subject to a “net new” cap imposed by the Cabinet for Economic Development based on an independent consultant’s analysis, which will likely further limit the amount available for reimbursement. Additionally, the net present value of this \$94.8 million is dependent upon many variables in the tax-exempt financing/bonding market.

In addition to the \$113.5 million of incremental tax revenues generated within the footprint, the Project is expected to have a significant economic impact throughout the area. Over a 20-year period, the full Project is expected to facilitate:

- Over \$1.9 billion in total economic impact

² It is important to understand that this participation would also be subject to a “net new” cap imposed by the Cabinet for Economic Development based on an independent consultant’s analysis, and reimbursement is limited to Approved Public Infrastructure expenditures.

- 1,169 jobs annually

The body of this report further details the Project and its economic impact as it relates to Tax Increment Financing. It will demonstrate that, due to the problems inherent with the Property, the benefits that arise from the Project, and the purposes of TIF legislation, the Project qualifies for the TIF program.

II. PROJECT DESCRIPTION

This section provides an overview of the proposed Paducah Riverfront Mixed-use TIF Redevelopment Project to be located in Paducah, Kentucky including a history of previous initiatives and a description of the proposed Project's scope, amenities, and site development costs.

Background

Founded in 1827 by William Clark of Lewis & Clark fame, the City of Paducah's (the "City" or "Paducah") origin and prosperity can be attributed to its strategic location at the confluence of the Ohio and Tennessee rivers. The combination of southern charm and hospitality that originated with Paducah's founding is still alive and well in this vibrant river city today.

Paducah has undertaken multiple initiatives which have highlighted Paducah's lively history and created real potential for growth. However, the City has not been able to fully capitalize on its recreational, cultural, and historical ties with the river, and the economic opportunities they present when linked to the Riverfront area. This is in large part due to a lack of necessary public infrastructure components and redevelopment activity on vacant properties located near Paducah's Riverfront.

Riverfront Redevelopment Initiatives

With its geographic location and current assets, Paducah is already known by many as an inland waterways hub that plays an important role in the future (and growth) of the inland waterways industry. Being home to the Seaman's Church Training Institute, Ingram Barge Company, Marquette, Crouse, and many other river-related leaders is an important and telling asset to the industry. Additionally, the Riverport's recent Marine Highway Designation, the Foreign Trade Zone certification, the River Discovery Center, and the City's dedication to its river heritage make for an environment that is well suited for growth.

In 2007, the City created a Riverfront Redevelopment Master Plan (riverfront "Master Plan") which laid out a long term physical renovation of the riverfront.³ Improvements identified in the plan included a new public steamboat landing/excursion pier facility,

³ Riverfront Redevelopment Master Plan (2007):

<http://paducahky.gov/~paducahky/sites/default/files/u3/FinalDraftMarch27-07.pdf>

a new marina, a performance plaza, overlook/observation deck, public recreation areas (known as the Paducah Commons), connections to the greenway trail system, a new boat launch, and the riverfront recreation park (known as Shultz Park). These improvements, as they have been and are still being completed, provide a linkage to the vibrant culture located near Paducah's Riverfront, a regionally recognized convention destination. To date, the investment in infrastructure facilities for Paducah's riverfront (both public and private) totals more than \$35.8 million, including \$11 million in federal grant funding with Paducah providing \$5 million in matching funds for the riverfront redevelopment initiative.

Downtown Redevelopment Initiatives

More than \$100 million has been invested in Paducah's historic downtown since the start of revitalization efforts in 1992. Paducah's incentive programs for downtown include: Downtown Assessment and Reassessment Tax Moratorium, New Business Grant Program, Facade and Beautification micro-grants, Roof Stabilization Assistance Program, and the Upper Story Residential Grant Program. Since 2014, Paducah has provided \$1,038,400 in total incentive funding to downtown developers.

In 2015, the City completed the Paducah Commons Small Area Development Plan ("Paducah Commons") for a six-acre area that was the former home of the Executive Inn Hotel located between the Paducah Convention and Exposition Center and the recently completed transient dock and future steamboat landing/excursion pier.⁴ This site, and the surrounding area in general, contain buildings that have been vacant for over 10 years.

It is anticipated that the Paducah Commons project will feature a compass rose pointing north and east with art features at each point, an outdoor stepped-lawn amphitheater, pergola covered promenade, active green space, swings along the greenway trail, and a sculpture walk. Additionally, the project includes the redevelopment of the Executive Inn Hotel which will encourage citizens and visitors alike to partake in additional organic public gatherings, indoor consumer experiences, and outdoor events which provide socio-economic connectivity between Downtown Paducah and riverfront redevelopments.

⁴ Paducah Commons Small Area Development Plan (2015):
<http://paducahky.gov/sites/default/files/Paducah-Commons-Small-Area-Plan-06-2015.PDF>

Synopsis

Despite the above-mentioned accomplishments, Paducah still lacks the necessary public infrastructure components and redevelopment activity on vacant properties downtown which do not fully connect and capitalize on its riverfront redevelopment efforts. The proposed Paducah Riverfront Mixed-use TIF Redevelopment Project will create a major linkage between these properties and the riverfront.

It is important to note that Paducah has the human resource capacity to manage a large-scale project, such as the one analyzed in this report. Paducah employs three full-time professional engineers, two AICP certified planners, two Certified Public Accountants (“CPAs”), and one certified Project Management Professional (“PMP”) with combined experience of over 65 years.

Description of the Paducah Riverfront TIF Project

The City of Paducah (the “City” or “Paducah”) will be working with various developers to complete the Project in Paducah through a mixture of public and private investment. The aim is to redevelop and connect vacant properties in the downtown area to Paducah’s riverfront, while also developing the necessary public infrastructure and new supportive uses on a handful of adjacent lots that are build ready. This will attract and support a greater level of density and vertical development throughout the City which will spur additional event and businesses activity.

Planning is currently underway for the proposed redevelopment, which is anticipated to include the following components:

- Public Buildings/Structures: Riverfront Park, Steamboat Landing, Parking, Town Square, and Broadband Infrastructure Improvements
- Redeveloped/New Restaurant and Retail Space - 111,728 total square feet
- Hotel rooms - 147
- Independent Art House/Theater - 12,540 square feet
- Redeveloped Manufacturing Space - 130,000 square feet
- Redeveloped/New Residential Housing - 204 units
- Museum - 12,500 square feet
- Conference/Event Space - 15,000 square feet
- Conference Food Services - 2,500 square feet

Based on construction, site work, and miscellaneous costs, the total construction cost, public and private, is estimated to be approximately \$156.3 million. It is anticipated that \$56.5 million of the total cost may be considered as approved public infrastructure, including: the riverfront park, steamboat landing, museum, conference/event space, town square, a portion of the broadband infrastructure, independent art house/theater, parking, and all site work and utility provisions.

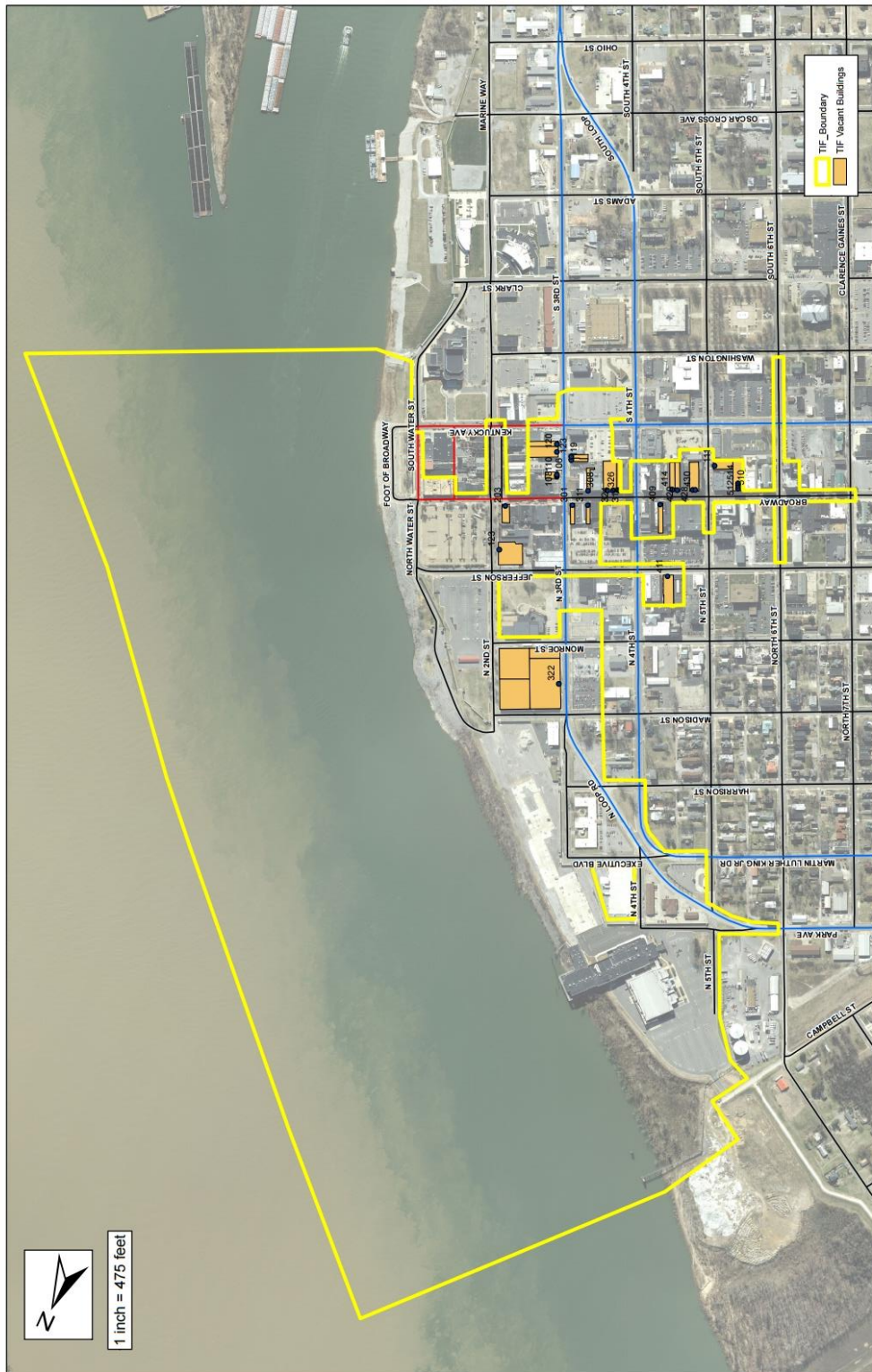
For the purposes of this study, each Project component will be shown as coming on line at the same time in order to capture the full effect of the Project. It is important to note, however, that certain Project components may be phased in throughout the 20-year

period of the TIF. This can result in a slightly lower overall amount of TIF incremental revenue available to the Project due to less time being spent by the Phased components generating the increment (see following sections for a description of Kentucky’s TIF programs). Below is a combined summary of the Project upon full completion of improvements, as well as new retail, restaurant, hotel, and residential housing components to be built on adjacent lots.

Figure 1

Paducah Riverfront TIF Project Components		
	Unit Measure	
Retail/Restaurant		
Retail	34,075	Sq Ft
Restaurant	77,653	Sq Ft
Hotel	147	Rooms
Theater	12,540	Sq Ft
Manufacturing Space	130,000	Sq Ft
Residential Housing	204	Units
Showcase Space		
Museum	12,500	Sq Ft
Conference/Event Space	15,000	Sq Ft
Food Service	2,500	Sq Ft

Figure 2



III. QUALIFYING PUBLIC INFRASTRUCTURE

If the Project successfully applies for participation through any of the state TIF programs, it may be eligible to recover up to 100 percent of Approved Public Infrastructure costs, certain soft costs, and costs related to land preparation, demolition, and clearance through the recapture of local and state incremental tax revenues. These Approved Public Infrastructure costs may include:

- Land preparation and demolition
- Public buildings/structures
- Sewers/storm drainage
- Curbs, sidewalks, promenades, and pedways
- Roads and street lighting
- Provision/modification of utilities
- Environmental remediation
- Floodwalls/floodgates
- Public spaces and parks
- Parking
- Easements of rights of way
- Transportation facilities
- Public landings
- Amenities (fountains, benches, sculptures, etc.)
- River bank modifications
- Related soft costs, legal fees, and contingencies;

All of the proposed public infrastructure Project elements discussed in the previous section should qualify under one of these categories of public infrastructure. While these costs may be recoverable, it should be understood that the funding of these anticipated public infrastructure improvements would be on a reimbursement basis that will require proof of the expenditure before funds will be released through the TIF program and that the amount available from State participation will be subject to a cap.

In addition, these funds will not be available until the Project meets a minimum spending threshold (discussed in the next section) and also begins to generate the incremental tax revenues that can then be used to make financing payments or reimburse the out-of-pocket expenditures on these elements.

IV. TAX INCREMENT FINANCING

Tax Increment Financing (“TIF”) is a form of economic incentive, which uses the increase in local and state tax revenues generated on a development footprint (the “increment”) to finance certain public infrastructure components of the Project.

This financing is typically structured by the applicable local government issuing tax increment bonds either as the guarantor or just as a conduit for the bonds. The proceeds of the bonds are used to finance approved infrastructure costs. The increment is then used to retire the bonds.

The Paducah Riverfront TIF Project will fall under the “Mixed-use” status. It meets the following statutory qualifications for a “Mixed-use status”:

- It must have a net positive economic and fiscal impact to the Commonwealth.
- It must not include any retail establishment that exceeds twenty thousand (20,000) square feet of finished space.
- It must meet the required minimum capital investment of \$20,000,000.
- It must include pedestrian amenities and public space.
- The development area must be less than the maximum three-square miles.
- The development must include at least two of the following: retail, residential, office, restaurant, or hospitality.
- The project must be located in an area with blighted conditions and inadequate public infrastructure.
- Under the Mixed-use TIF program, the tax recovery period is limited to 20 years.

In addition to the basic “mixed-use” requirements listed above, the Project is also expected to meet the other legal requirement related to the local government’s creation of a “Development Area.” The local government can create a Development Area by determining that the area meets any two of the following conditions, but three findings are required for State Mixed-use TIF Program participation:

- 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.

Because the Paducah Riverfront TIF Project meets the statutory qualifications of the State Mixed-use TIF program, it is eligible to use the incremental taxes created by the Project to recover up to 100 percent of approved public infrastructure costs over a 20-year recovery period. These recoverable incremental taxes include:

- State Sales tax
- State Ad Valorem (real property) tax
- State Individual Income tax
- State Corporate Income tax
- Local Ad Valorem (real property) taxes
- Local Occupational taxes

All of the recoverable taxes must be generated within the Project's TIF footprint (see previously, Figure 2).

V. INCREMENTAL TAX REVENUE ESTIMATES

For the purpose of estimating the amount of potentially available TIF dollars from the footprint that will be available to repay public infrastructure expenditures, it is necessary to calculate the expected tax revenue on the new footprint. Fiscal impact measures TIF applicable tax revenues that result from the spending and income related to the activities at the Project. This analysis estimates the fiscal impacts of the TIF-applicable tax revenues. Only taxes that are eligible for tax increment financing are used.

Below is a breakdown of the taxes used to determine the fiscal impacts of the Project:

- State taxes:
 - Property Tax \$0.122 per \$100 of assessed value
 - Sales Tax 6.0 percent of sales
 - Individual Income Tax 5.0 percent of income⁵
- Local tax:
 - City of Paducah Property Tax \$0.2610 per \$100 of assessed value⁶
 - McCracken County Property Tax \$0.2170 per \$100 of assessed value⁷
 - City of Paducah Payroll Tax 2.00 percent of salaries⁸

The estimated fiscal impact of the Project is based on a number of different assumptions regarding the revenue generated by each component of the Paducah Riverfront Mixed-use TIF Development Project. The revenue calculations are based on the size of the Project component and its estimated sales per a given unit of measure.

⁵ Given the recent tax code changes in Kentucky, Commonwealth Economics is using a flat income tax rate of 5 percent on all income earned in the state.

⁶ Assumes full participation from the City of Paducah real property tax. By law, School (.84%) and Fire District taxes are not eligible for participation in the State TIF programs.

⁷ Assumes participation from the McCracken County real property tax which may include: general fiscal court of .094%, library of .059%, extension services of .02904%, health of .024%, and mental health of .011%. By law, School (.52%) and Fire District taxes are not eligible for participation in the State TIF programs.

⁸ Assumes full participation from the City of Paducah local occupational license tax fee.

Tax Revenue Assumptions

Estimated tax revenues were generated using the following assumptions, direct impact multipliers generated by the IMPLAN modeling software for McCracken County utilizing a blended average of component revenue, employee, and salary assumptions provided by the City of Paducah and proposed private developers.⁹

Retail - 34,075 Sq Ft

- Sales/Sq Foot ~ \$250
- Sq Feet / Employee ~ 142
- Average Salary ~ \$14,598

Restaurant - 77,653 Sq Ft

- Sales/Sq Foot ~ \$250
- Sq Feet / Employee ~ 209
- Average Salary ~ \$21,642

Hotel - 147 Rooms

- Average Daily Room Rate ~ \$100
- Rooms / Employee ~ 5
- Average Salary ~ \$31,780

Independent Art House/Theater - 12,540 Sq Ft

- Sales/Sq Foot ~ \$97
- Sq Feet / Employee ~ 1,572
- Average Salary ~ \$27,015

Manufacturing Space - 130,000 Sq Ft

- Sales/Sq Foot ~ \$112
- Sq Feet / Employee ~ 1,532
- Average Salary ~ \$44,522

⁹ Potential Project Developers provided Project scope estimates and initial building tenant assumptions for input into CE's analysis. However, CE has no knowledge to suggest with certainty that the estimates provided are feasible.

Residential Housing - 200 Units

- Average Unit Rent per Month ~ \$825
- Units / Employee ~ 1
- Average Salary ~ \$12,435

Museum - 12,500 Sq Ft

- Sales / Sq Foot ~ \$120
- Sq Feet / Employee ~ 687
- Average Salary ~ \$30,301

Conference/Event Space - 15,000 Sq Ft

- Sales / Sq Foot ~ \$250
- Sq Feet / Employee ~ 864
- Average Salary ~ \$17,637

Food Service - 2,500 Sq Ft

- Sales/Sq Foot ~ \$250
- Sq Feet / Employee ~ 341
- Average Salary ~ \$19,388

Baseline Tax Revenue Calculation

In order to properly estimate the tax revenues that will actually be available for a mixed-use TIF project, it is necessary to subtract the baseline tax revenues from the expected future revenues. The baseline tax revenues currently generated within the proposed development area are likely significantly less than will be generated there after the Paducah Riverfront Redevelopment Project is completed.

Because the anticipated footprint of the new Paducah Riverfront Redevelopment holds a variety of private businesses, the amount of sales tax currently generated is not accessible without authorization/consent. Only the income, occupational, and property taxes currently paid on each parcel within the footprint are certain. Because the sales tax is currently unknown, our analysis here has only included the current income, occupational, and property taxes.

Commonwealth Economics, the City of Paducah, and the McCracken County PVA reviewed over 154 parcels of land and calculated a total existing taxable property value

for the anticipated Development Area of \$22.0 million. Furthermore, Commonwealth Economics and the City of Paducah have estimated a total existing payroll of approximately \$4.0 million. Based on this analysis, the resulting income, occupational, and property tax baseline calculation for the footprint totals an estimated \$412,056 annually, as shown below in Figure 3.

Figure 3

Estimated On-Site Baseline Taxes - Paducah Riverfront TIF Project			
	TIF Rate	Base Taxable	Tax
		Amount	Revenue
State Property Tax	0.1220%	\$22,028,315 (private property value)	\$26,875
State Sales and Use Tax	6.00%	\$0 (gross sales)	\$0
State Individual Income Tax	5.00%	\$3,998,373 (gross salaries)	\$199,919
City of Paducah Property Tax	0.2610%	\$22,028,315 (private property value)	\$57,494
McCracken County Property Tax	0.2170%	\$22,028,315 (private property value)	\$47,801
City of Paducah Occupational License Tax	2.00%	\$3,998,373 (gross salaries & profits)	\$79,967
Total Tax Revenues			\$412,056

Incremental Tax Revenue Calculation

Figure 4, on the next page, shows the projected TIF revenues resulting from the new Paducah Riverfront Redevelopment over a 20-year period. All applicable property, income, and sales taxes are included. To account for the potential growth in future tax revenues, all calculations are adjusted at the rate of 1.5% each year. Again, because the sales, income, and occupational taxes are currently unknown, our analysis here has only subtracted the current baseline property taxes. It is important to note that a baseline for sales, income, and occupational taxes will need to be established at some point throughout the application process.

As shown in Figure 4, over the allowable 20-year TIF period, the Paducah Riverfront Redevelopment is estimated to produce \$123.1 million in State and Local TIF-eligible tax revenues. Of this eligible amount, approximately \$99.0 million is from State tax revenues and \$24.1 million is from Local tax revenues.

After the baseline property taxes are subtracted and 20 percent retained by state (the 20 percent retained by the state is required by statute), total cash flow eligible for TIF participation is estimated to reach up to \$94.8 million over the 20-year period. This includes \$75.0 million from State TIF participation and \$19.8 million from Local participation. It is important to understand that the State TIF participation would also be subject to a “net new” cap imposed by the Cabinet for Economic Development based on an independent consultant’s analysis, and reimbursement is limited to Approved Public Infrastructure expenditures. Additionally, State may participate less than 80%.

Figure 4

Paducah Riverfront TIF Project										
Incremental Tax Revenue Estimates under the State Mixed-use TIF Program										
	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total	
Estimated Future Tax Revenues from Project										
State Tax Revenues										
State Sales Tax	\$68,897,102	\$2,979,506	\$3,024,198	\$3,069,561	\$3,115,605	\$3,162,339	\$3,406,737	\$3,953,658	\$68,897,102	
State Property Tax	\$3,439,505	\$148,744	\$150,975	\$153,240	\$155,538	\$157,871	\$170,072	\$197,376	\$3,439,505	
Individual Income Tax	\$26,611,765	\$1,150,845	\$1,168,108	\$1,185,630	\$1,203,414	\$1,221,465	\$1,315,865	\$1,527,115	\$26,611,765	
Total State Tax Revenues	<u>\$98,948,371</u>	<u>\$4,279,095</u>	<u>\$4,343,282</u>	<u>\$4,408,431</u>	<u>\$4,474,557</u>	<u>\$4,541,676</u>	<u>\$4,892,674</u>	<u>\$5,678,148</u>	<u>\$98,948,371</u>	
Local Tax Revenues										
McCracken County Property Tax	\$6,117,808	\$264,569	\$268,538	\$272,566	\$276,654	\$280,804	\$302,506	\$351,070	\$6,117,808	
Paducah Property Tax	\$7,358,285	\$318,214	\$322,988	\$327,832	\$332,750	\$337,741	\$363,843	\$422,255	\$7,358,285	
Paducah Payroll Tax	\$10,644,706	\$460,338	\$467,243	\$474,252	\$481,366	\$488,586	\$526,346	\$610,846	\$10,644,706	
Total Local Tax Revenues	<u>\$24,120,799</u>	<u>\$1,043,122</u>	<u>\$1,058,769</u>	<u>\$1,074,650</u>	<u>\$1,090,770</u>	<u>\$1,107,131</u>	<u>\$1,192,695</u>	<u>\$1,384,171</u>	<u>\$24,120,799</u>	
Total Estimated Future Tax Revenues	<u>\$123,069,170</u>	<u>\$5,322,217</u>	<u>\$5,402,050</u>	<u>\$5,483,081</u>	<u>\$5,565,327</u>	<u>\$5,648,807</u>	<u>\$6,085,369</u>	<u>\$7,062,320</u>	<u>\$123,069,170</u>	
"Baseline" Tax Revenues										
State Tax Revenues										
State Property Tax "Baseline"	\$621,438	\$26,875	\$27,278	\$27,687	\$28,102	\$28,524	\$30,728	\$35,661	\$621,438	
State Individual Income Tax "Baseline"	\$4,622,852	\$199,919	\$202,917	\$205,961	\$209,051	\$212,186	\$228,585	\$265,282	\$4,622,852	
Total State Tax "Baseline"	<u>\$5,244,290</u>	<u>\$226,793</u>	<u>\$230,195</u>	<u>\$233,648</u>	<u>\$237,153</u>	<u>\$240,710</u>	<u>\$259,313</u>	<u>\$300,943</u>	<u>\$5,244,290</u>	
Local Tax Revenues										
McCracken County Property Tax "Baseline"	\$1,105,345	\$47,801	\$48,518	\$49,246	\$49,985	\$50,735	\$54,656	\$63,430	\$1,105,345	
Paducah Property Tax "Baseline"	\$1,329,470	\$57,494	\$58,356	\$59,232	\$60,120	\$61,022	\$65,738	\$76,292	\$1,329,470	
Paducah Payroll Tax "Baseline"	\$1,849,141	\$79,967	\$81,167	\$82,384	\$83,620	\$84,875	\$91,434	\$106,113	\$1,849,141	
Total Local Tax "Baseline"	<u>\$4,283,955</u>	<u>\$185,263</u>	<u>\$188,042</u>	<u>\$190,862</u>	<u>\$193,725</u>	<u>\$196,631</u>	<u>\$211,828</u>	<u>\$245,835</u>	<u>\$4,283,955</u>	
Total "Baseline" Tax Revenues	<u>\$9,528,246</u>	<u>\$412,056</u>	<u>\$418,237</u>	<u>\$424,510</u>	<u>\$430,878</u>	<u>\$437,341</u>	<u>\$471,141</u>	<u>\$546,778</u>	<u>\$9,528,246</u>	
Incremental Tax Revenue Generated by Project	<u>\$113,540,925</u>	<u>\$4,910,161</u>	<u>\$4,983,813</u>	<u>\$5,058,570</u>	<u>\$5,134,449</u>	<u>\$5,211,466</u>	<u>\$5,614,229</u>	<u>\$6,515,542</u>	<u>\$113,540,925</u>	
Incr. Tax Rev. Available for State TIF Program	at 80%	\$74,963,265	\$3,241,842	\$3,290,469	\$3,339,826	\$3,389,924	\$3,440,772	\$3,706,689	\$4,301,764	\$74,963,265
Incr. Tax Rev. Available for McCracken County Participation	at 100%	\$5,012,463	\$216,768	\$220,019	\$223,319	\$226,669	\$230,069	\$247,850	\$287,640	\$5,012,463
Incr. Tax Rev. Available for Paducah Participation	at 100%	\$14,824,380	\$641,091	\$650,708	\$660,468	\$670,375	\$680,431	\$733,017	\$850,696	\$14,824,380

VI. ECONOMIC AND EMPLOYMENT IMPACTS

When construction of the proposed Paducah Riverfront TIF Redevelopment Project is complete, the new events, hotel, independent art house/theater, museum, manufacturer, restaurants, retail stores, residential housing, and various activities and transactions occurring within the improved site will generate on-going, annual economic and fiscal impacts to the local economy. Initial transactions occurring within the hotel, independent art house/theater, museum, manufacturing space, restaurants, and retail stores 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 the TIF program. These impact estimates, however, assist in quantifying the Project's overall economic value to the Commonwealth.

For analytical purposes, annual impact is estimated based on component type, such as the retail and restaurant space. Conceptually, annual economic impact would include the "ripple effects" generated from direct spending made by the shoppers and restaurant patrons. This direct spending would then result in indirect spending, induced spending, increased earnings, and employment.

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. In the Paducah Riverfront TIF Project case, examples of initial transactions are the visitors' expenditures during their time in Paducah at various lodging facilities, restaurants, and shops. 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, regional, or state economies is counted as an indirect economic impact.
- **Induced Spending** – represents changes in local 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 Paducah Riverfront TIF Project will create a one-time influx of spending, which will ripple throughout the economy and result in indirect output, induced output, labor income, and employment, as well as the related tax revenues.

There are two key impacts from construction to both the City of Paducah and the Commonwealth of Kentucky. First, the construction itself directly creates construction jobs, which are subject to state individual income tax and local occupational license tax. Second, construction spending will ripple out and generate indirect output due to spending on materials, induced output, increased earnings, and employment throughout the economy, as well as State Sales Tax revenues associated with the induced impacts. Figure 5, on the next page, conceptually illustrates the flows of construction impacts, as well as the assumptions and tax rates utilized for the impact calculation.

Figure 5

Paducah Riverfront TIF Project		
Conceptual Diagram of One-Time Economic and Fiscal Impact from Construction		
Sources of Impact	Economic and Fiscal Impact	Rate
Total Construction Costs		
» Property Value Impacts		
» State Property Tax Assessed Value		0.1220%
» City of Paducah Property Tax Assessed Value		0.2610%
» McCracken County Property Tax Assessed Value		0.2170%
» Employment and Income Impacts		
» State Individual Income Tax on Total Labor Income		5.00%
» City of Paducah Occupational License Tax on Direct Labor Income		2.00%
» Induced Output		
	Taxable Induced Spending Estimate	50%
» Sales Tax on Materials and Induced Spending		6.00%

Figure 6 shows the IMPLAN-calculated impacts derived from construction costs of the Project in order to estimate the resulting direct, indirect, and induced impacts.

Figure 6

Impact Summary - Construction Only				
Impact Type	Employment	Labor Income	Total Value Added	Output
Direct Effect	1,168	\$57,530,526	\$76,222,597	\$156,344,484
Indirect Effect	338	\$14,981,544	\$24,268,903	\$48,018,124
Induced Effect	429	\$17,197,146	\$30,872,017	\$54,493,828
Total Effect	1,935	\$89,709,216	\$131,363,517	\$258,856,436

Shown in Figure 6, the \$156.3 million of capital investment is estimated to generate 1,935 jobs (1,168 direct construction jobs and 767 indirect and induced jobs). These jobs consequently are estimated to generate approximately \$89.7 million of total labor income.

The one-time influx of these economic impacts which will “ripple” throughout the economy and result in indirect spending, induced spending, increased earnings and employment, all of which create related tax revenues. These fiscal impacts are described in detail in Figure 7, on the next page, which shows the taxes derived from the IMPLAN model results generated using the estimated construction costs of the various Project components.

Figure 7

Paducah Riverfront TIF Project	
Estimates of One-Time Economic and Fiscal Impacts of Construction	
Economic Impact	Total
Direct	\$156,344,484
Indirect	\$48,018,124
Induced	\$54,493,828
Total Output	<u>\$258,856,436</u>
Estimated Taxable Assessed Value	\$99,892,934
Total Employment	1,935
Direct Employment	1,168
Total Labor Income	\$89,709,216
Direct Labor Income	\$57,530,526
Fiscal Impact (Tax Revenues)	
State Tax Revenues	
State Property Tax	\$121,869
State Sales & Use Tax	
On Induced Spending	\$3,269,630
State Individual Income Tax	
On Total Labor Income	<u>\$1,066,723</u>
Total State Tax Revenues	<u>\$4,458,222</u>
Local Tax Revenues	
City of Paducah Property Tax	\$260,721
McCracken County Property Tax	\$216,768
City of Paducah Occupational License Tax	
On Direct Labor Income	<u>\$1,150,611</u>
Total Local Tax Revenues	<u>\$1,628,099</u>
Total Tax Revenues	<u>\$6,086,321</u>

As shown in Figure 7, the one-time impact of construction, alone, is estimated to generate \$258.9 million of total output, \$89.7 million of total labor income, 1,935 jobs, and \$6.1 million of state and local tax revenues during the construction period.

Annual Operational Impact

Upon completion of Project construction, the new events, hotel, independent art house/theater, museum, manufacturer, restaurants, residential housing, and retail stores will generate annual impacts to the local community and State.

Economic Impact of Independent Art House / Theater

Spending by movie goers and art enthusiast’s will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 8 shows the annual and 20-year total estimated economic impacts of the independent art house/theater.

Figure 8

Paducah Riverfront TIF Project Summary of Economic Impacts - Independent Art House / Theater						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$1,094,742	\$1,111,163	\$1,127,831	\$1,144,748	\$1,161,919	\$25,314,450
Indirect Impact	\$401,513	\$407,536	\$413,649	\$419,854	\$426,151	\$9,284,454
Induced Impact	\$262,748	\$266,689	\$270,689	\$274,750	\$278,871	\$6,075,696
Total Economic Impact	\$1,759,003	\$1,785,388	\$1,812,169	\$1,839,351	\$1,866,942	\$40,674,599
Total Employment	14	14	14	14	14	
Total Wages	\$426,372	\$432,768	\$439,260	\$445,848	\$452,536	\$9,859,295

Economic Impact of Museum

Spending by museum visitors will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 9 shows the annual and 20-year total estimated economic impacts of the museum.

Figure 9

Paducah Riverfront TIF Project Summary of Economic Impacts - Museum						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$1,350,000	\$1,370,250	\$1,390,804	\$1,411,666	\$1,432,841	\$31,216,951
Indirect Impact	\$703,636	\$714,191	\$724,904	\$735,777	\$746,814	\$16,270,649
Induced Impact	\$567,690	\$576,205	\$584,848	\$593,621	\$602,525	\$13,127,071
Total Economic Impact	\$2,621,326	\$2,660,646	\$2,700,556	\$2,741,064	\$2,782,180	\$60,614,671
Total Employment	27	27	27	27	27	
Total Wages	\$926,944	\$940,848	\$954,961	\$969,285	\$983,824	\$21,434,339

Economic Impact of Conference/Event Space

Spending by convention conference/event visitors will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 10 shows the estimated economic impacts of the conference/event space, annually and in a 20-year total.

Figure 10

Paducah Riverfront TIF Project Summary of Economic Impacts - Conference / Event Space						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$3,375,000	\$3,425,625	\$3,477,009	\$3,529,165	\$3,582,102	\$78,042,376
Indirect Impact	\$995,699	\$1,010,635	\$1,025,794	\$1,041,181	\$1,056,799	\$23,024,218
Induced Impact	\$470,728	\$477,789	\$484,956	\$492,230	\$499,614	\$10,884,960
Total Economic Impact	\$4,841,427	\$4,914,049	\$4,987,760	\$5,062,576	\$5,138,515	\$111,951,555
Total Employment	29	29	29	29	29	
Total Wages	\$761,029	\$772,444	\$784,031	\$795,791	\$807,728	\$17,597,775

Economic Impact of Hotel

Spending at the hotel will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 11 shows the estimated economic impacts of the hotel, annually and in a 20-year total.

Figure 11

Paducah Riverfront TIF Project Summary of Economic Impacts - Hotel						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$3,219,848	\$3,268,145	\$3,317,167	\$3,366,925	\$3,417,429	\$74,454,682
Indirect Impact	\$934,954	\$948,978	\$963,213	\$977,661	\$992,326	\$21,619,555
Induced Impact	\$929,438	\$943,380	\$957,530	\$971,893	\$986,472	\$21,492,014
Total Economic Impact	\$5,084,239	\$5,160,503	\$5,237,910	\$5,316,479	\$5,396,226	\$117,566,251
Total Employment	43	43	43	43	43	
Total Wages	\$1,507,504	\$1,530,116	\$1,553,068	\$1,576,364	\$1,600,009	\$34,859,012

Economic Impact of Retail Space

Spending within the retail space will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 12, on the next page, shows the estimated economic impacts of the retail space, annually and in a 20-year total.

Figure 12

Paducah Riverfront TIF Project Summary of Economic Impacts - Retail						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$7,666,875	\$7,781,878	\$7,898,606	\$8,017,085	\$8,137,342	\$177,286,265
Indirect Impact	\$3,149,499	\$3,196,741	\$3,244,692	\$3,293,363	\$3,342,763	\$72,827,957
Induced Impact	\$3,399,416	\$3,450,407	\$3,502,163	\$3,554,695	\$3,608,016	\$78,606,957
Total Economic Impact	\$14,215,789	\$14,429,026	\$14,645,462	\$14,865,143	\$15,088,121	\$328,721,179
Total Employment	288	288	288	288	288	
Total Wages	\$5,522,741	\$5,605,583	\$5,689,666	\$5,775,011	\$5,861,636	\$127,706,034

Economic Impact of Restaurant Space

Spending by visitors on restaurant dining will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 13 shows the estimated economic impacts of the restaurant space, annually and in a 20-year total.

Figure 13

Paducah Riverfront TIF Project Summary of Economic Impacts - Restaurant						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$17,471,925	\$17,734,004	\$18,000,014	\$18,270,014	\$18,544,064	\$404,014,977
Indirect Impact	\$5,303,585	\$5,383,139	\$5,463,886	\$5,545,845	\$5,629,032	\$122,638,342
Induced Impact	\$7,329,665	\$7,439,610	\$7,551,204	\$7,664,472	\$7,779,439	\$169,488,727
Total Economic Impact	\$30,105,175	\$30,556,753	\$31,015,104	\$31,480,331	\$31,952,536	\$696,142,047
Total Employment	462	462	462	462	462	
Total Wages	\$11,912,673	\$12,091,363	\$12,272,733	\$12,456,825	\$12,643,677	\$275,464,684

Economic Impact of Manufacturing Space

Spending by manufacturing workers in the community will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 14, on the next page, shows the estimated economic impacts of the manufacturing space, annually and in a 20-year total.

Figure 14

Paducah Riverfront TIF Project						
Summary of Economic Impacts - Manufacturing Space						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$13,104,000	\$13,300,560	\$13,500,068	\$13,702,569	\$13,908,108	\$303,012,534
Indirect Impact	\$4,037,801	\$4,098,368	\$4,159,844	\$4,222,241	\$4,285,575	\$93,368,767
Induced Impact	\$3,930,768	\$3,989,729	\$4,049,575	\$4,110,319	\$4,171,973	\$90,893,761
Total Economic Impact	\$21,072,569	\$21,388,657	\$21,709,487	\$22,035,129	\$22,365,656	\$487,275,062
Total Employment	140	140	140	140	140	
Total Wages	\$6,373,786	\$6,469,392	\$6,566,433	\$6,664,930	\$6,764,904	\$147,385,296

Economic Impact of Residential Housing

Spending by new residents in the community will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 15 shows the estimated economic impacts of the residential housing, annually and in a 20-year total.

Figure 15

Paducah Riverfront TIF Project						
Summary of Economic Impacts - Residential Housing						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$1,813,541	\$1,840,745	\$1,868,356	\$1,896,381	\$1,924,827	\$41,935,728
Indirect Impact	\$0	\$0	\$0	\$0	\$0	\$0
Induced Impact	\$1,375,631	\$1,396,265	\$1,417,209	\$1,438,468	\$1,460,045	\$31,809,633
Total Economic Impact	\$3,189,172	\$3,237,010	\$3,285,565	\$3,334,849	\$3,384,871	\$73,745,361
Total Employment	157	157	157	157	157	
Total Wages	\$2,241,517	\$2,275,140	\$2,309,267	\$2,343,906	\$2,379,065	\$51,832,098

Economic Impact of Food Service Space

Spending by caterers and food providers will ripple throughout the economy, creating indirect and induced impacts in both wages and jobs throughout the area. Figure 16, on the next page, shows the estimated economic impacts of the catering space, annually and in a 20-year total.

Figure 16

Paducah Riverfront TIF Project Summary of Economic Impacts - Food Service						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$562,500	\$570,938	\$579,502	\$588,194	\$597,017	\$13,007,063
Indirect Impact	\$166,463	\$168,960	\$171,494	\$174,067	\$176,678	\$3,849,232
Induced Impact	\$143,538	\$145,691	\$147,876	\$150,094	\$152,346	\$3,319,116
Total Economic Impact	\$872,501	\$885,588	\$898,872	\$912,355	\$926,040	\$20,175,411
Total Employment	9	9	9	9	9	
Total Wages	\$233,270	\$236,769	\$240,320	\$243,925	\$247,584	\$5,394,055

Summary Economic Impacts of Project

The combined estimated economic impacts of all components over a 20-year period are shown, below, in Figure 17.

Figure 17

Paducah Riverfront TIF Project Summary of Economic Impacts - Total						
	Year 1	Year 2	Year 3	Year 4	Year 5	20-Year Total
Economic Impact						
Total Revenue (Direct)	\$49,658,431	\$50,403,307	\$51,159,357	\$51,926,747	\$52,705,649	\$1,148,285,025
Indirect Impact	\$15,693,150	\$15,928,547	\$16,167,475	\$16,409,988	\$16,656,137	\$362,883,174
Induced Impact	\$18,409,620	\$18,685,765	\$18,966,051	\$19,250,542	\$19,539,300	\$425,697,936
Total Economic Impact	\$83,761,201	\$85,017,619	\$86,292,884	\$87,587,277	\$88,901,086	\$1,936,866,135
Total Employment	1,169	1,169	1,169	1,169	1,169	
Total Wages	\$29,905,836	\$30,354,423	\$30,809,740	\$31,271,886	\$31,740,964	\$691,532,588

As shown, the combined operational economic impacts over a 20-year period are estimated to include approximately \$1.2 billion in direct impact and \$1.9 billion in total economic impact throughout the region. Ongoing employment is expected to support an additional 1,169 jobs and a total of \$691.5 million in wages over the 20 years, representing a significant economic impact to the City and Commonwealth.¹⁰

¹⁰ It is expressly acknowledged that Commonwealth Economics cannot guarantee and shall face no liability regarding the success of any proposed project, bond issue, loan, grant, the ability to obtain funding from any source or the accuracy of any estimated revenue stream. Commonwealth Economics utilized second and third-party sources, including the City and proposed private developers, deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this report are based on trends and assumptions (outlined in detail within this document), 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.

This study is not intended to focus on the extent to which the Project will bring “net new” activity to the City. It should be understood that the “net new” economic impacts of certain redeveloped Project components will vary.

VII. CONCLUSION

This Project will provide countless benefits to Paducah and the Commonwealth of Kentucky and should meet the statutory qualifications of the State's Mixed-use TIF Program. The Paducah Riverfront TIF Project is positioned to provide new space for public events including a steamboat landing, town square, and riverfront park, additional hotel rooms, a local culture driven independent art house/theater, a regional renown museum, and unique manufacturing jobs, as well as newly redeveloped space for restaurant and retail stores surrounding residential housing units.

This Mixed-use TIF Redevelopment Project will only be made possible through a partnership between the public sectors and potential private developers in order to provide support for the necessary infrastructure costs. The redeveloped vacant properties and riverfront public infrastructure components will attract and support a greater level of density and vertical development throughout the City which will spur additional event and businesses activity.

It is important that the State Mixed-use TIF Program allow the Project to use the increase in tax revenues generated within its footprint to help alleviate the high costs associated with qualifying public infrastructure needs. It is estimated that up to approximately \$113.5 million in incremental tax revenue will be generated within the TIF footprint. After at least 20 percent is retained by the State, approximately \$94.8 million of this incremental tax revenue may be available over 20 years through the TIF program to cover costs that qualify as approved public infrastructure. However, this participation would be subject to a "net new" cap imposed by the Cabinet for Economic Development based on an independent consultant's analysis, which will likely further limit the amount available for reimbursement. Additionally, the net present value of this \$94.8 million is dependent upon many variables in the tax-exempt financing/bonding market.

The additional downtown activity, along with the new tax revenue and approximately 3,000+ jobs and over \$781.2 million in wages supported as a result of the Project's impacts throughout the economy, will be a great benefit to both the City of Paducah and the Commonwealth of Kentucky.