



Project Report

**Park Hill Industrial Corridor
Revitalization - Market Analysis**

Prepared for

**Louisville/Jefferson County Metro
Government
Louisville, KY**

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Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

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I. Executive Summary

In October 2007, Louisville/Jefferson County Metro Government (Louisville Metro) retained the Economics Research Associates (ERA) Team, which included ERA, EDAW and KMK Consulting, to conduct a real estate market study for the redevelopment potential of the Park Hill Industrial Corridor, an approximately 1,400-acre industrial area in West Louisville.

The resulting Park Hill Corridor Real Estate Market Study, a key component of the ongoing project aimed at revitalizing the Corridor, analyzes the real estate market potential of different sectors of the Park Hill area's economy within the context of the larger regional economy. Information in this study will be used to inform economic growth strategies for the corridor, and it will be incorporated into the upcoming Implementation Strategy, a project which will guide the Corridor's long-term redevelopment.

The end-goal of the redevelopment strategy for the Corridor is to stimulate job creation and generate a more positive environment for both businesses and residents by redefining the 1,400 acre Park Hill Corridor as a high-quality work place and mixed-use area. Louisville Metro will work with private developers, business-owners, and local citizens to accomplish this goal, employing an array of different development tools. Foremost among these tools will be the usage of a small group of catalysts sites to stimulate larger-scale development and the improvement of infrastructure to guarantee that potential development isn't stymied by poor transportation systems.

The study area for this project is roughly bounded by Broadway to the north, Algonquin Parkway and Winkler Avenue to the south, South 22nd Street to the west, and 7th Street and the University of Louisville Belknap Campus to the east. Redevelopment of this corridor—which is located between the Central Business District, the University of Louisville campus, and several residential neighborhoods—will reconnect vibrant sections of city while defining a sense of place for Louisville's industrial core.

Figure 1: Park Hill Industrial Corridor Study Area



This market analysis of the Park Hill Industrial Corridor examines the market potential for a variety of real estate uses, including new industrial, office, and retail development. ERA analyzes trends and projections for the local resident population, employment, and pipeline development projects. As part of the analysis, ERA also conducted an extensive stakeholder interview process in order to better understand the opportunities and constraints of the site. The goal of the analysis is to identify economic development opportunities for the Park Hill Industrial Corridor that are tied to projected trends for the regional economy and to create new job opportunities for West Louisville residents.

This comprehensive report considers local demographics; employment trends; physical opportunities and constraints of the Park Hill Corridor's site; real estate market trends for office, industrial, and retail uses; real estate development potential for office, industrial, and retail uses; economic and fiscal impacts associated with new development; and the findings of other planning studies that have recently been completed for the West Louisville area.¹ Appendices include a summary of findings from stakeholder interviews and financial assumptions for future real estate analyses.

About the Park Hill Industrial Corridor

The Park Hill Industrial Corridor is the industrial core of Louisville. The city's central location nationally (within a one-day drive of 60 percent of the cities in the continental United States) and strong rail and road connectivity have helped to make manufacturing and distribution important parts of Louisville's economy since the 1800's. However, over the last thirty years, Park Hill has followed the trends of post-industrial cities throughout the United States and has suffered through plant closures, job loss, and population decline.

Today, the Park Hill Corridor remains home to several industrial companies, albeit fewer than in the past. Brown Forman, Sud-Chemie, and Heaven Hill Distilleries are amongst the older companies in the neighborhood. Newer businesses include ProLiquitech, Great Northern Manufacturing, and Consumer Choice Coffee. In addition to industrial activity, the Park Hill district includes several residential communities, including Parkway Place and a section of the California neighborhood. A section of the planned Olmsted Parkways Multi-Use Path System runs along the southern boundary of the Park Hill Corridor.

¹ ERA reviewed the following studies: Park Hill Industrial Corridor Short Term Transportation Planning Study (Entran, 2007), West Louisville Competitive Assessment and Strategy Project (Initiative for a Competitive Inner City, 2001 and 2007 Draft Report), Planning for the Redevelopment and Marketing of the Rhodia Site (International Economic Development Council, 2004), and SoBro Neighborhood Plan (Center for Neighborhoods, 2006).

There are several notable industrial companies that have moved out of Louisville and left behind buildings that, due to size and location, are important nodes of opportunity for the Park Hill Industrial Corridor. Rhodia Inc. closed its chemical plant in 1993 and its building located at 11th and Hill Streets has since remained vacant. Phillip Morris closed its cigarette factory in 2000 and its building was recently demolished. In 1992, American Standard closed its home fixtures plant. Each former manufacturing facility represents a chance to catalyze the revitalization of sections of the Park Hill Corridor.

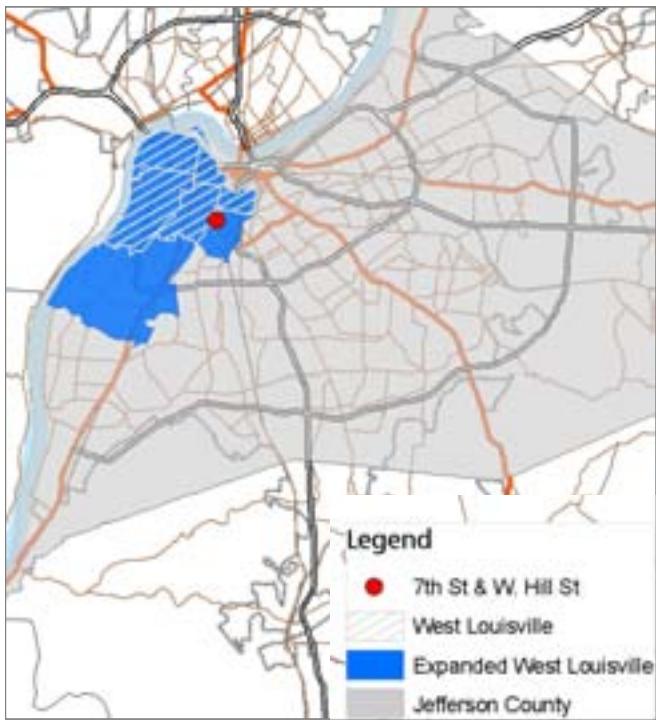
Market Analysis Key Findings

ERA completed a comprehensive market analysis of the Park Hill Corridor that evaluates existing conditions, identifies catalyst opportunities for future development, quantifies future development potential in the Park Hill Industrial Corridor, and evaluates the economic and fiscal impacts of development (assuming that the development is built out to its full market potential). The following pages highlight key findings from the Park Hill Industrial Corridor Market Analysis.

Existing Conditions

Socio-economics

ERA worked with Louisville Metro to identify the geographic boundaries of the geographic areas surrounding the Park Hill Industrial Corridor. The socio-economic analysis considers three geographic areas: West Louisville, Expanded West Louisville, and Jefferson County. West Louisville contains the neighborhoods of Park Hill, California, SoBro, Russell, Portland, Shawnee, Algonquin, Parkland, Chickasaw, and Park Duvalle and is defined by the following zip codes: 40203, 40210, 40211, and 40212. Expanded West Louisville includes all of West Louisville, and the following zip codes: 40208, 40216, and 40292. The Expanded West Louisville area adds the following neighborhoods: South Louisville, University of Louisville, Old Louisville, Taylor Berry, and Cloverleaf. Figure 2 illustrates the geographic boundaries of the areas considered as part of the socio-economic analysis.

Figure 2: Louisville Study Areas

Source: ESRI GIS, Economics Research Associates

Key findings from the socio-economic analysis include the following:

- Population levels in West Louisville and Jefferson County have remained stable since 1990, and the stabilized growth rate of Jefferson County is slightly higher than that of West Louisville. Over the past twenty years, the population of West Louisville has been between 80,000 and 85,000 people.
- Home ownership rates are a key indicator of neighborhood stability, and West Louisville residents have significantly lower owner occupancy rates and higher vacancy rates than Jefferson County as a whole.
- There is a significant disparity in income levels of West Louisville and Jefferson County households. In 2007, 63 percent of the West Louisville households earned below \$35,000 annually, as compared to 33 percent of households in the same income brackets in Jefferson County.

- Jefferson County's four largest industries (trade, transportation, and utilities; professional and business services; education and health services; and manufacturing) account for 69 percent of the jobs in the county.
- Average annual wages for all private sector jobs in Jefferson County in 2006 was \$40,835.
- Louisville is home to the headquarters of three Fortune 500 companies and is the site of UPS Worldport, the 4 million square foot worldwide air hub for UPS. UPS is the largest private employer in Louisville and brings almost 20,000 jobs to the city.

Urban Design

The ERA Team evaluated the urban design patterns in the Park Hill Industrial Corridor in order to identify key opportunities and challenges that need to be considered throughout the planning of the area. The urban design analysis considers opportunity sites, access issues, distribution of land uses, and adjacencies. Key findings from the urban design analysis include the following:

- The Park Hill Corridor extends from the fringe of downtown to the edge of the University of Louisville, and the proximity of the corridor to these two economic drivers provides the Park Hill Corridor with unique locational advantages.
- A number of key sites in the Park Hill Corridor, including the Rhodia parcel, the American Standard building, and the former Phillip Morris site, have the potential to serve as catalysts for economic development.
- The Park Hill Industrial Corridor appears in many places to suffer from poor physical condition and a negative image.
- While proximity to the regional Interstate system is a major asset of the Park Hill Industrial Corridor, local access within the area, and to and from the Interstate system, presents serious obstacles to the corridor.

Real Estate Market

Office, industrial, and retail space is expected to represent the majority of new development that will occupy the Park Hill Corridor in the future. This section provides an overview of historic market trends, existing conditions, and projected new development for office, industrial, and retail space in

Louisville and the surrounding region. Key findings from the real estate market analysis include the following:

Office

- The Louisville office market area includes the Central Business District (CBD) and seven suburban submarkets. The office market area is comprised of the area within the I-265 loop and several outlying neighborhoods.
- The Louisville office market inventory in 2007 was of 19.8 million square feet. Roughly half of the region's office market is located within the Louisville CBD. The majority of the office market (53 percent) was Class B space, with most of the Class A office space located within the Central Business District.
- The Old Louisville submarket, where The Park Hill Corridor is located, represents the smallest office submarket, containing 379,000 square feet of office space as of 2007. Old Louisville includes the downtown area immediately surrounding the Central Business District as well as the Old Louisville neighborhood.
- As in most US cities, much of the new office development in Louisville is occurring in suburban markets. Prior to 2004, the majority of office space in the Louisville Office Market was located within the CBD. However, for the past six years, office development in the CBD has remained stagnant while suburban office development has grown.
- Annual vacancy rates in the Louisville office market are high and have fluctuated between 16 and 21 percent since 2002.
- Average annual net absorption in the Louisville Office Market from 2002 to 2007 was 224,000 square feet, with almost 80 percent of the absorption occurring in suburban submarkets.
- Significant revitalization is underway in the Central Business District, with over \$1 billion in investments committed to downtown Louisville over the next three years. The most sizeable new developments in downtown are Museum Plaza (1.5 million SF), Iron Quarter (230,000 SF), and ZirMed Gateway Tower (140,000 SF).

- Planned new suburban office developments include Woodlawn Center Office Park I and II in the Hurstbourne/Lyndon submarket and The Sanctuary in the Eastpoint submarket. Both properties are 90,000 square feet.

Industrial

- The Louisville industrial area is comprised of all areas within the I-265 loop and several outlying areas. The industrial area is made up of five markets: Central, East, South, and West/Southwest markets within Jefferson County and the Bullitt County market.
- The Louisville industrial market inventory in 2007 was 109.5 million square feet, with 51 percent of industrial space geared toward manufacturing and 45 percent of industrial space used for warehouse distribution.
- The Central market, which includes the Park Hill Corridor, is one of the larger industrial markets and has shown little growth over the last three years.
- As new industrial developments are built further from the city core, the boundaries of Louisville's Industrial Area are expanding. Bullitt County is the fastest growing industrial market, and Southern Indiana is a growing industrial market as well.
- Over the past six years, the Louisville market has added over 14 million square feet of industrial space. During the same time period, 12 million square feet of industrial space were absorbed. Average annual absorption in the Louisville industrial market from 2002 to 2007 was 2.1 million square feet, with all of the absorption occurring in suburban markets.
- Average annual vacancy in the Louisville industrial market from 2002 to 2007 was 8.4 percent, fluctuating between 6.9 and 9.2 percent.
- Louisville's industrial pipeline includes six new industrial parks in the South, Bullitt County, and Southern Indiana markets. The pipeline of new industrial development projects includes Salt River II, a 936,000-square-foot building that will be the largest spec building ever built in the state of Kentucky, and Renaissance Zone Industrial Park, a planned new 3,000 acre industrial park that will be located south of the Louisville International Airport.

Retail

- There are 3.2 million square feet of retail shopping centers located within five miles of the Park Hill Industrial Corridor. In January 2008, these centers had an average retail vacancy of 12.5 percent.
- Retail offerings in West Louisville are limited and include three food and beverage stores, four furniture and home furnishing stores, one clothing and clothing accessory store, and several food service and drinking establishments.
- Newbridge Crossing represents the most significant new retail development in West Louisville. The vision for the project includes a mixed-use development consisting of retail and office uses with a “town center” configuration. Preliminary plans include 304,850 square feet retail and 120,600 square feet of office space. The project may also include hotel and residential components.

Real Estate Demand Analysis

This section provides estimates for total supportable office, industrial, and retail development in the Park Hill Corridor by 2014. The real estate market analysis considers trends in local real estate markets, projected job growth, spending trends, and associated space requirements in order to estimate how much new development is supportable in the Park Hill Corridor. Key findings from real estate demand analysis include the following:

Office and Industrial

- ERA’s estimates for future demand for office and industrial space are based on employment growth projections that are provided by Workforce Kentucky². ERA selected viable occupations for the Park Hill Industrial district based on findings from stakeholder interviews, Initiative for a Competitive Inner City (ICIC) cluster analysis, and site observations.
- ERA’s estimate of market support for office and industrial space in the Park Hill Industrial Corridor is based on projected demand for office and industrial space in the Louisville Real Estate

² Workforce Kentucky is a division of the Kentucky Office of Employment and Training.

Market Area and the Park Hill Corridor's 2007 share of building stock within the overall real estate market area.

- Between 2009 and 2014, 2 million square feet of new office space and 5.3 million square feet of new industrial space could be supported within the Louisville Real Estate Market Area (a seven-county region).
- Based on these assumptions, by 2014 the Park Hill Industrial Corridor could support between 40,000 and 78,000 square feet of new office space and 514,000 to 770,000 square feet of new industrial space.

Retail

- Unmet retail demand of the residents of expanded West Louisville could support 517,000 SF of new retail development by 2014.
- The Park Hill Industrial Corridor can capture 10 to 15 percent of the total supportable retail space by 2014 (51,700 SF to 77,550 SF). This estimate does not include new retail development at Newbridge Crossing.
- The Park Hill Industrial Corridor could support several retail categories that cater to specific customer groups in the corridor, including existing residents, office and industrial employees, and University of Louisville students.
- New retail would be neighborhood infill, supplying primarily convenience goods (e.g. miscellaneous goods) and other more specialized stores (e.g. building materials, clothing, restaurants, etc).

Development Recommendations

ERA recommends the following key strategies to encourage new businesses to locate within the Park Hill Industrial Corridor:

- Implement industry-focused business recruitment and retention strategies for the Park Hill Industrial Corridor. The following business types should be targeted for recruitment to the Park Hill Corridor: Building Fixtures, Equipment & Services, Metal Manufacturing, Motor Driven

Products, Plastics, Prefabricated Enclosures, Automotive, Business Services, Chemical Products, Entertainment, Processed Foods, and Publishing and Printing.

- Marketing should strongly promote the locational advantage of the Park Hill Industrial Corridor's proximity to the CBD, the University of Louisville, and to the UPS Worldport.
- Identify and create a development plan for key opportunity sites, including the Rhodia, Corhart Refractories, and Vogt Commons.
- Implement job-specific employee training funded by employers or through Department of Labor grants.
- Consider a Business Improvement District for the Park Hill Industrial Corridor.

Impact Analysis

The anticipated development in the Park Hill Industrial Corridor will support significant economic activity. ERA estimated the economic and fiscal impacts of the full build-out of the market program, which will be completed in 2014. The total amount of spending, employee compensation, and employment supported by the project stems from direct spending and "multiplier effects" that occur as spending ripples through the regional economy. Using an economic model that captures the linkages within the economy, ERA estimates the following economic impacts associated with the Park Hill Corridor project:

- After development is complete and operations have stabilized, the project will generate total economic spending of between \$212 million and \$336 million per year, which can support 961 to 1,525 direct jobs with average annual salaries of \$33,000 to \$38,400 (\$2007).
- The total economic impact of this project, including direct, indirect and induced effects, will result in 1,700 to 2,700 jobs with average annual salaries of \$30,700 to \$33,400 (\$2007).

Fiscal impacts associated with the project include property tax, income tax, and sales tax revenues, and are estimated to total between \$2.8 and \$4.3 million annually at full build-out. ERA estimates the following annual fiscal impacts associated with the Park Hill Corridor project:

- Property tax revenue between \$229,000 and \$369,000 annually



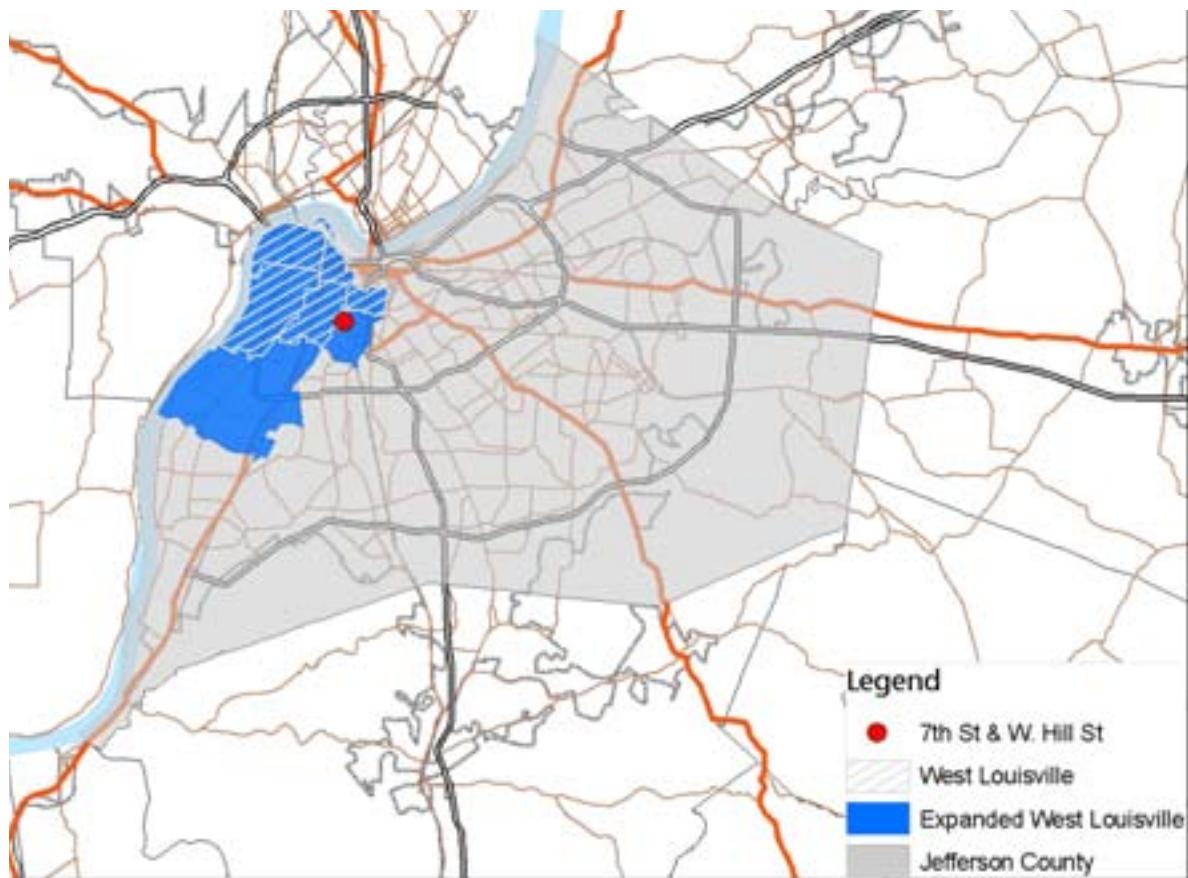
- Sales tax revenue between \$1,000,000 and \$1,500,000
- Income tax revenue between \$1,900,000 and \$3,000,000

II. Existing Conditions

ERA begins its analysis of the Park Hill Industrial Corridor by assessing the socio-economic, urban design, and real estate market conditions in and around West Louisville. The existing conditions analysis establishes the context within which planning for the Park Hill Industrial Corridor will occur. As part of the analysis, ERA considered socio-economic trends and projections for the resident population, employment trends and projections by industry, and urban design existing conditions, opportunities, and constraints. ERA analyzed data, interviewed local real estate professionals, and conducted an extensive stakeholder interview process in order to develop a thorough understanding of existing conditions in and around the Park Hill Industrial Corridor.

Socio-Economics

The socio-economic analysis of the Park Hill Industrial Corridor considers three geographic areas: West Louisville, Expanded West Louisville, and Jefferson County. Based on demographic and economic data, ERA identifies and compares the key characteristics of the resident population of each geographic area, historic trends, and future projections. West Louisville is defined by the following zip codes: 40203, 40210, 40211, and 40212. Neighborhoods located within West Louisville include Park Hill, California, SoBro, Russell, Portland, Shawnee, Algonquin, Parkland, Chickasaw, and Park Duvalle. Expanded West Louisville includes all of West Louisville, and the following zip codes: 40208, 40216, and 40292. The Expanded West Louisville area adds the following neighborhoods: South Louisville, University of Louisville, Old Louisville, Taylor Berry, and Cloverleaf. Each of the study areas is illustrated in Figure 3.

Figure 3: Louisville Study Areas

Source: ESRI GIS, Economics Research Associates

Demographic Trends

Population

Over the past twenty years, the population of West Louisville has been between 80,000 and 85,000 people. The area experienced a slight (-0.6 percent) population decline between 1990 and 2000.

Since 2000, West Louisville's population growth has stabilized, increasing annually by 0.1 percent, with a similar growth trend projected through 2012. West Louisville residents comprise roughly 60 percent of the Expanded West Louisville population and growth trends in the Expanded West Louisville area mirror those of West Louisville.

In 2007, Jefferson County population was about 715,000. Since 1990, the county has experienced a slow and steady annual growth of 0.4 percent. The stabilized growth rate of Jefferson County is higher than that of West Louisville and Expanded West Louisville.

Figure 4 details population growth trends (historic and projected) for West Louisville, Expanded West Louisville, and Jefferson County from 1990 to 2012.

Figure 4: Population Growth Trends (1990 - 2012)

	1990	2000	2007	2012	Compounded Annual Growth Rate		
					'90 - '00	'00 - '07	'07 - '12
West Louisville							
Population	85,138	80,261	80,269	80,726	(0.6%)	0.1%	0.1%
Households	32,709	31,856	32,421	32,885	(0.3%)	0.3%	0.3%
Expanded West Louisville							
Population	141,317	134,078	133,663	134,191	(0.5%)	(0.0%)	0.0%
Households	55,389	54,624	55,478	56,200	(0.1%)	0.2%	0.13%
Jefferson County							
Population	664,937	693,604	715,196	730,287	0.4%	0.4%	0.4%
Households	264,138	287,012	300,710	309,278	0.8%	0.7%	0.6%

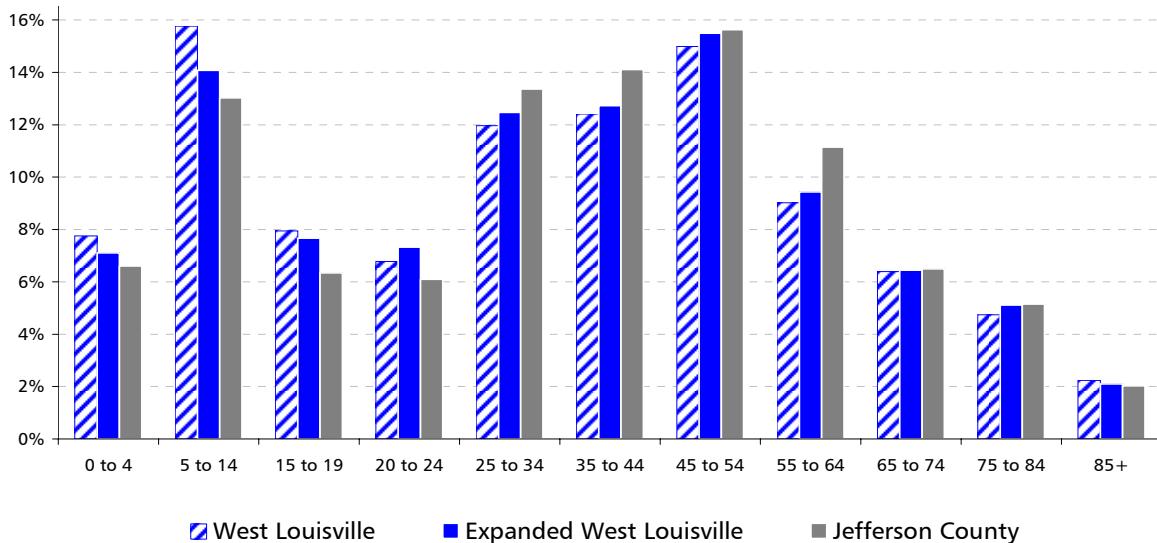
Source: U.S. Census Bureau; ESRI Business Analyst; Economics Research Associates

Age

Age distributions within Jefferson County, West Louisville and the Expanded West Louisville area are fairly uniform, as seen in Figure 5. Overall, a greater proportion of the West Louisville population is below the age of 20 (31 percent in West Louisville are between the ages of 0 and 19, as compared to 26 percent in Jefferson County for the same demographic age group). As a result, West Louisville and the Expanded West Louisville area have a younger population on average than Jefferson County as a whole. The median ages of the West Louisville, Expanded West Louisville, and Jefferson County populations are 35, 33, and 39 respectively. Figure 5 illustrates the 2007 age distribution amongst eleven demographic age brackets.

Notably, a slightly greater share of the Jefferson County population is workforce-aged (ages 20 to 65) than in West Louisville and the Expanded West Louisville area. In Jefferson County, 60 percent of the population is between the ages of 20 and 65, as compared to 55 percent of West Louisville population and 57 percent of the population living in the Expanded West Louisville area.

Figure 5: Age Distribution (2007)



Source: ESRI GIS, Economics Research Associates

Home Ownership

Home ownership rates are a key indicator of neighborhood stability. West Louisville and the Expanded West Louisville area have significantly lower owner occupancy rates and higher vacancy rates than Jefferson County as a whole. In 2007, 39 percent of housing units in West Louisville were owner-occupied, as compared to 60 percent owner occupancy across Jefferson County. During the same year, 14 percent of all housing units in West Louisville were vacant, as compared to only 8 percent vacancy in Jefferson County. These home ownership and vacancy patterns confirm that the West Louisville neighborhoods are more economically depressed than Jefferson County as a whole.

Figure 6: Home Ownership Rates (2007)

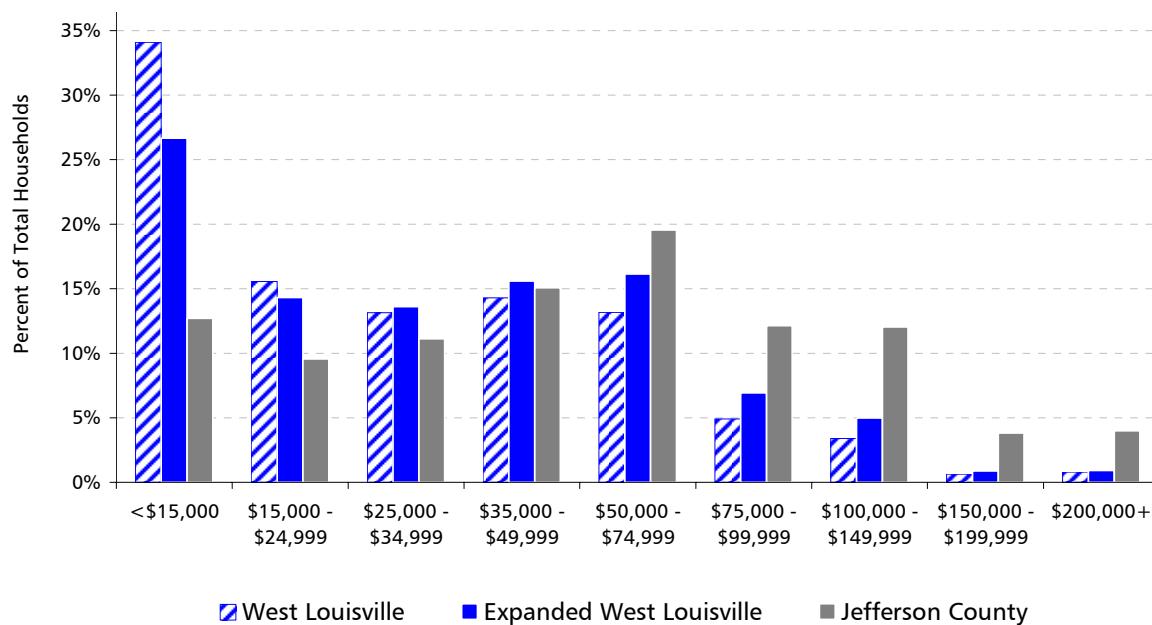
	West Louisville	Expanded West Louisville	Jefferson County
<i>Housing Units</i>	37,897	63,045	327,140
Owner Occupied (%)	39%	46%	60%
Renter Occupied (%)	46%	42%	31%
Vacant (%)	14%	12%	8%

Source: ESRI GIS; Economics Research Associates

Income

An analysis of income distribution clearly reveals the disparity between West Louisville and Jefferson County as a whole. Income levels in Jefferson County have a normal, bell-curve distribution, with the greatest share of the population (20 percent) earning between \$50,000 and \$74,999 annually. In contrast, income distribution within West Louisville is heavily skewed towards the lower-income brackets, with the greatest share of the population (34 percent) earning below \$15,000 annually. In 2007, 63 percent of the West Louisville households earned below \$35,000 annually, as compared to 33 percent of households in the same income brackets in Jefferson County. Only 9.7 percent of West Louisville households earn above \$75,000 annually, whereas 32 percent of households in Jefferson County earn more than \$75,000 each year.

Figure 7: Income Distribution 2007

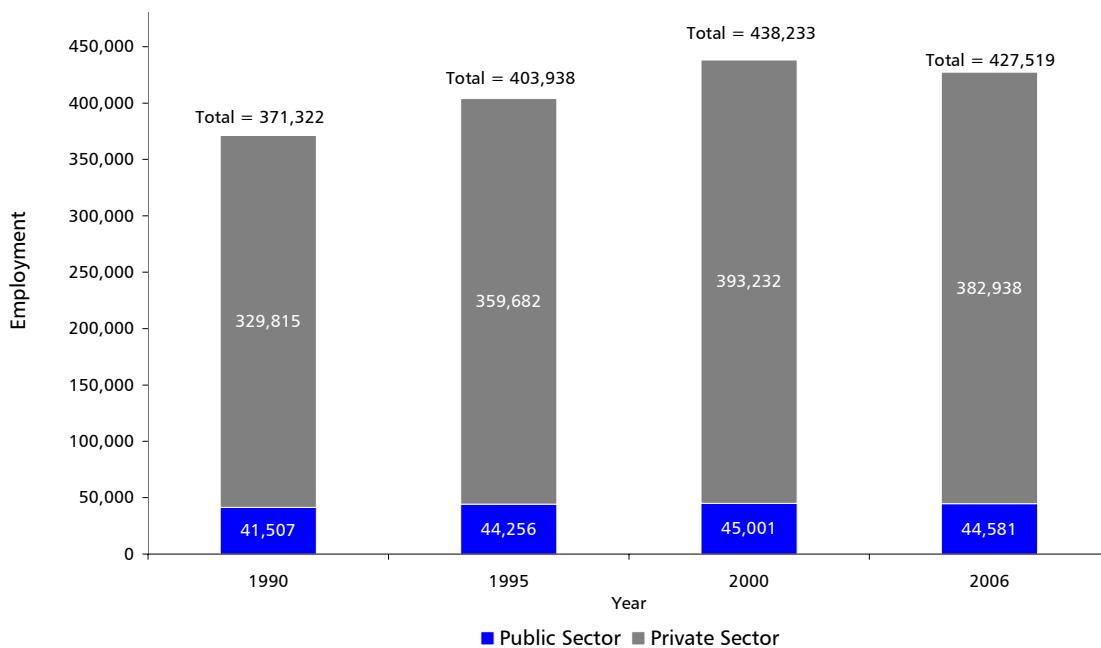


Source: ESRI GIS, Economics Research Associates

Economic Trends

In 2006, 428,000 individuals were employed in Jefferson County. Between 1990 and 2000, employment levels in Jefferson County grew by two percent annually. This trend reversed between 2000 and 2006, during which time employment levels declined 0.41 percent each year. Figure 8 illustrates trends in private and public sector employment in Jefferson County between 1990 and 2006.

Figure 8: Jefferson County Employment (1990 to 2006)



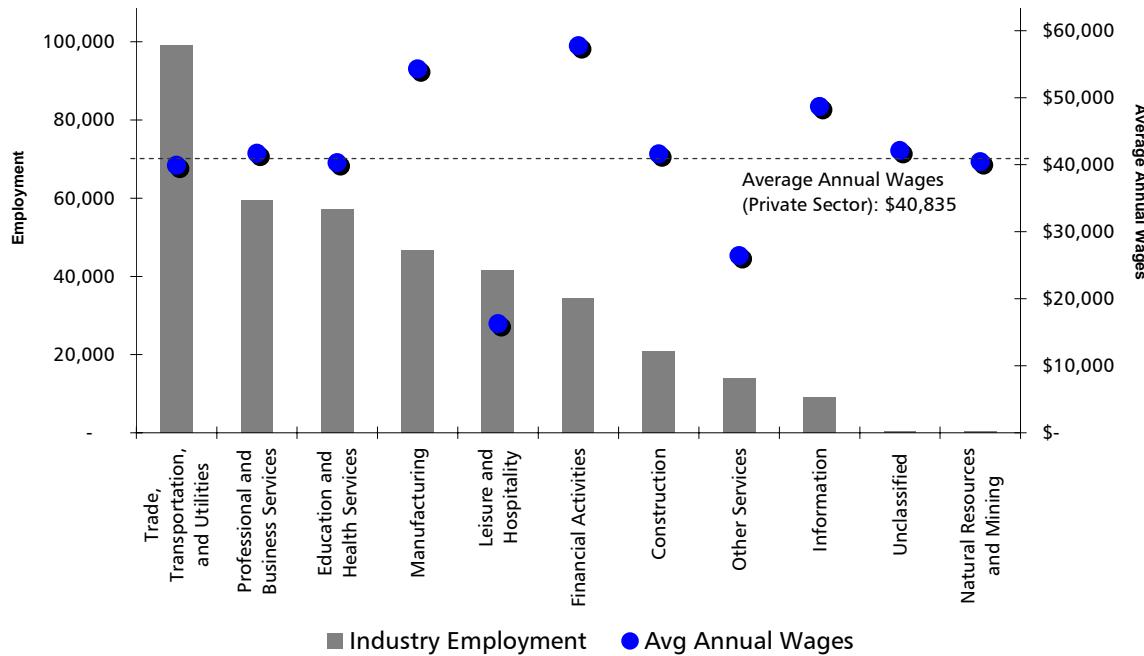
Source: Bureau of Labor Statistics, Quarterly Census of Earnings and Wages, Economics Research Associates

Industries

ERA evaluated industry trends in Jefferson County and compared scale (measured by the number of jobs) and associated wages of the eleven leading industries in the county. Jefferson County's leading industries include trade, transportation, and utilities; professional and business services; and education and health services. Trade, transportation, and utilities, the county's largest industry, supplies one-fourth of all private sector jobs. The four largest industries (trade, transportation, and utilities; professional and business services; education and health services; and manufacturing) supply 69 percent of the jobs in Jefferson County.

Average annual wages for all private sector jobs in 2006 was \$40,835. Manufacturing and professional and business services, two of the largest industries, offer average wages that are above the average annual wage. Trade transportation, and utilities and education and health services offer jobs that on average pay within two percent of the average annual wage for Jefferson County.

Figure 9: Jefferson County Private Sector Employment and Wages (2006)



Source: Bureau of Labor Statistics, Quarterly Census of Earnings and Wages, Economics Research Associates

Unemployment

According to the Bureau of Labor Statistics, which compiles and analyzes annual labor force data for census regions and metropolitan areas, unemployment rates in the Louisville Metropolitan Statistical Area (MSA) are historically lower than those of the State of Kentucky, and have remained below 6 percent since 2000. The unemployment rate data suggests that the Louisville MSA job market is healthier than the state at large. Figure 10 illustrates trends in unemployment rates in the Louisville MSA and the State of Kentucky.

Anecdotal evidence indicates that unemployment rates in West Louisville are well below those of the state, but labor force data that is specific to the West Louisville zip codes is not available.

Figure 10: Unemployment Trends 2000 – 2006

	2000	2001	2002	2003	2004	2005	2006
Labor Force							
Louisville MSA	610,050	602,873	598,159	601,770	602,303	612,276	628,056
Kentucky	1,949,013	1,954,142	1,950,470	1,974,511	1,968,952	1,999,118	2,038,971
Unemployment Rate							
Louisville MSA	3.6%	4.6%	5.4%	5.8%	5.3%	5.8%	5.5%
Kentucky	4.2%	5.2%	5.7%	6.3%	5.5%	6.0%	5.7%

Source: Bureau of Labor Statistics, Economics Research Associates

Major Employers

Louisville's central location within the United States, strong connectivity via interstate highways and rail lines, large and increasingly educated workforce, and business-friendly economic development initiatives make the city a desirable place for companies looking to expand. Figure 11 provides a comprehensive list of the largest private sector employers in Louisville as of 2005. Louisville is home to the headquarters of three Fortune 500 companies: Humana Inc., YUM! Brands, Inc, and Kindred Care, which collectively employed almost 10,400 individuals as of 2005. Louisville is also the site of the UPS Worldport, the 4 million square foot package sorting facility and worldwide air hub for UPS.

Figure 11: Largest Private Sector Employers in Louisville

Company	Product/Service	2005 Employment
United Parcel Service	International air hub	17,543
Ford Motor Co (2 plants)	Automotive manufacture	8,972
Norton Healthcare *	Health care provider	8,525
Humana Inc.*	Managed care	5,850
Jewish Hospital Healthcare *	Health care facilities	5,405
GE Consumer & Industrial	Home appliances, lightbulbs	5,000
Kroger Co.	Retail grocer	4,872
Baptist Hospital East *	Health care provider	3,179
Catholic Archdiocese of Louisville *	Churches, agencies, schools	2,680
Kindred Healthcare Inc.*	Long-term health care	2,342
CARITAS Health Services	Health care provider	2,200
YUM! Brands, Inc. *	KFC, Pizza Hut, Taco Bell, A&W, Long John Silvers	2,195
University Hospital *	Acute-care hospital	1,972
Caesars Indiana	Gaming and entertainment resort	1,918
Anthem Blue Cross Blue	Health insurance sales/service	1,687
Publishers Printing	Printing trade magazines	1,633
JP Morgan Chase & Co.	Banking	1,495
BellSouth	Telecommunications Atlanta	1,423
Floyd Memorial Hospital	Health care provider	1,412
Clark Memorial Hospital	Health care provider	1,411

Source: Greater Louisville Inc, Economics Research Associates

* Companies headquartered in Louisville

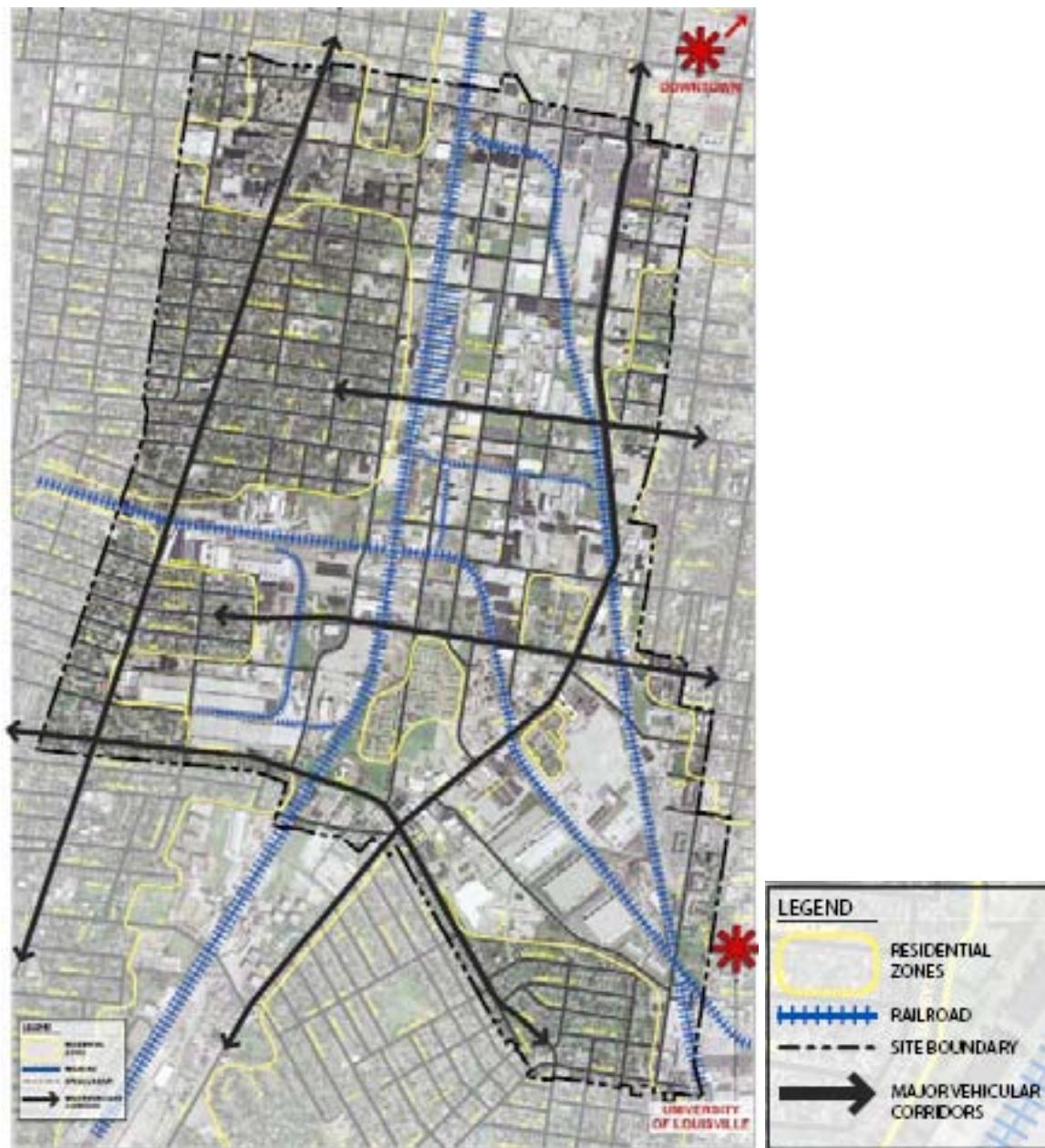
UPS is the largest private employer in Louisville, providing almost 18,000 jobs in 2005 and now exceeding this number. Many of UPS's jobs are part-time and overnight and the company hires many college students who are eligible for tuition reimbursement. UPS's presence in Louisville has attracted national-scale companies to expand and relocate into the region. Companies such as Best Buy Geek Squad, Great Northern Manufacturing, and Ann Taylor have come to Louisville in order to locate near UPS to take advantage of its quick delivery service. These companies frequently require large warehouse/distribution facilities in which to store products prior to distribution.

Urban Design Existing Conditions

The Park Hill Corridor is an industrial corridor located near downtown Louisville that experienced substantial physical changes during the last several decades. The corridor is currently undergoing a transition from former heavy manufacturing uses to a mix of light industrial, warehousing, and commercial uses. The existing conditions of the Park Hill Corridor exhibit the following physical characteristics:

- Consisting of approximately 1,400 total acres, the Park Hill Corridor has a substantial amount of vacant, underutilized, and potentially available land, thereby offering the ability to build horizontally as well as vertically.
- With strategic access to air service (passenger and cargo), three available rail lines (CSX, Norfolk Southern, and Louisville and Paducah), and local and regional road networks, the Park Hill Corridor is an attractive location for certain enterprises that need such proximity.
- The central portion of the Park Hill Corridor can be characterized as an industrial core, which serves as a sympathetic setting for new businesses and commercial activities.
- The edge of the Park Hill Corridor consists of adjacent commercial and residential areas, which provide retail services and a nearby labor force for the corridor.

Figure 12: Park Hill Industrial Corridor Existing Conditions



Issues and Challenges

Current global trends and recent economic changes have substantial implications for the economic viability of the Park Hill Corridor. As a result, the Corridor faces the following issues and challenges:

- Accessibility and internal circulation are critical issues because time delays (and costs) associated with mobility challenges and congestion favor areas with predictable and reliable transportation systems. While proximity to the regional Interstate system is a major asset of the Park Hill Corridor, local access within the area, and to and from the Interstate system, presents serious obstacles to the corridor.
- Informal truck routes that intrude upon residential neighborhoods, and disruptive rail operations that interrupt vehicular movement through the area, are significant problems for residents and motorists, as well as potential new companies considering re-location into the Park Hill Corridor.
- The Park Hill Corridor appears in many places to suffer from poor physical condition and a negative image. Physical improvements to the corridor are critical path elements that must be addressed immediately as part of an overall repositioning of the area.
- A number of key sites that are available in the Park Hill Corridor, including the Rhodia parcel, the American Standard sites, and the former Phillip Morris site, have the potential to serve as catalysts for economic development.
- The Park Hill Corridor extends from the fringe of downtown to the edge of the University of Louisville, and the proximity of the corridor to these two economic drivers provides the Park Hill Corridor with unique locational advantages.

Figure 13: Park Hill Industrial Corridor Issues and Challenges



Source: EDAW

Corridor Opportunities

For Park Hill Industrial Corridor to re-capture its history as a highly successful economic driver with quality industrial and commercial space, the Corridor must enhance its physical appearance, improve its accessibility, and meet the infrastructure needs demanded by businesses in the 21st century. As

urban densities increase, the need for a high quality public realm, a distinct identity, and other amenities becomes more pronounced, particularly if a highly-mobile and demanding workforce is to be attracted. The Park Hill Corridor has the key spatial opportunities and catalyst sites to service this need.

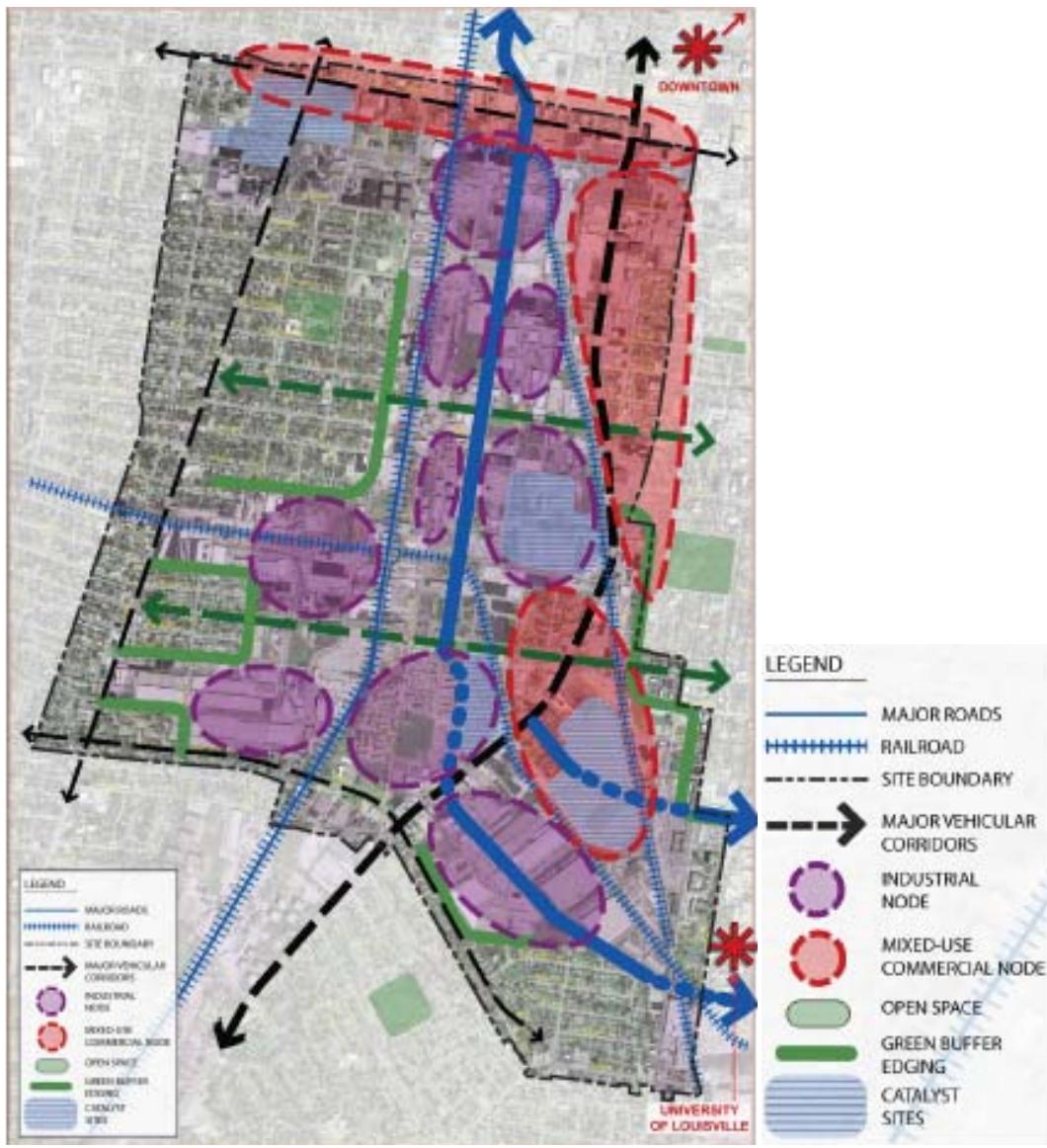
Figure 13, Figure 14, and the observations below represent preliminary thoughts about the opportunities and challenges associated with physical planning of the Park Hill Industrial Corridor. These initial concepts will be further developed as part of the Park Hill Industrial Corridor Implementation Strategy.

- The opportunity exists in the Park Hill Corridor to identify near-term development opportunities located at key activity nodes throughout the 1,400-acre corridor. Key activity nodes should be woven into coherent commercial and industrial business districts that are each able to achieve a clear and distinct “sense of place” within the geography of Greater Louisville. Indeed, some of these subzones or activity nodes (notably, along the corridor’s eastern edge) have already begun to take on that sense of place, and show the potential to attract companies seeking a unique business environment with competitively priced facilities and a central location.
- Implementation of strategic improvements to the transportation system should include the establishment of a spine road that would improve vehicular mobility within the Park Hill Corridor and increase the amount of valuable roadway capacity. An internal spine road would also unlock additional development capacity for the corridor.
- Providing a route for trucks and employees to reach the Park Hill Corridor directly to and from the Interstate system without intruding into nearby neighborhoods would greatly assist the corridor. Such a route would add value to key parcels in the corridor and enhance the livability of adjacent neighborhoods.
- For the Park Hill Corridor to reposition itself, the positive urban qualities of the corridor need strengthening, in particular the physical connections to the University and adjacent neighborhoods. Addressing quality of life factors such as open space and streetscape improvements can serve to reconnect the Park Hill Corridor with the rest of Louisville, and in effect reconnect parts of Louisville that have seen themselves for years as separated by a huge industrial wasteland and transportation barrier.

- While the Park Hill Industrial Corridor has many assets, serious obstacles must be overcome in order for its identity to be seen in a positive light, and for it to gain credibility as a business location. The future of the Parkway Place public housing complex, environmental assessment issues, and the perception of crime – real or notional – are among the critical elements that must be addressed immediately.
- Entrepreneurial companies, by their nature, seek smaller facilities at a more affordable price – sometimes especially seeking to be near university resources. They therefore represent a pipeline of potential tenants who may see a future, redeveloped Park Hill Corridor as highly competitive with traditional suburban business locations. To jump start this process, the highest priority catalyst sites must be addressed and capitalized upon.

To generate economic growth within the Park Hill Corridor, the area – and with it, the surrounding West Louisville neighborhoods – must be positioned to assume a more important and strategic role within the regional economy. More than simply providing additional land capacity for industrial, commercial, or institutional uses, the Park Hill Industrial Corridor area provides an opportunity to create a vibrant and healthy place to live and work.

Figure 14: Park Hill Industrial Corridor Opportunities



Source: EDAW

Real Estate Market Existing Conditions

Office, industrial, and retail space is expected to represent the majority of new development that will occupy the Park Hill Corridor in the future. In order to understand the dynamics of these market segments, this section provides an overview of historic market trends, existing conditions, and projected new development for office, industrial, and retail space in Louisville and the surrounding region.

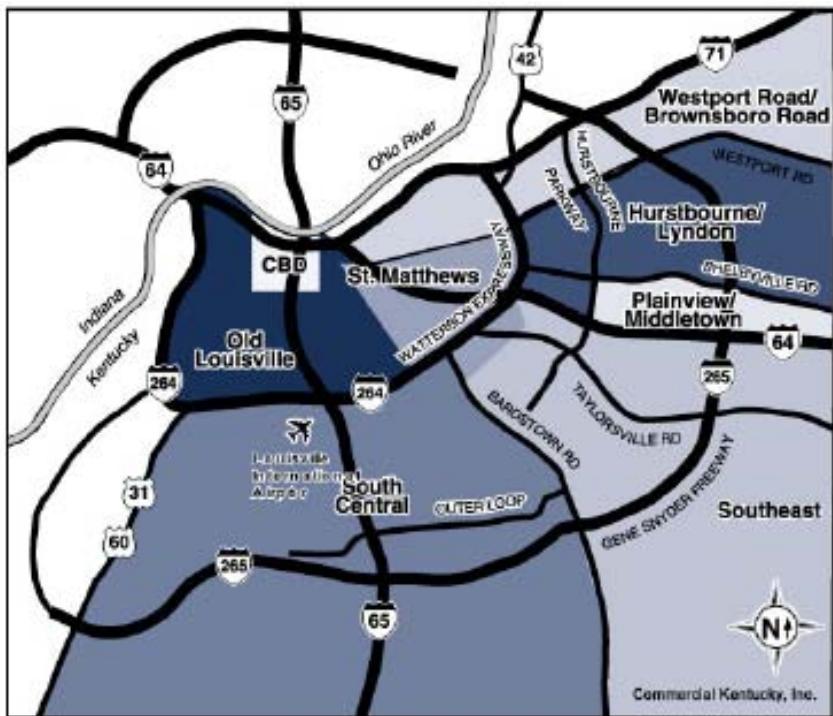
Office

The Louisville Office Market includes the area within the I-265 loop and several outlying neighborhoods. The office market area is comprised of the Central Business District (CBD) and seven suburban submarkets. Figure 15 illustrates the Louisville office market area and the approximate locations of each submarket. The office market and submarket geographies are designated by Commercial Kentucky, one of the leading commercial real estate firms in the city. The Louisville Office submarkets are detailed below:

- *Old Louisville*, which includes the downtown area immediately surrounding the Central Business District as well as the Old Louisville neighborhood, is comprised of 15 buildings and 379,000 square feet of office space. The Park Hill Industrial Corridor is located within the Old Louisville submarket.
- *Central Business District*, which extends from River Road to York Street and from Hancock Street to Ninth Street, is comprised of 92 buildings and 9.4 million square feet of office space.
- *Hurstbourne / Eastpoint*, which includes areas east of I-264, north of Shelbyville Road, and south of Westport Road, is comprised of 79 buildings and 4.0 million square feet of office space. Hurstbourne / Eastpoint represents the largest suburban office submarket.
- *Plainview / Middletown*, which includes the areas south of Shelbyville Road, north of I-64, and east of Hurstbourne Parkway, is comprised of 32 buildings and 1.5 million square feet of office space.
- *Southeast*, which includes the area along the South Hurstbourne Parkway that extends south from I-64 to Bardstown Road, is comprised of 26 buildings and 1.2 million square feet of office space.

- *Westport Road / Brownsboro Road*, which is located south of I-71, north of Westport Road, and east of I-264, is comprised of 27 office buildings and 780,000 square feet of office space.
- *St. Matthews*, which is bounded to the west by Bardstown Road and to the east by I-264, is comprised of 33 buildings and 1.2 million square feet of office space.
- *South Central*, which is bounded to the north by I-264 and to the east by Bardstown Road, is comprised of 21 buildings and 1.3 million square feet of office space, and includes the Louisville International Airport.

Figure 15: Louisville Office Market Area



Source: Commercial Kentucky

Inventory

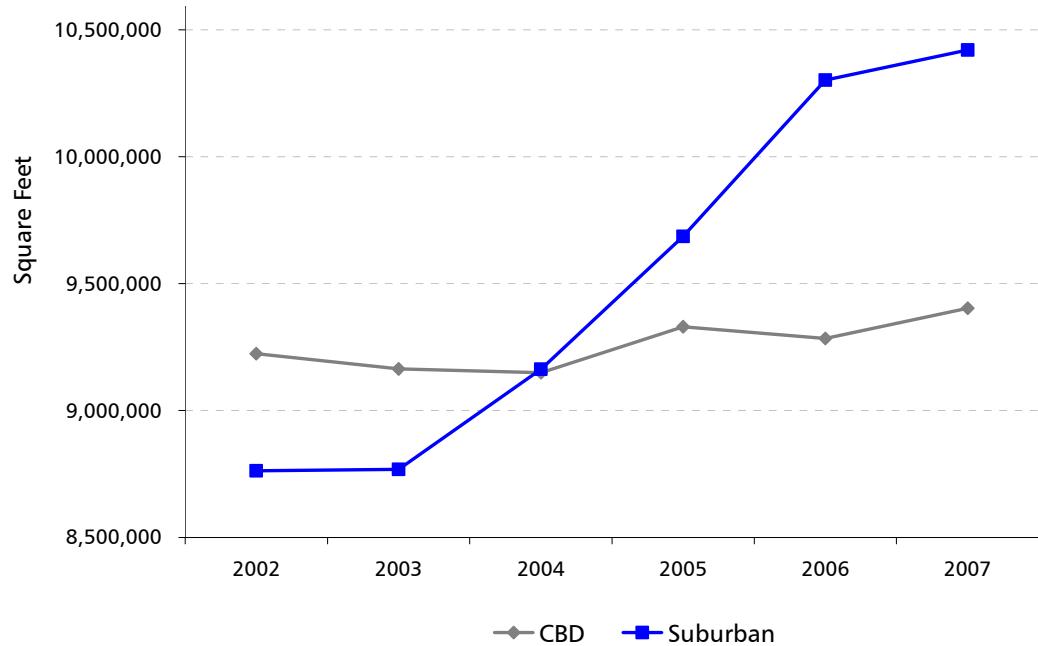
The Louisville office market inventory in 2007 was 19.8 million square feet. Roughly half of the region's office market is located within the Louisville CBD. The majority of the office market (53 percent) was Class B space, with most of the Class A office space located within the Central Business District.

Figure 16: Louisville Office Inventory 2002 to 2007

	2002	2003	2004	2005	2006	2007
Total Inventory	17,987,363 SF	17,932,573 SF	18,312,448 SF	19,016,111 SF	19,586,709 SF	19,823,546 SF
<u>Louisville Submarkets</u>						
CBD	9,224,705 SF	9,164,104 SF	9,149,390 SF	9,330,058 SF	9,284,335 SF	9,403,272 SF
Suburban	8,762,658 SF	8,768,469 SF	9,163,058 SF	9,686,053 SF	10,302,374 SF	10,420,274 SF
Old Louisville	210,650 SF	269,650 SF	253,650 SF	260,519 SF	272,235 SF	378,941 SF
<u>By Class (All Submarkets)</u>						
Class A	7,932,382 SF	8,265,413 SF	8,557,944 SF	8,244,042 SF	8,642,467 SF	8,680,180 SF
Class B	9,398,535 SF	9,010,714 SF	9,047,576 SF	10,050,274 SF	10,222,467 SF	10,421,591 SF
Class C	656,446 SF	656,446 SF	706,928 SF	721,795 SF	721,775 SF	721,775 SF

Sources: Commercial Kentucky Real Estate Advisors, Economics Research Associates

Figure 16 illustrates development trends in the Louisville office market from 2002 to 2007. During this period, an average of 367,000 square feet was added to the office inventory annually. As in most US cities, much of the new office development in Louisville is happening in suburban markets. Prior to 2004, the majority of office space in the Louisville Office Market was located within the CBD. However, for the past six years, office development in the CBD has remained stagnant while suburban office development has grown dramatically. Between 2002 and 2007, 179,000 square feet of new office space were added in the CBD. During the same time period, 1.7 million square feet of new office space were developed in the suburban markets. Figure 17 illustrates office development trends in the CBD and Suburban submarkets.

Figure 17: Louisville CBD and Suburban Office Inventory (2002 to 2007)

Source: Commercial Kentucky, Economics Research Associates

Old Louisville, where the Park Hill Industrial Corridor is located, represents the smallest office submarket, containing 379,000 square feet of office space as of 2007. Between 2002 and 2006, annual growth in the Old Louisville office market was 7 percent.³

The suburban submarkets of Hurstbourne/Eastpoint and Plainview/Middletown captured the largest share of new development since 2002. Between 2002 and 2007, 1 million of the 1.7 million square feet of new office development in the suburban submarkets took place in Hurstbourne/Eastpoint and Plainview/Middletown.

There is a marked trend of companies expanding into existing buildings in the suburban submarkets. For example, in 2007, Trover Solutions, Inc., a Louisville-based company with 625 employees which provides recovery services to insurance companies, moved into an 80,000 square foot building located in the Southeast submarket that was formerly a Sears call center. PharMerica Corporation,

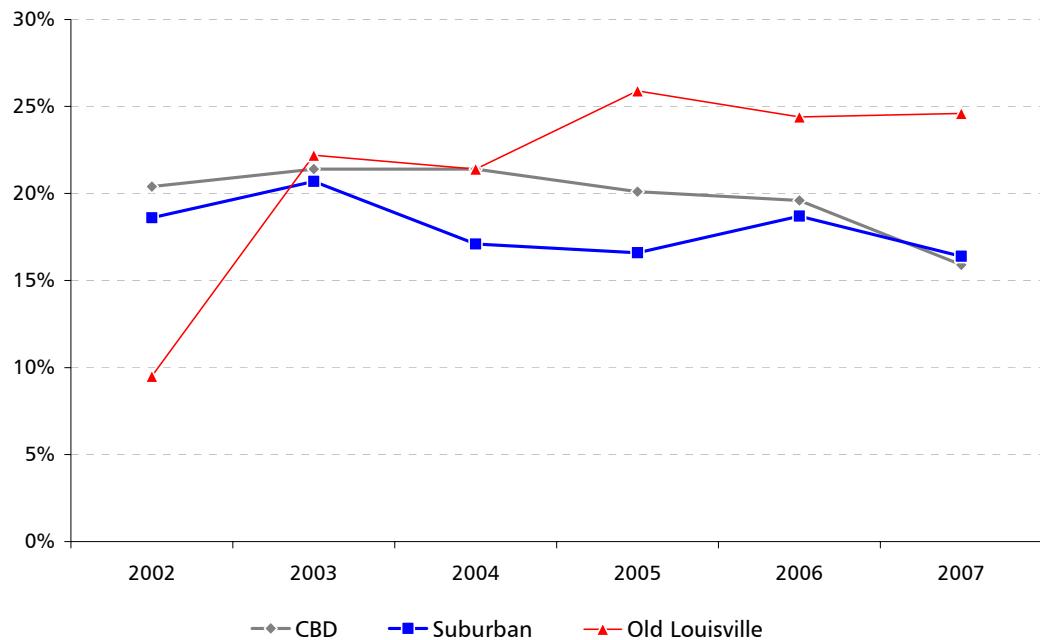
³ The 106,000 square-foot jump in inventory during 2007 was caused by an inventory adjustment and should be discounted.

newly formed from the merger of Kindred Pharmacy Services and PharMerica Long-Term Care, plans to establish its corporate headquarters in the 93,000 square foot Campus Place building in Jeffersontown (in the Southeast submarket), which was formerly occupied by Anthem Blue Cross and Blue Shield of Kentucky.

Vacancy

Annual vacancy rates in the Louisville office market are high and have fluctuated between 16 and 21 percent since 2002. Vacancy rates in both the CBD and suburban markets have been steadily declining, with a slight spike in vacancy in 2006. Suburban vacancy rates have historically been lower than CBD vacancy rates, and 2007 was the first time in six years that this trend reversed. High vacancy rates in the suburban submarkets can be attributed to Class B vacancy in the Southeast submarket, high vacancy in the Plainview submarket, and an over-supply of office-condominiums.

Figure 18 illustrates annual vacancy rates for office space in the CBD, suburban submarkets, and the Old Louisville submarket. While vacancy rates in the CBD and suburban submarkets have followed similar trends over the past six years, Old Louisville has seen a marked climb in vacancy rates, from a 10 percent vacancy in 2002 to the 2007 vacancy rate of 25 percent.

Figure 18: Louisville Office Market Vacancy (2002-2007)

Source: Commercial Kentucky, Economics Research Associates

Absorption

Annual net absorption reflects the change in occupied square footage in a given year within a defined market. Average annual net absorption in the Louisville Office Market from 2002 to 2007 was 224,000 square feet, with almost 80 percent of the absorption occurring in suburban submarkets. However, revitalization efforts such as the plans for Louisville downtown are prompting CBD tenants to renew leases and expand in downtown locations, and absorption levels in the CBD are expected to remain strong. Figure 19 illustrates absorption trends for the Louisville Office Market from 2002 to 2007.

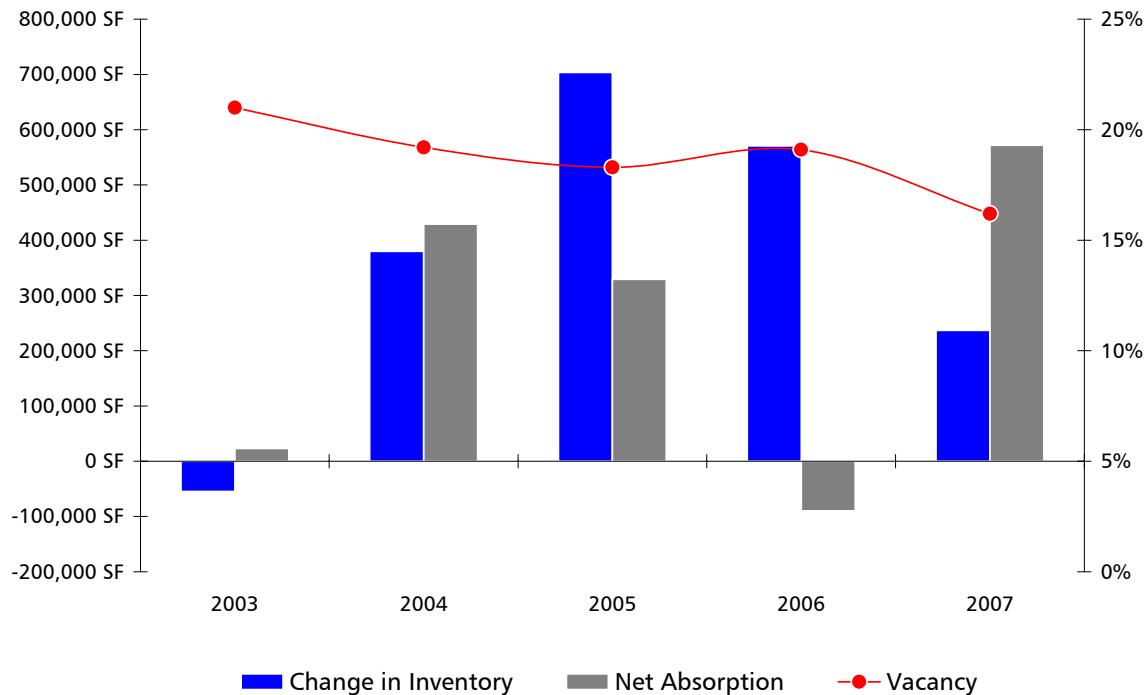
Class A office space, which represented 44 percent of the office market in 2007, has experienced annual absorption levels ranging between 112,000 and 431,000 square feet over the last five years. Class B office space, which represented 53 percent of the office market in 2007, experienced negative absorption from 2002 to 2006 and a surge in absorption in 2007. One of the sources of disparity between Class A and Class B absorption levels in Louisville is Class B tenants "upgrading" into Class A buildings, which bolsters absorption in the Class A market and causes Class B absorption levels to lag.

Figure 19: Louisville Office Market Absorption Trends (2002 – 2007)

	2002	2003	2004	2005	2006	2007	Average (02 -07)
Total Absorption	77,494 SF	23,162 SF	429,108 SF	329,150 SF	-89,818 SF	572,010 SF	223,518 SF
<u>Louisville Submarkets</u>							
CBD	-102,867 SF	-92,567 SF	37,894 SF	210,517 SF	2,397 SF	235,970 SF	48,557 SF
Suburban	180,361 SF	115,729 SF	391,214 SF	118,633 SF	-92,215 SF	336,040 SF	174,960 SF
Old Louisville	-5,657 SF	11,854 SF	5,141 SF	-5,191 SF	1,125 SF	18,619 SF	4,315 SF
<u>By Class (All Submarkets)</u>							
Class A	326,004 SF	188,562 SF	430,695 SF	378,470 SF	112,369 SF	349,013 SF	297,519 SF
Class B	-236,786 SF	-128,837 SF	-23,952 SF	-64,816 SF	-206,822 SF	225,633 SF	-72,597 SF
Class C	-11,724 SF	-36,563 SF	22,365 SF	15,496 SF	4,635 SF	-2,636 SF	-1,405 SF

Sources: Commercial Kentucky Real Estate Advisors, Economics Research Associates

Figure 20 compares absorption to inventory in the Louisville office market over the last five years. As the graph shows, annual absorption is volatile, and ranged between -90,000 and 572,000 square feet between 2002 and 2007. The strongest year for the office market was 2007, with net absorption substantially exceeding change in inventory and declining vacancy rates.

Figure 20: Louisville Office Market Growth and Absorption (2002-2007)

Source: Commercial Kentucky, Economics Research Associates

Since 2002, the Old Louisville submarket has absorbed between -5,600 and 18,600 square feet annually, with an average annual absorption of 4,315 square feet. Low absorption rates in the Old Louisville submarket can be attributed to a variety of factors, including obsolete building stock, poor neighborhood perceptions, truck accessibility, and high competition from newer industrial districts.

Pipeline Development

Louisville is committed to revitalizing its downtown and, with over \$1 billion investment planned over the next three years, the Central Business District will soon see a development boom. The following office developments are in the CBD pipeline:

- Museum Plaza, the largest planned new downtown development, is a 1.5 million square foot mixed-use development that includes 300,000 square feet of office space, 165 residential condominiums, a 250-room Westin Hotel, and a contemporary arts center.

- Iron Quarter is a 230,000 square foot retail and office complex located on Main Street between First and Second Streets and next to the planned new downtown arena. The planned new \$50 million development will include 120,000 square feet of Class A office space.
- ZirMed Gateway Tower is a 140,000 square foot, 12-story mixed-use development located at Ninth and Market streets. ZirMed, a Louisville-based health care technology company, will consolidate three offices into a new 80,000 square foot corporate headquarters within the new building. Construction of the ZirMed Gateway Tower is underway.
- The planned conversion of the Hilliard Lyons Center into an Embassy Suites hotel will remove 344,000 square feet of Class B office space from the CBD.

The suburban submarkets experienced annual growth of 4.1 percent from 2002 to 2006, which slowed to 1.1 percent between 2006 and 2007. This reduced pace of development is expected to hold over the next several years due to rising construction costs and the economic slow-down. Nonetheless, several new suburban office developments are planned, including:

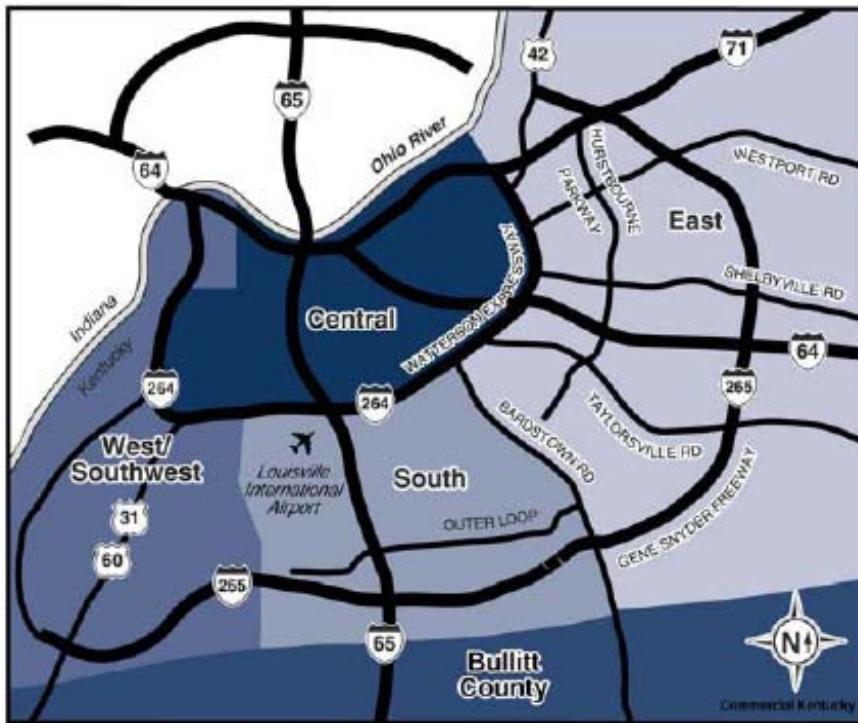
- Woodlawn Center Office Park I and II, in the Hurstbourne/Lyndon suburban submarket, will include two 45,000 square foot, three-story, Class A office buildings. The project is in the planning stages and has not yet started construction.
- The Sanctuary, a 90,000 square foot Class A office building in Eastpoint.

Industrial Market Trends

The Louisville Industrial Area is larger than the Louisville Office Area, and is comprised of all areas within the I-265 loop and several outlying neighborhoods. The industrial area is made up of five markets: Central, East, South, and West/Southwest markets within Jefferson County and the Bullitt County market.

Figure 21 illustrates the Louisville Industrial Area and the approximate boundaries of each market. The industrial market and submarket geographies are designated by Commercial Kentucky, one of the leading commercial real estate firms in the city. Industrial market trends are based on data collected by both Colliers Harry K Moore and Commercial Kentucky for each firm's respective quarterly market reports. The Louisville Industrial Markets are detailed below:

- *Central*, which is bounded by I-264 and the Ohio River to the north. The Central submarket is divided into three submarkets: Downtown, which includes the CBD, I-65, which includes West Louisville and the Park Hill Industrial Corridor, and the I-64 submarket.
- *East*, which is bounded by the Ohio River to the North, the Jefferson County line to the south, and Bardstown Road and I-264 to the west. The East submarket is divided into three submarkets: J-town, which includes Bluegrass Industrial Park, Middletown/ Eastpoint, and Westport Brownsboro.
- *South*, which is bounded by I-264 to the north, the Jefferson County line to the south, Bardstown Road to the east, and Louisville International Airport to the west. The South submarket is divided into three submarkets: Airport, which includes the 1.5 million square foot Airport Industrial Center, Bishop, and Fern Valley.
- *West / Southwest*, which is bounded by the I-264 to the north, Bullitt County to the south, Louisville International Airport to the east, and Ohio River to the west. The West submarket is divided into three submarkets: Riverport, which includes the 1,800 acre Jefferson Riverport International, Iroquois, and Westend.
- *Bullitt County*, which is bounded by the Jefferson County line to the north and bisected by I-65. Bullitt County is quickly growing as a distribution hub, and its growth is expected to increase in coming years.

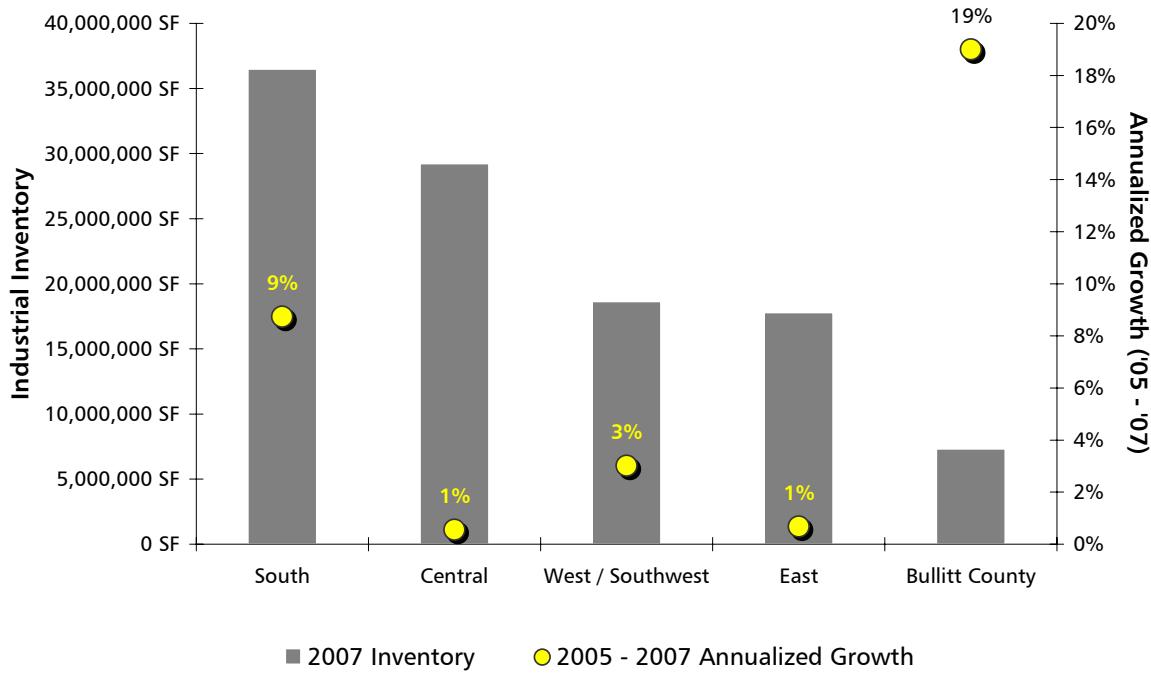
Figure 21: Louisville Industrial Markets

Source: Commercial Kentucky

Inventory

The Louisville Industrial Market inventory in 2007 was 109.5 million square feet, with 51 percent of industrial space geared toward manufacturing and 45 percent of industrial space used for warehouse distribution. The remaining 4 percent of industrial space is used for office service functions. The two largest industrial markets are South and Central, and the fastest growing markets are Bullitt County and South. Figure 22 details the 2007 inventory of office space within each market and the 3-year annualized growth rate for each market.

Figure 22: Louisville Industrial Inventory



Source: Commercial Kentucky, Economics Research Associates

Each industrial market provides unique advantages in terms of location and amenities. The following trends in each market help define the competitive context for new industrial development in the Park Hill Corridor.

- The Central market, which is comprised of 560 buildings and 29.2 million square feet of industrial space, is one of the larger industrial markets and has shown little growth over the last three years. Industrial neighborhoods in the Central submarket include the Park Hill Corridor, Smoketown, and Rubbertown. College Industrial Park is a 48-acre development located within The Park Hill Corridor just west of the University of Louisville's Belknap Campus. Major tenants in College Industrial Park include Unisource Worldwide Inc., a distributor of printing and packaging materials, Broder Bros. Co., a wholesale clothing distributor; and Old Castle Glass Group Inc., a glass fabricator.
- The South market, which is comprised of 465 buildings and 36.5 million square feet of industrial space, represents the largest industrial market in Louisville, and is also one of the

fastest growing. The South market includes the Louisville International Airport, UPS, and the 1.5 million square foot Airport Industrial Center. Airport Industrial Center is located ten minutes from the UPS Worldport and within a Foreign Trade Zone and the Louisville Enterprise Zone, which grants sales tax exemptions to certified businesses. A cluster of defense companies is located within the Airport Industrial Center, including Raytheon Missile Systems Company, BAE Systems, CACI, and Defense Contract Management, Louisville.

- Bullitt County, which is comprised of 38 buildings and 7.3 million square feet of industrial space, is the smallest and fastest growing market in the Louisville Industrial area. Capitalizing on its proximity to Louisville International Airport and UPS's distribution operations, Bullitt County is emerging as a distribution hub. Cedar Grove and Salt River are two of Bullitt County's newer business parks and contain light industrial/distribution tenants. Other Bullitt County industrial and distribution sites include: Shepherdsville Business Center, Mount Washington Business Centre, Louisville Logistics Center, and Shepherdsville's ProLogis 65 Park, which includes Best Buy's Geek Squad City. Zappo's, Linens n Things, Reynolds Food Packaging, and Gordon Food Service represent some of the larger tenants in Bullitt County industrial parks.
- The East market, which is comprised of 351 buildings and 17.8 million square feet of industrial space, is a mid-sized industrial district that has grown little over the past three years. The submarket's competitive strength is its exceptional highway accessibility, which makes it an ideal location for distribution; however its major industrial facilities are aging. Bluegrass Industrial Park, the largest industrial district within the East market, opened forty years ago and was the first industrial park in Louisville. Today, the 1,800 acre park is considering amenities to modernize its facilities and improve its competitive position amongst newer suburban industrial parks.
- The West / Southwest market, which is comprised of 201 buildings and 18.6 million square feet of industrial space, is a mid-sized industrial district that has grown annually by 3.0 percent over the last three years. Jefferson Riverport International is the largest industrial district in the West/Southwest market and is designated as a Foreign Trade Zone. Over 100 companies are located in Riverport and the largest tenants, which represent a diversity of industries, include Ann Taylor, aNETorder.com, Circuit City Service Center, Exel (Honeywell), Guess?, MCI Service Parts, Plastech, Stride Rite Corp, and USCO Logistics.

As new industrial developments are built further from the urban core, the boundaries of Louisville's Industrial Area continue to expand. Bullitt County is the fastest growing industrial market, and Southern Indiana is a growing industrial market as well. Bullitt County has added 2.2 million square feet of new industrial space since 2005, which represents 30 percent of all industrial space in the Bullitt County market. Southern Indiana has 121 million square feet of industrial space.

Absorption

Average annual absorption in the Louisville industrial market from 2002 to 2007 was 2.1 million square feet, with all of the absorption occurring in suburban markets. Figure 23 shows absorption trends in Louisville, the Central submarket, and Suburban submarkets. The Central submarket, where the Park Hill Corridor is located, has experienced negative industrial absorption in every year since 2002. To become a more viable industrial district, the Central sub-submarket, and the Park Hill Corridor specifically, will have to capture some of the industrial absorption that is happening in the suburban submarkets.

Figure 23: Louisville Industrial Market Absorption Trends (2003 - 2007)

Summary of Louisville Industrial Market Trends (2003 - 2007)

Market/Submarket	2003	2004	2005	2006	2007	Average (03 - 07)
Absorption	143,191 SF	-137,494 SF	48,232 SF	4,087,742 SF	2,570,000 SF	1,342,334 SF
<u>Louisville Submarkets</u>						
Central	-55,250 SF	-246,646 SF	-948,970 SF	-3,597 SF	-3,597 SF	-251,612 SF
Suburban	198,441 SF	109,152 SF	997,202 SF	4,091,339 SF	4,091,339 SF	1,897,495 SF

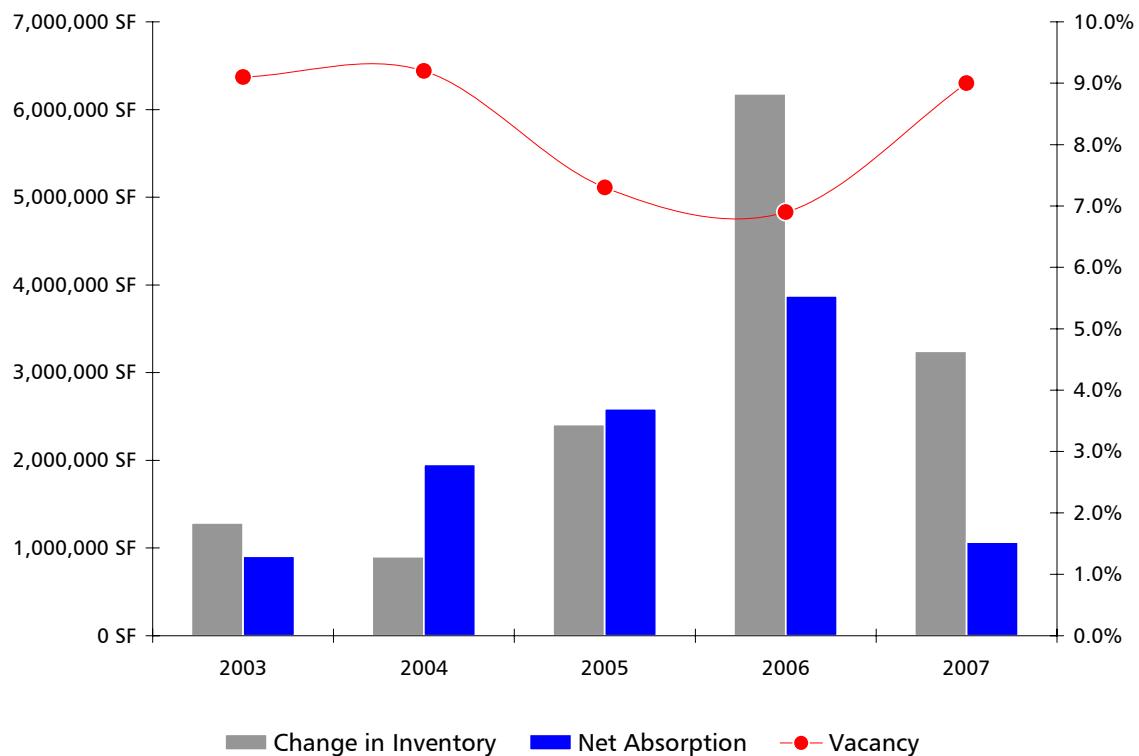
Sources: Colliers Harry K. Moore, Economics Research Associates

Over the past six years, the Louisville market has added over 14 million square feet of industrial space. During the same time period, 12 million square feet of industrial space were absorbed. Figure 24 details changes in inventory and absorption in the Louisville industrial market over the last five years. As the graph shows, both inventory and annual absorption grew steadily through 2006, with a dramatic jump in industrial market activity during 2006. However, as inventory continues to grow through new construction, absorption levels have not kept pace.

Absorption for the Louisville Industrial Area declined by 73 percent between 2006 and 2007, but is projected to improve in 2008. Annual absorption in 2006 (3.9 million square feet) was 84 percent higher than the average absorption for the five year period (2.1 million square feet). Market uncertainty in 2007 resulted also in reduced sales and leasing activity. However, UPS Worldport

plans to further expand, which spurs confidence amongst investors in Louisville's industrial market and should offset other market uncertainties.

Figure 24: Louisville Industrial Market Growth and Absorption (2003 - 2007)



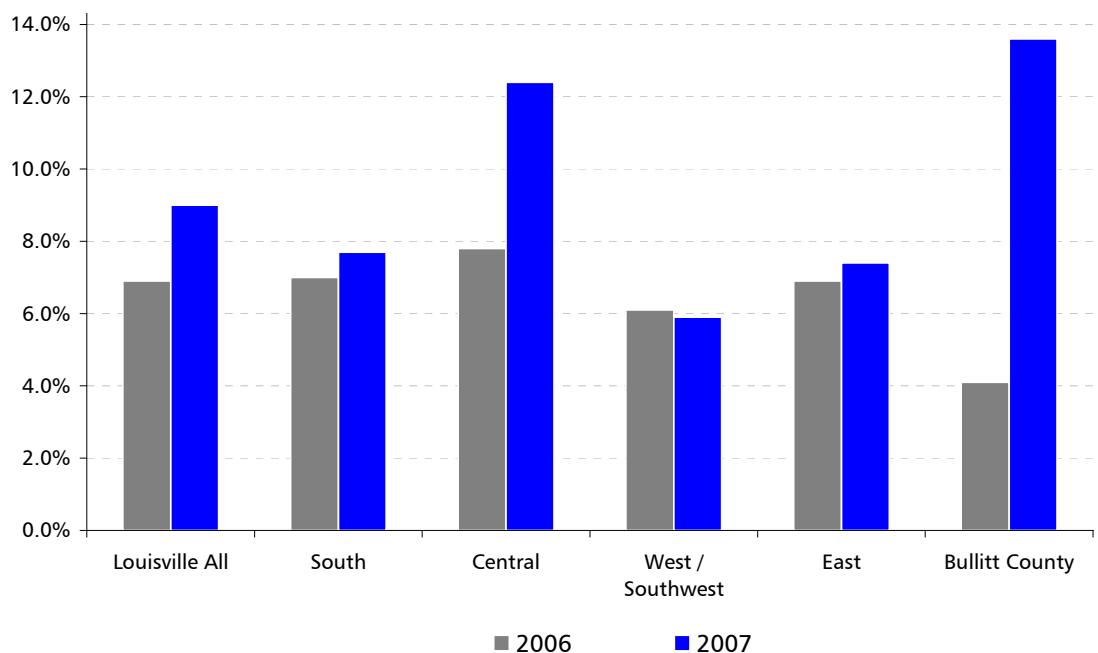
Source: Commercial Kentucky, Economics Research Associates

Vacancy

Average annual vacancy in the Louisville industrial market from 2002 to 2007 was 8.4 percent, fluctuating between 6.9 and 9.2 percent. Figure 24 illustrates the relationship between new construction, absorption, and vacancy rates in the Louisville industrial market. During 2003 and 2004, total absorption matched total change in inventory, and vacancy rates remained stable. In 2005, absorption outpaced change to inventory, and vacancy rates declined. Annual vacancy rates reached their five-year low during 2006, following four years of steady growth in absorption. When absorption levels dropped in 2007 and 3.2 million square feet of industrial space were added to the market, vacancy rates rose from 6.9 to 9.0 percent.

Louisville Industrial Area's rising vacancy rates from 2006 to 2007 can be attributed almost entirely to the Bullitt County and Central markets. Figure 25 illustrates change in vacancy for each market between 2006 and 2007. Bullitt County's surge in vacancies can be attributed to the 1.3 million square feet of industrial development that were introduced in 2007, lagging absorption, and uncertainty surrounding a nation-wide economic downturn. In contrast, high vacancy and little new construction in the Central market indicate that in 2007 the Central market underperformed the Louisville industrial market as a whole.

Figure 25: Vacancy Rates by Market (2006 - 2007)



Source: Commercial Kentucky, Economics Research Associates

Pipeline Development

Louisville is emerging as a national hub for logistics and distributions operations. The inventory of new industrial space has grown steadily since 2006, and will continue to grow in coming years. The following development projects are in the Louisville Industrial Market pipeline:

South Submarket

- Jennings Crossing, located in the South submarket, will consist of four buildings totaling 455,000 square feet. The development is expected to cost \$25 million and the first building is currently under construction.
- Renaissance Zone Industrial Park, a planned new 3,000 acre industrial park, will be located south of the Louisville International Airport. The industrial park is designated as a Renaissance Zone, a pilot program tax increment financing district. New taxes generated by businesses in this park will be reinvested in key, targeted infrastructure-type improvements. When completed, the park will be the largest in Jefferson County.

Bullitt County

- Salt River II, a 936,000-square-foot building for bulk distribution, manufacturing or assembly work. If completed, this will be the largest spec building ever built in the state of Kentucky.
- ProLogis at Cedar Grove, 484,000 square feet, is located within the 3.3 million square-foot Cedar Grove Business Park and is currently under construction. Global Sports has been secured as the anchor tenant for the park.
- Cross Dock, LLC, also located within Cedar Grove Business Park, is developing a 400,000-square-foot speculative distribution facility on 52 acres.

Indiana

- River Ridge Commerce Center, currently under construction, will convert the former Indiana Army Ammunition Plant into an industrial park. Proposed new facilities are located on 6,000 acres of land along the Ohio River in Clark County, Indiana. The site fronts 6 miles of 4-lane Indiana Highway 62.

Retail Market Trends

ERA analyzed the retail inventory in the surrounding market in order to develop a better understanding of the Park Hill Corridor's competitive retail context. ERA considered retail within a

five-mile radius of the Park Hill Industrial Corridor and the retail offerings within the West Louisville district.

5-mile Radius

There are 3.2 million square feet of retail shopping centers located within five miles of the Park Hill Industrial Corridor. In January 2008, these centers had an average retail vacancy of 12.5 percent. Retail market data is provided by CoStar, the industry's most comprehensive real estate data provider, and does not constitute a comprehensive survey of retail space in Louisville.

Figure 26: Shopping Centers within Five Miles of The Park Hill Industrial Corridor

Center Type	Center RBA/GLA	Vacancy Rate (Jan 2008)
Community Centers	963,230 SF	17.3%
Neighborhood Centers	1,027,095 SF	2.4%
Strip Centers	263,430 SF	20.2%
<u>Theme/Festival Centers</u>	<u>932,006 SF</u>	<u>16.6%</u>
Total	3,185,761 SF	12.5%

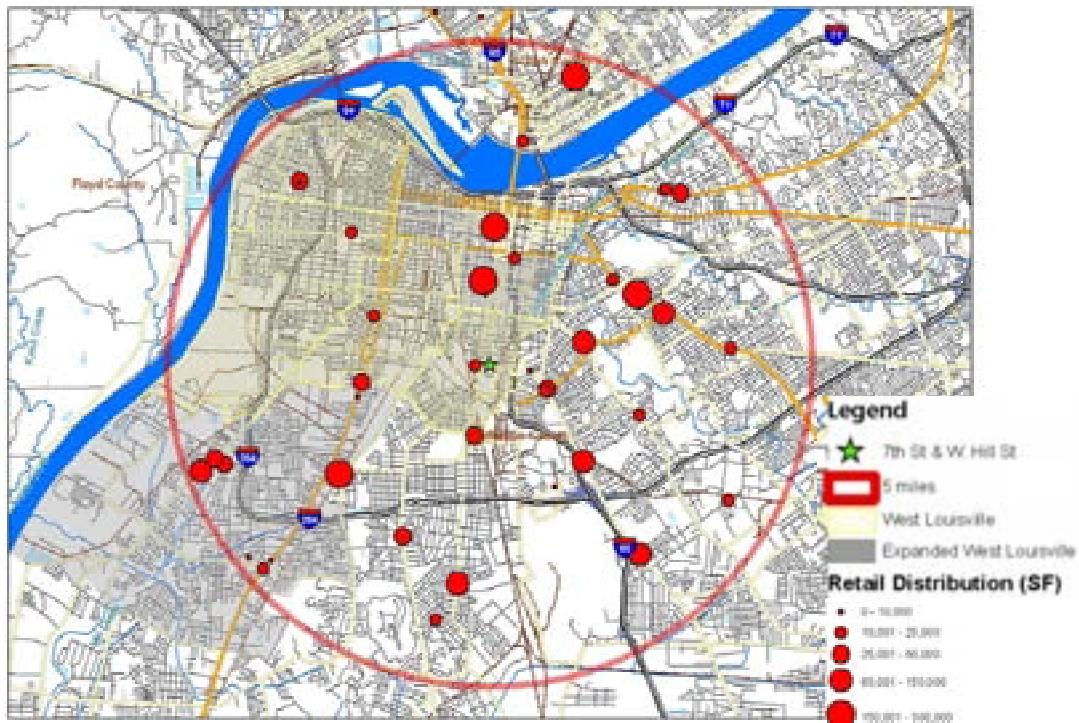
Source: CoStar, Economics Research Associates

Figure 26 categorizes the shopping centers within five miles of the Park Hill Industrial Corridor by center type. The following retail centers were considered as part of the existing conditions analysis:

- Community Centers, which provide convenience merchandise, goods bought for daily living, and a wider range of specialized merchandise, such as apparel, home furnishing, home improvement, and specialty stores. Community Centers are frequently built around a discount department store, drugstore, a family clothing store, or a large supermarket. Some community centers in the Louisville region include the Southland Terrace Shopping Center and Mid-City Mall.
- Neighborhood Centers, which provide convenience merchandise such as food, drugs, and personal services.
- Strip Centers, which are generally service-oriented and may contain a grocery store, video rental store, dry cleaner, small restaurant, and a bank. Within strip centers, stores are typically arranged in a row with a sidewalk in front.

- Theme/Festival Centers generally include major restaurants, specialty retail shops, a food court, and nightlife opportunities. The Festival Center listed in Figure 26 is Fourth Street Live.

Figure 27: Retail centers located within five miles of the Park Hill Industrial Corridor



Source: CoStar Group, Economics Research Associates

West Louisville

Retail offerings in West Louisville are limited. The West Louisville Business Directory, published by Greater Louisville Inc., provides a comprehensive listing of the 345 businesses that operated in West Louisville during 2006. As in this report, Greater Louisville Inc's report defines the boundary of West Louisville by the following zip codes: 40203, 40210, 40211, and 40212. Of the 345 businesses identified in the West Louisville Business Directory, 31 offer retail goods and services. According to the report, the following retail store types can be found in West Louisville:

- West Louisville has several food and beverage stores including Pic Pac, Creative Confections by Tina, and Liquor Depot, none of which is located in the Park Hill Corridor.
- Furniture and home furnishing stores in West Louisville include Burkhart Company, ID&A, Inc., Office Furniture Outlet, and Winners Furniture Company, two of which are located in the Park Hill Corridor.

- Clothing and clothing accessory store in West Louisville include K&G Fashion Superstore, which is not located in the Park Hill Corridor.
- West Louisville has ten foodservice and drinking places, two of which are located in the Park Hill Corridor.

Pipeline Retail Development

Newbridge Crossing represents the most significant new retail development in West Louisville. The 23-acre parcel that formerly housed the Phillip Morris cigarette-making plant is being repositioned as a commercial gateway into the Park Hill Corridor. The vision for the project includes a mixed-use development consisting of retail and office uses with a “town center” configuration. Final plans for Newbridge Crossing have not yet been approved, and preliminary plans include 304,850 square feet retail, including a 160,000 square foot anchor tenant, and 120,600 square feet of office space. The project may also include hotel and residential components.

Located at the intersection of 18th Street and Broadway, the site is the largest new development in the Park Hill Corridor. The scale and visibility of Newbridge Crossing provides a unique opportunity to create an inviting northern “gateway” into the Park Hill Corridor. The project’s success will greatly help local government and economic development officials to reposition the Corridor in the eyes of prospective businesses.

III. Real Estate Demand Analysis

This section provides estimates for total supportable office, industrial, and retail development in the Park Hill Corridor by 2014. The real estate demand analysis considers trends in local real estate markets, projected job growth, spending trends, and associated space requirements in order to estimate how much new development is supportable in the Park Hill Corridor.

Office and Industrial Demand

ERA completed a demand analysis for office and industrial space that provides an estimate for supportable office space in Park Hill Corridor by 2014. A historical look at market trends paints a bleak picture for this urban industrial district. Office and industrial development in the outer suburbs far outpaced new construction in the urban core. Absorption for office space is limited to the Central Business District, and industrial absorption in the Central market, which includes the Park Hill Corridor, has been negative for the past five years. However, due to Louisville Metro's strong commitment to downtown development generally, and to a strategically focused effort in the Park Hill Corridor, the prospects for future redevelopment of this traditional industrial corridor could be brighter than its recent past.

Because historic trends are poor predictors of future performance in revitalization districts, ERA relied on State-generated employment projections to gauge future demand for office and industrial space in the Park Hill Industrial Corridor. Employment projections, and the space requirements of future employees, are strong indicators of future demand for office and industrial space.

Key Findings

ERA's analysis of office and industrial demand suggests the following conclusions:

- Between 2009 and 2014, 2 million square feet of new office space and 5.3 million square feet of new industrial space could be supported within the seven-county region workforce
- Park Hill Corridor can capture 2 to 4 percent of the total supportable office and industrial space.
- By 2014, the Park Hill Industrial Corridor could support between 40,000 and 78,000 square feet of new office space and 514,000 to 770,000 square feet of new industrial space.

Methodology

ERA analyzed occupational employment growth projections for the Louisville region and estimated the share of regional growth that can be captured in the Park Hill Corridor. Employment projections for the Louisville region are provided by Workforce Kentucky, a division of the Kentucky Office of Employment and Training. Workforce Kentucky has projected employment growth through the year 2014 and supplies occupational employment growth projections for a 7-county region, which includes Jefferson, Bullitt, Spencer, Shelby, Oldham, Henry, and Trimble Counties.

The following methodology was used to estimate the Park Hill Industrial Corridor's capture of future employment growth in the Louisville region, and the associated projected demand for office and industrial space.

Step 1: Identify viable occupations for the Park Hill Corridor

Step 2: Analyze trends and projected growth of selected occupations regionally

Step 3: Estimate future demand for office and industrial space regionally based on projected growth in selected occupations and standard employee space usage

Step 4: Allocate 7-county region's projected demand for office and industrial space to Louisville Real Estate Market Area (Jefferson & Bullitt counties)

Step 5: Allocate Louisville Real Estate Market Area's projected demand for office and industrial space to the Park Hill Industrial Corridor (allocation based on historic market share)

Findings

Step 1: Identifying Viable Occupations for the Park Hill Industrial Corridor

ERA began the demand analysis by identifying occupations that would locate within the Park Hill Corridor. ERA selected occupations from the Standard Occupational Classification (SOC), a federal classification system that categorizes 820 discrete occupations into 23 major groups, 96 minor groups, and 449 broad occupations. Each broad occupation includes detailed occupations that require similar job duties, skills, education, or experience. Occupations cross cut through industries.

For example, Operations Specialties Managers is one of the 96 minor groups, and includes administrative managers, financial managers, human resource managers, industrial production managers, purchasing managers, and transportation, storage, and distribution managers. A variety of industries, ranging from commercial banking to pharmaceutical and medical manufacturing, employ operations specialists managers.

ERA evaluated the 96 minor groups of occupations and identified occupations that would likely locate in the Park Hill Industrial Corridor, and whether the selected occupations would locate in office or industrial space. ERA selected viable occupations for the Park Hill Corridor based on the following inputs:

- **Interview findings** – In December 2007, The ERA Team conducted thirty-nine interviews with a diverse group of stakeholders, including representatives of companies located within the Park Hill Corridor, community activists, local developers and brokers, Louisville Metro officials, and representatives from the University of Louisville. Findings from the interview can be found in the Appendices.

Stakeholder interviews suggested that the location of the Park Hill Industrial Corridor and its existing building stock provide opportunities for back office services that do not need the large-format space offered in existing industrial parks and that could take advantage of the UPS WorldPort & Supply Chain Solutions and/or other local industry strengths. Types of businesses that were suggested for the Park Hill Corridor include back-office operations for financial industry, which could include check printing, next-day mail-outs, and emergency credit card replacement services. Other viable business types suggested were computer, IT, or telecom equipment repair, call centers or data centers.

Interviews also revealed that many of the newer tenants in the Park Hill Corridor have relocated from other industrial parks in and around Louisville, including Jefferson Riverport International, Bluegrass Industrial Park, and Airport Industrial Center.

- **Initiative for a Competitive Inner City (ICIC) Cluster Analysis** – In 2001, ICIC was commissioned by the Louisville Development Authority to develop the *West Louisville Competitive Assessment and Strategy Project*, and in 2007, Louisville Metro commissioned ICIC to update the original report. Preliminary draft findings from the ICIC report update suggest that the following industries are the most promising clusters for West Louisville:

Building Fixtures, Equipment & Services, Heavy Construction, Medical Devices, Metal Manufacturing, Motor Driven Products, Plastics, Prefabricated Enclosures, Analytical Instruments, Automotive, Business Services, Chemical Products, Distribution Services, Entertainment, Financial Services, Processed Foods, and Publishing and Printing.

- **Site observations** – The ERA Team has observed several industry clusters that currently exist within the Park Hill Corridor. There is a strong concentration of printing companies in the Park Hill Industrial Corridor, which includes V.G. Reed & Sons, United Graphics of Louisville, and Vintage Printing & Distribution Services. Additionally, the Park Hill Corridor houses a cluster of companies related to construction and home products, including Nelco, Greater Northern Manufacturing, and Porter Paints. Sud-Chemie and ZeoChem represent a concentration of chemical manufacturing companies. Finally, there is a cluster of food and beverage manufacturing companies within the Park Hill Corridor that includes Brown Forman, Heaven Hill Distilleries, Pro-Liquitech, and Coca Cola.

Figure 28 and Figure 29 highlight the occupations that ERA believes could viably locate in Park Hill Corridor.

Figure 28: Office / Flex Space Occupations Considered for Park Hill Industrial Corridor

SOC Code	Occupation
151000	Computer Specialists
152000	Mathematical Scientists
171000	Architects, Surveyors, and Cartographers
172000	Engineers
173000	Drafters, Engineering, and Mapping Technicians
194000	Life, Physical, and Social Science Technicians
291000	Health Diagnosing and Treating Practitioners
292000	Health Technologists and Technicians
299000	Other Healthcare Practitioners and Technical Occupations
319000	Other Healthcare Support Occupations
339000	Other Protective Service Workers
371000	Supervisors, Building and Grounds Cleaning and Maintenance
372000	Building Cleaning and Pest Control Workers
373000	Grounds Maintenance Workers
392000	Animal Care and Service Workers
413000	Sales Representatives, Services
414000	Sales Representatives, Wholesale and Manufacturing
419000	Other Sales and Related Workers
431000	Supervisors, Office and Administrative Support Workers
432000	Communications Equipment Operators
436000	Secretaries and Administrative Assistants
439000	Other Office and Administrative Support Workers
491000	Supervisors of Installation, Maintenance, and Repair Workers

Source: Economics Research Associates

Figure 29: Industrial / Warehouse Occupations Considered for Park Hill Industrial Corridor

SOC Code	Occupation
191000	Life Scientists
192000	Physical Scientists
271000	Art and Design Workers
351000	Supervisors, Food Preparation and Serving Workers
434000	Information and Record Clerks
435000	Material Recording, Scheduling, Dispatching, and Distributing
472000	Construction Trades Workers
473000	Helpers, Construction Trades
474000	Other Construction and Related Workers
492000	Electrical and Electronic Equipment Mechanics, Installers
493000	Vehicle and Mobile Equipment Mechanics, Installers
499000	Other Installation, Maintenance, and Repair Occupations
511000	Supervisors, Production Workers
512000	Assemblers and Fabricators
513000	Food Processing Workers
514000	Metal Workers and Plastic Workers
515000	Printing Workers
516000	Textile, Apparel, and Furnishings Workers
517000	Woodworkers
518000	Plant and System Operators
519000	Other Production Occupations
531000	Supervisors, Transportation and Material Moving Workers
537000	Material Moving Workers

Source: Economics Research Associates

Step 2: Analyze trends and projected growth of selected occupations regionally

ERA used workforce projections provided by Workforce Kentucky in order to estimate future job growth in Kentucky. Workforce Kentucky, a division of the Kentucky Office of Employment and Training, provides ten-year labor projections of workforce growth by occupation. The most recent long-term workforce projections available are for the year 2014 and are provided for the Louisville Planning Region, a seven-county region that includes Jefferson, Bullitt, Spencer, Shelby, Oldham, Henry, and Trimble.

Figure 30 and Figure 31 provide detailed employment growth projections for selected Park Hill occupations through 2014. These workforce projections indicated that, for the occupations considered for Park Hill, 1,602 new office and 1,403 new industrial jobs will be added annually to the 7-county region workforce. The employment projections listed in Figure 30 and Figure 31 are for the seven-county region.

Figure 30: Projected Growth for Selected Occupations in the 7-County Region (2004 to 2014)

SOC Code Occupation	7-County Region Employment			Annual Growth (%)
	2004	2014	(jobs)	
151000 Computer Specialists	10,358	13,130	277	2.4%
152000 Mathematical Scientists	399	448	5	1.2%
171000 Architects, Surveyors, and Cartographers	119	125	1	0.5%
172000 Engineers	2,997	3,223	23	0.7%
173000 Drafters, Engineering, and Mapping Technicians	2,233	2,507	27	1.2%
194000 Life, Physical, and Social Science Technicians	752	850	10	1.2%
291000 Health Diagnosing and Treating Practitioners	18,191	22,068	388	2.0%
292000 Health Technologists and Technicians	10,635	12,416	178	1.6%
299000 Other Healthcare Practitioners and Technical Occupations	321	383	6	1.8%
319000 Other Healthcare Support Occupations	6,198	7,581	138	2.0%
339000 Other Protective Service Workers	2,664	2,688	2	0.1%
371000 Supervisors, Building and Grounds Cleaning and Maintenance	1,438	1,661	22	1.5%
372000 Building Cleaning and Pest Control Workers	11,987	13,430	144	1.1%
373000 Grounds Maintenance Workers	1,917	2,107	19	0.9%
392000 Animal Care and Service Workers	1,216	1,503	29	2.1%
413000 Sales Representatives, Services	5,759	6,629	87	1.4%
414000 Sales Representatives, Wholesale and Manufacturing	8,974	10,393	142	1.5%
419000 Other Sales and Related Workers	3,968	4,057	9	0.2%
431000 Supervisors, Office and Administrative Support Workers	5,887	6,199	31	0.5%
432000 Communications Equipment Operators	724	614	(11)	-1.6%
436000 Secretaries and Administrative Assistants	13,458	13,810	35	0.3%
439000 Other Office and Administrative Support Workers	15,006	15,047	4	0.0%
<u>491000 Supervisors of Installation, Maintenance, and Repair Workers</u>	<u>1,951</u>	<u>2,194</u>	<u>24</u>	<u>1.2%</u>
<i>Subtotal</i>	127,152	143,063	1,602	1.2%

Source: Workforce Kentucky, Economics Research Associates

Figure 31: Projected Growth for Selected Industrial / Warehouse Occupations in the 7-County Region

SOC Code Occupation	7-County Region Employment			
	2004	2014	Annual Growth (jobs)	Annual Growth (%)
191000 Life Scientists	549	702	15	2.5%
192000 Physical Scientists	499	546	5	0.9%
271000 Art and Design Workers	2,157	2,394	24	1.0%
351000 Supervisors, Food Preparation and Serving Workers	3,816	4,524	71	1.7%
434000 Information and Record Clerks	24,078	26,793	272	1.1%
435000 Material Recording, Scheduling, Dispatching, and Distributing	17,397	17,346	(5)	0.0%
472000 Construction Trades Workers	20,078	22,850	277	1.3%
473000 Helpers, Construction Trades	1,541	1,703	16	1.0%
474000 Other Construction and Related Workers	1,003	1,156	15	1.4%
492000 Electrical and Electronic Equipment Mechanics, Installers	2,975	3,122	15	0.5%
493000 Vehicle and Mobile Equipment Mechanics, Installers	5,330	6,162	83	1.5%
499000 Other Installation, Maintenance, and Repair Occupations	10,561	11,370	81	0.7%
511000 Supervisors, Production Workers	2,839	2,983	14	0.5%
512000 Assemblers and Fabricators	14,022	13,186	(84)	-0.6%
513000 Food Processing Workers	1,796	1,830	3	0.2%
514000 Metal Workers and Plastic Workers	8,065	8,076	1	0.0%
515000 Printing Workers	2,683	2,637	(5)	-0.2%
516000 Textile, Apparel, and Furnishings Workers	2,139	2,150	1	0.1%
517000 Woodworkers	1,103	1,076	(3)	-0.2%
518000 Plant and System Operators	1,462	1,416	(5)	-0.3%
519000 Other Production Occupations	12,553	12,566	1	0.0%
531000 Supervisors, Transportation and Material Moving Workers	2,613	3,381	77	2.6%
537000 Material Moving Workers	24,590	28,908	432	1.6%
<i>Subtotal</i>	<i>163,849</i>	<i>176,877</i>	<i>1,403</i>	<i>0.8%</i>

Source: Workforce Kentucky, Economics Research Associates

Step 3: Estimate future demand for office and industrial space regionally based on projected growth in selected occupations and standard employee space usage

ERA applied industry standard space utilization estimates for office and industrial occupations in order to project the future demand for building space associated with the occupation growth detailed in Figure 30. Based on industry standard estimates for space utilization, ERA estimated that each new office worker uses 250 square feet of space, and each new industrial worker uses 750 square feet of space.

Figure 32 provides detailed annual space projections for selected Park Hill Corridor occupations. For the occupations considered for Park Hill, 400,525 square feet of new office space and 1 million square feet of new industrial space will be demanded annually in the seven-county region workforce.



Between 2009 and 2014, 2 million square feet of new office space and 5.3 million square feet of new industrial space could be supported within the seven-county region workforce.



Figure 32: Projected Demand for Office / Flex Space, Seven-County Region

SOC Code	Occupation	Annual Employment Growth (2009-2014)	SF Per Employee	Annual Demand for Office/Flex Space	Demand for Office/Flex Space (2009-2014)
151000	Computer Specialists	277	250 SF	69,300 SF	346,500 SF
152000	Mathematical Scientists	5	250 SF	1,225 SF	6,125 SF
171000	Architects, Surveyors, and Cartographers	1	250 SF	150 SF	750 SF
172000	Engineers	23	250 SF	5,650 SF	28,250 SF
173000	Drafters, Engineering, and Mapping Technicians	27	250 SF	6,850 SF	34,250 SF
194000	Life, Physical, and Social Science Technicians	10	250 SF	2,450 SF	12,250 SF
291000	Health Diagnosing and Treating Practitioners	388	250 SF	96,925 SF	484,625 SF
292000	Health Technologists and Technicians	178	250 SF	44,525 SF	222,625 SF
299000	Other Healthcare Practitioners and Technical Occupations	6	250 SF	1,550 SF	7,750 SF
319000	Other Healthcare Support Occupations	138	250 SF	34,575 SF	172,875 SF
339000	Other Protective Service Workers	2	250 SF	600 SF	3,000 SF
371000	Supervisors, Building and Grounds Cleaning and Maintenance	22	250 SF	5,575 SF	27,875 SF
372000	Building Cleaning and Pest Control Workers	144	250 SF	36,075 SF	180,375 SF
373000	Grounds Maintenance Workers	19	250 SF	4,750 SF	23,750 SF
392000	Animal Care and Service Workers	29	250 SF	7,175 SF	35,875 SF
413000	Sales Representatives, Services	87	250 SF	21,750 SF	108,750 SF
414000	Sales Representatives, Wholesale and Manufacturing	142	250 SF	35,475 SF	177,375 SF
419000	Other Sales and Related Workers	9	250 SF	2,225 SF	11,125 SF
431000	Supervisors, Office and Administrative Support Workers	31	250 SF	7,800 SF	39,000 SF
432000	Communications Equipment Operators	-11	250 SF	0 SF	0 SF
436000	Secretaries and Administrative Assistants	35	250 SF	8,800 SF	44,000 SF
439000	Other Office and Administrative Support Workers	4	250 SF	1,025 SF	5,125 SF
491000	Supervisors of Installation, Maintenance, and Repair Workers	24	250 SF	6,075 SF	30,375 SF
<i>Office Subtotal</i>		1,602	<u>250 SF</u>	<u>400,525</u>	<u>2,002,625</u>

Source: Workforce Kentucky, Economics Research Associates

Figure 33: Projected Demand for Industrial / Warehouse Space, Seven-County Region

SOC Code	Occupation	Annual Employment Growth (2009-2014)	SF Per Employee	Annual Demand for Industrial/Warehouse Space	Demand for Industrial/Warehouse Space (2009-2014)
191000	Life Scientists	15	750	11,475 SF	57,375 SF
192000	Physical Scientists	5	750	3,525 SF	17,625 SF
271000	Art and Design Workers	24	750	17,775 SF	88,875 SF
351000	Supervisors, Food Preparation and Serving Workers	71	750	53,100 SF	265,500 SF
434000	Information and Record Clerks	272	750	203,625 SF	1,018,125 SF
435000	Material Recording, Scheduling, Dispatching, and Distributing	-5	750	0 SF	0 SF
472000	Construction Trades Workers	277	750	207,900 SF	1,039,500 SF
473000	Helpers, Construction Trades	16	750	12,150 SF	60,750 SF
474000	Other Construction and Related Workers	15	750	11,475 SF	57,375 SF
492000	Electrical and Electronic Equipment Mechanics, Installers	15	750	11,025 SF	55,125 SF
493000	Vehicle and Mobile Equipment Mechanics, Installers	83	750	62,400 SF	312,000 SF
499000	Other Installation, Maintenance, and Repair Occupations	81	750	60,675 SF	303,375 SF
511000	Supervisors, Production Workers	14	750	10,800 SF	54,000 SF
512000	Assemblers and Fabricators	-84	750	0 SF	0 SF
513000	Food Processing Workers	3	750	2,550 SF	12,750 SF
514000	Metal Workers and Plastic Workers	1	750	825 SF	4,125 SF
515000	Printing Workers	-5	750	0 SF	0 SF
516000	Textile, Apparel, and Furnishings Workers	1	750	825 SF	4,125 SF
517000	Woodworkers	-3	750	0 SF	0 SF
518000	Plant and System Operators	-5	750	0 SF	0 SF
519000	Other Production Occupations	1	750	975 SF	4,875 SF
531000	Supervisors, Transportation and Material Moving Workers	77	750	57,600 SF	288,000 SF
537000	Material Moving Workers	432	<u>750</u>	<u>323,850 SF</u>	<u>1,619,250 SF</u>
<i>Industrial Warehouse Space Subtotal</i>		1,403		<u>1,052,550</u>	<u>5,262,750</u>

Source: Workforce Kentucky, Economics Research Associates

Step 4: Allocate 7-county region's projected demand for office and industrial space to Louisville Real Estate Market Area (Jefferson & Bullitt counties)

The Louisville office and industrial markets are comprised of Jefferson and Bullitt counties, as defined in Figure 15 and Figure 21. ERA estimated the share of future employment growth in the seven-county region based on the historic share of office space in the seven-county region that is located within Jefferson and Bullitt counties. Figure 34 shows the 2007 office and industrial building stock for each county in the seven county region. Jefferson and Bullitt counties, combined, contain 97.6 percent of all of the office and industrial space (on a square foot basis) in the seven-county region.

Figure 34: Seven Counties' Historic Share of Office and Industrial Space

	<u>2007 Building Inventory (RBA)</u>		<u>No. Buildings</u>	<u>2007 Vacancy</u>
	SF	Percent		
Jefferson County	145,998,981 SF	93.8%	3,477	9.1%
Bullitt County	5,923,244 SF	3.8%	71	37.0%
Spencer County	30,900 SF	0.0%	4	16.7%
Shelby County	1,958,833 SF	1.3%	66	16.4%
Oldham County	1,364,024 SF	0.9%	78	27.1%
Henry County	374,740 SF	0.2%	7	4.1%
Trimble County	0 SF	0.0%	0	N/A
Total	155,650,722 SF		3,703	10.4%

Sources: ESRI Business Analyst, CoStar, Economics Research Associates

ERA assumed that Jefferson and Bullitt counties would continue to capture their historic share of 97.6 percent for future office and industrial development that is projected to occur in the seven-county region. Figure 35 illustrates projected demand for office and industrial space in Jefferson and Bullitt counties, based on the historic capture rate. Within Jefferson and Bullitt counties, new employment growth within the selected Park Hill-appropriate occupations will generate demand for 1.4 million square feet of office and industrial space annually, and 7.1 million square feet of office and industrial space in total between 2009 and 2014.

Figure 35: Jefferson and Bullitt County Share of Future Office and Industrial Demand

	Annual Employment Growth (2009-2014)	SF Per Employee	Annual Demand for Space	Total Demand for Space (2009-2014)
<u>7-County Region</u>				
Office / Flex	1,602	250 SF	400,525 SF	2,002,625 SF
Industrial / Warehouse	<u>1,403</u>	<u>750 SF</u>	<u>1,052,550 SF</u>	<u>5,262,750 SF</u>
Total Demand, Louisville Planning Region	3,006		1,453,075 SF	7,265,375 SF
<u>Jefferson and Bullitt Counties (@ 97.6% historic share)</u>				
Office / Flex	1,564	250 SF	390,912 SF	1,954,562 SF
Industrial / Warehouse	<u>1,370</u>	<u>750 SF</u>	<u>1,027,289 SF</u>	<u>5,136,444 SF</u>
Total Demand, Jefferson and Bullitt Counties	2,933		1,418,201 SF	7,091,006 SF

Source: Workforce Kentucky, Economics Research Associates

Step 5: Allocate Jefferson and Bullitt counties' projected demand for office and industrial space to Park Hill Corridor (allocation based on historic market share)

ERA estimated the future demand for office and industrial space in the Park Hill Corridor based on the district's 2007 share of building stock within the Louisville Real Estate Market Area (as defined by leading Louisville brokerage firm, Commercial Kentucky). The Louisville Real Estate Market Area is comprised of Jefferson and Bullitt counties. Commercial Kentucky classifies the Park Hill Corridor within two separate submarkets for office and industrial space analyses.

For the office market, the Park Hill Corridor is located within the Old Louisville submarket, which has the smallest office inventory of all of the Louisville submarkets. The Old Louisville submarket is comprised of the Old Louisville neighborhood and the downtown area immediately surrounding the Central Business District (CBD). The CBD, which extends from River Road to York Street and from Hancock Street to Ninth Street, is not located within the Old Louisville submarket. For a detailed breakdown of office space in the Old Louisville submarket as compared to the Jefferson and Bullitt county region at large, see Figure 16.

For the industrial market, the Park Hill Corridor is partially located within the I-65 submarket, located within the Central industrial market. The I-65 submarket is bounded by Hill Street to the north, I-264 to the south, Poplar Leval Road to the East, and I-264 to the west. For a detailed breakdown of industrial space in the South as compared to the other four markets that comprise the Louisville Industrial Area, see Figure 22.

As shown in Figure 36, in 2007, the submarkets containing the Park Hill Corridor captured 1.9 percent of office stock and 10.2 percent of industrial stock within the Louisville Real Estate Market Area. ERA used these capture rates to inform estimates of future demand for office space in Park Hill.

Figure 36: Park Hill Corridor Share of Office and Industrial Space

	2007 Inventory	Share
<u>Office</u>		
Louisville Market	19,788,546 SF	100.0%
Suburban Submarket	10,385,274 SF	52.5%
Old Louisville	378,941 SF	1.9%
<u>Industrial</u>		
Louisville Market	109,499,755 SF	100.0%
Central Submarket	29,228,021 SF	26.7%
I-65 Submarket	11,174,445 SF	10.2%

Sources: Commercial Kentucky Real Estate Advisors, Colliers
Harry K. Moore, Economics Research Associates

Capture Rates

ERA developed low and high demand projections for the Park Hill Industrial Corridor based on conservative and optimistic assumptions. For the low projection, ERA assumed that the Corridor would continue to capture its historic share of office and industrial space (2 percent and 10 percent, respectively). For the high projection, ERA assumed that the Corridor could capture 4 percent of new office space and 15 percent of new industrial space in the Louisville Real Estate Market Area. The higher projections are based on the assumption that improvements to the Park Hill Corridor will make more businesses want to locate within the district, causing the capture rate to grow.

In order for the Park Hill Industrial Corridor to achieve the capture rates assumed in this analysis, the district will have to retain its existing market share (at minimum). However, in each year since 2002, the Corridor has lost market share as a growing number of office and industrial developments are built outside of Louisville's urban core. Further loss of market share can be stopped if the Park Hill Industrial Corridor captures some of the new office development that would otherwise be built in the suburbs. Maintaining a two percent share of office space and ten percent share of industrial space will require a focused economic development strategy, which is outlined in Section IV.

Figure 37 illustrates total projected demand for office and industrial space in the Park Hill Industrial Corridor from 2009 to 2014, based on low and high capture rates. ERA estimates suggest that by 2014, the Corridor will support between 553,000 and 849,000 square feet of new office and industrial space.

Figure 37: Park Hill Industrial Corridor Demand for Office and Industrial Space (2009 - 2014)

	Louisville Real Estate Market Area Total Demand for Office/Flex Space (2009- 2014)	Park Hill Capture		Park Hill Demand for Office/Flex Space (2009-2014)	
		<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Office / Flex <u>Industrial Warehouse</u>	1,954,562 SF <u>5,136,444 SF</u>	2.0%	4.0%	39,091 SF <u>513,644 SF</u>	78,182 SF <u>770,467 SF</u>
Total	7,091,006 SF			552,736 SF	848,649 SF

Source: Workforce Kentucky, Economics Research Associates

Retail Demand

In this section, ERA analyzes the potential to develop new retail uses in the Park Hill Corridor. This high-level analysis considers existing retail development, current household spending patterns, the leakage of retail spending from West Louisville, and future retail developments currently under construction in the Park Hill Corridor . ERA uses its analysis of retail supply and demand within West Louisville in order to quantify the total square footage of retail that could be supported within the Park Hill Corridor.

Key Findings

ERA's analysis of retail potential in West Louisville suggest the following conclusions:

- Unmet retail demand of the residents of expanded West Louisville could support 489,000 SF of new retail development by 2014.
- Park Hill Corridor can capture 10 to 15 percent of the total supportable retail space (51,700 SF to 77,550 SF). This estimate does not include Newbridge Crossing.
- The Park Hill Corridor could support several retail categories that cater to specific customer groups in the corridor, including existing residents, office and industrial employees, and University of Louisville students.
- New retail will be neighborhood infill, supplying primarily convenience goods (e.g. miscellaneous goods) and other more specialized stores (e.g. building material, clothing, and food and beverage establishments).

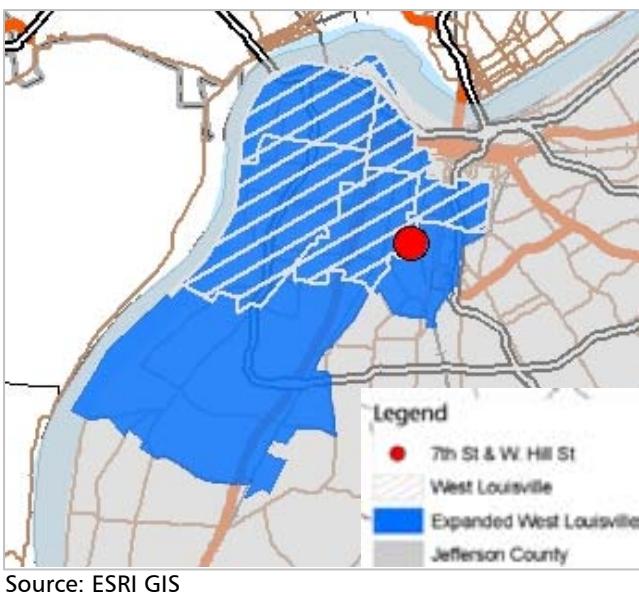
Retail Demand Analysis

ERA considers the potential for new retail development based on demand for retail goods and service and existing supply of retail. Demand for retail goods and services in the Park Hill Corridor is derived primarily from the purchasing power of West Louisville residents, and secondarily from employees working in the Park Hill Corridor. The retail demand analysis considers the total retail spending potential of households within West Louisville in order to estimate a total retail demand. Retail demand is then compared to existing retail sales (a measure of supply) in order to gauge the potential for new retail development. A positive difference between retail demand and supply

indicates that there is unmet expenditure potential – retail sales that could be captured within the trade area if those retail offerings existed.

The retail analysis begins by defining a Retail Trade Area, which represents the geography from which the Park Hill Industrial Corridor is expected to draw the majority of sales. ERA identifies the Retail Trade Area for the Park Hill Corridor as the expanded West Louisville neighborhood, which is described in Section II and illustrated in Figure 38. The West Louisville Trade Area is comprised of seven zipcodes: 40203, 40210, 40211, 40212, 40208, 40216, 40292.

Figure 38: West Louisville Retail Trade Area



Households

In 2007, the expanded West Louisville area was home to 55,478 households with a total population of 133,663. The household population is projected to grow annually by 0.13 percent between 2007 and 2012. Based on this growth rate, ERA projects that by 2014, there will be 56,346 households in the expanded West Louisville area.

In 2014, households in the expanded West Louisville area will spend \$1.07 billion on retail goods and services. Figure 39 illustrates the total expenditure potential of the households in the expanded West Louisville area and distribution among convenience and comparison goods and services. Household expenditure potential in 2014 is based on current retail spending patterns and projected growth.

Figure 39: Aggregate Household Expenditure Potential, 2014

Retail Category	Expenditures
<u>Convenience Goods</u>	
Food and Beverage Stores	\$ 222,068,000
Health and Personal Care Stores	109,271,000
<u>Miscellaneous Store Retailers</u>	<u>39,877,000</u>
Convenience Goods Subtotal	\$ 371,215,000
<u>Comparison Goods</u>	
Furniture and Home Furnishings Stores	\$ 39,352,000
Electronics and Appliance Stores	37,662,000
Building Material, Garden Equip Stores	171,947,000
Clothing and Clothing Accessories Stores	71,443,000
Sporting Goods, Hobby, Book, Music Stores	27,935,000
General Merchandise Stores	204,837,000
<u>Foodservice and Drinking Places</u>	<u>146,202,000</u>
Comparison Goods Subtotal	\$ 699,378,000
Total Retail Expenditure Potential	\$ 1,070,593,000

Source: Claritas; ESRI, Economics Research Associates

Employees

In 2014, ERA projects that between 841 and 1,340 employees will work in the Park Hill Corridor. A 2003 study of office worker retail spending patterns, collected and analyzed by the International Council of Shopping Centers, reports that office workers in limited-retail downtown districts spend \$143.20 weekly, or \$7,836 annually, on retail goods and services. Based on the spending patterns reported by the International Council of Shopping Centers, ERA estimates that employees in the Park Hill Corridor will spend between \$6.6 and \$10.5 million on retail goods by 2014, as shown in Figure 40.

Figure 40: Aggregate Employee Expenditure Potential, 2014

	Low	High
<i>Park Hill Employment, 2014</i>	841	1,340
<u>Employee Expenditure Potential</u>		
Convenience Goods	\$ 2,108,000	\$ 3,358,000
Comparison Goods	\$ 2,610,000	\$ 4,158,000
<u>Foodservice and Drinking Places</u>	<u>\$ 1,873,000</u>	<u>\$ 2,984,000</u>
Total Retail Expenditure Potential	\$ 6,592,000	\$ 10,500,000

Sources: Commercial Kentucky, ICSC Office Worker Retail Spending Patterns (2004), Consumer Price Index, Economics Research Associates

Expanded West Louisville Retail Demand, 2014

ERA compares total retail expenditure potential of households and employees in 2014 to existing retail offerings in the expanded West Louisville region in order to quantify unmet retail demand.

Figure 41 details aggregate expenditure potential, existing retail sales, and unmet retail expenditure potential. The unmet retail potential, when positive, reflects retail spending that could be captured within expanded West Louisville if more retail was available. A negative unmet expenditure potential suggests that consumers from outside the trade area are coming into the expanded West Louisville in order to purchase retail goods and services within select categories, such as food and beverage stores, health and personal care stores, furniture and home furnishing stores, and sporting goods and hobby stores.

Figure 41: Unmet Expenditure Potential

Retail Category	Aggregate Expenditure Potential (a)	Current Retail Sales (b)	Unmet Expenditure Potential (c) = (a) - (b)
<u>Convenience Goods</u>			
Food and Beverage Stores	\$ 222,771,000	\$ 249,016,000	\$ (26,245,000)
Health and Personal Care Stores	109,973,000	122,930,000	(12,957,000)
<u>Miscellaneous Store Retailers</u>	<u>40,579,000</u>	<u>27,005,000</u>	<u>13,575,000</u>
Convenience Goods Total	\$ 373,324,000	\$ 398,951,000	\$ (25,628,000)
<u>Comparison Goods</u>			
Furniture and Home Furnishings Stores	\$ 39,787,000	\$ 48,454,000	\$ (8,667,000)
Electronics and Appliance Stores	38,097,000	13,213,000	24,884,000
Building Material, Garden Equip Stores	172,382,000	78,128,000	94,254,000
Clothing and Clothing Accessories Stores	71,878,000	20,710,000	51,168,000
Sporting Goods, Hobby, Book, Music Stores	28,370,000	33,743,000	(5,374,000)
General Merchandise Stores	205,272,000	77,162,000	128,109,000
<u>Foodservice and Drinking Places</u>	<u>148,076,000</u>	<u>113,047,000</u>	<u>35,028,000</u>
Comparison Goods Total	\$ 703,861,000	\$ 384,458,000	\$ 319,403,000
Combined Total	\$ 1,077,185,000	\$ 783,409,000	\$ 293,775,000

Source: ICSC; Claritas; Economics Research Associates

The retail categories that are highlighted in Figure 41 reflect retail store types that would locate within the Park Hill Corridor, based on the existing business clusters, required street frontage, and footprint requirements of each retail type. ERA assumes that of the retailers with unmet expenditure potential, the following retail store types would locate in the Park Hill Corridor: miscellaneous store retailers, building material and garden equipment stores, clothing and clothing accessory stores, and foodservice and beverage establishments.

Figure 42 details the retail development potential for selected retail store types in the expanded West Louisville area. Retail potential is calculated using retail sales productivity estimates, provided by the International Council of Shopping Centers (ICSC). ERA estimates a sales productivity of between \$210 and \$430 per square foot, depending on retail store type. Sales productivity estimates are provided by the International Council of Shopping Centers. Total expenditure potential divided by retail productivity reflects the size of supportable new retail development.

Figure 42: Retail Potential for Expanded West Louisville

Retail Category	Expenditure Potential (2014)	Retail Productivity ¹	Retail Potential (SF)
<u>Convenience Goods</u>			
Miscellaneous Store Retailers	13,575,000	\$210	65,000 SF
Convenience Goods Total	\$ 13,575,000		65,000 SF
<u>Comparison Goods</u>			
Building Material, Garden Equip Stores	94,254,000	\$430	221,000 SF
Clothing and Clothing Accessories Stores	51,168,000	\$350	148,000 SF
Foodservice and Drinking Places	35,028,000	\$420	83,000 SF
Comparison Goods Total	\$ 180,450,000		452,000 SF
Combined Total	\$ 194,025,000		517,000 SF

Source: ICSC; Claritas; Economics Research Associates

¹ Sales productivity is reported as gross revenue per square foot (2007 \$)

Park Hill Industrial Corridor Retail Demand, 2014

ERA estimates that the expanded West Louisville area can support 517,000 square feet of retail in 2014, 10 to 15 percent of which will be located in the Park Hill Industrial Corridor. Excluding the Newbridge Crossing development, the Park Hill Corridor can expect to capture between 51,700 and 77,550 square feet of retail by 2014.

The Park Hill Industrial Corridor could support several retail categories that cater to specific customer groups in the corridor, including existing residents, office and industrial employees, and University of Louisville students. New retail will be neighborhood infill, supplying primarily convenience goods (e.g. miscellaneous goods) and other more specialized stores (e.g. building material, clothing, and food and beverage establishments).

IV. Economic Development Recommendations

Each year, West Louisville and the Park Hill Industrial Corridor lose their market share of industrial and office space as more new product is built in Louisville's fast-growing suburbs. Real estate market trends for the Louisville region show that new industrial and distribution facilities are being developed further and further from the city center, with the greatest growth occurring in Bullitt County and Southern Indiana. While recent reinvestment in Downtown Louisville has increased office development and absorption in the Central Business District, the renewed urban growth is limited to the downtown area, and new office development in the suburbs continues to out-pace office development in the CBD. The economic development recommendations provided in this section provide key strategies to help stem the continued loss of market share of office and industrial space to suburban markets and encourage new businesses to locate within the Park Hill Industrial Corridor.

1. Implement industry-focused business recruitment and retention strategies for the Park Hill Industrial Corridor

An economic development plan for the Park Hill Corridor should match the locational and site opportunities of the corridor with employment projections and strategic cluster goals for the Louisville region. Employee projections provided by Workforce Kentucky suggest that private sector employment in Kentucky will grow by 1.2 percent annually through 2014. Industries with the largest projected annual growth are professional and business services (1.7 percent), education and health services (1.8 percent), and leisure and hospitality (1.7 percent). The trade, transportation and utilities industry, which is projected to grow 1.0 percent annually through 2014, will remain the largest industry group in Kentucky.

ERA evaluated the subcategories within each industry group in order to identify strategic sub-industries that have high (above-average) growth projections. ERA considered sub-industry groups in order to isolate specific types of business that are projected to grow, even if the parent industry is projected to decline. Additionally, ERA identified particular business types that would be drawn to the Park Hill Industrial Corridor's location and could be fit within the building constraints of the site. The Corridor's street grid and available sites make it better suited to development of smaller buildings, rather than large pad sites that are available in suburban office and industrial parks.

Figure 43 provides detailed growth projections for the industry subgroups that are projected to grow quickly and that would fit within the available building footprints in the Park Hill Industrial Corridor.

Figure 43: Kentucky Detailed Industry Growth Projections (2004 - 2014)

	Kentucky Employment			Compound Annual Growth Rate
		2004	2014	2004-2014
Manufacturing	265,420	262,030		-0.1%
Wood Product Manufacturing	13,044	15,205		1.5%
Plastics Product Manufacturing	14,672	16,687		1.3%
Forging and Stamping	2,714	3,117		1.4%
Architectural and Structural Metals	4,039	4,965		2.1%
Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	3,594	4,556		2.4%
Coating, Engraving, Heat Treating, and Allied Activities	3,195	3,877		2.0%
Wholesale Trade	74,519	83,082		1.1%
Furniture and Home Furnishing Merchant Wholesalers	1,178	1,560		2.8%
Metal and Mineral (except Petroleum) Merchant Wholesalers	1,476	1,818		2.1%
Electrical and Electronic Goods Merchant Wholesalers	3,508	4,125		1.6%
Hardware, and Plumbing and Heating Equipment and Supplies Merchant Wholesalers	2,380	2,878		1.9%
Beer, Wine, and Distilled Alcoholic Beverage Merchant Wholesalers	1,606	1,815		1.2%
Miscellaneous Nondurable Goods Merchant Wholesalers	6,113	7,339		1.8%
Retail Trade	212,827	226,844		0.6%
Furniture and Home Furnishings Stores	6,559	7,491		1.3%
Building Material and Garden Equipment and Supplies Dealers	17,781	20,507		1.4%
Health and Personal Care Stores	13,525	15,734		1.5%
Other General Merchandise Stores	29,662	36,546		2.1%
Miscellaneous Store Retailers	13,287	15,213		1.4%
Transportation and Warehousing	80,930	96,990		1.8%
Truck Transportation	22,172	25,616		1.5%
Warehousing and Storage	12,936	18,572		3.7%
Information	29,062	32,517		1.1%
Motion Picture and Sound Recording Industries	1,980	2,578		2.7%
Telecommunications Resellers	551	904		5.1%
Data Processing, Hosting, and Related Services	5,526	7,681		3.3%
Finance and Insurance	66,526	74,730		1.2%
Activities Related to Credit Intermediation	8,732	10,854		2.2%
Agencies, Brokerages, and Other Insurance Related Activities	10,560	12,506		1.7%
Education and Health Services	373,352	447,088		1.8%
Colleges, Universities, and Professional Schools	34,407	41,045		1.8%
Business Schools and Computer and Management Training	1,086	1,457		3.0%
Technical and Trade Schools	4,894	5,851		1.8%
Medical and Diagnostic Laboratories	1,847	2,361		2.5%
Social Assistance	25,196	33,342		2.8%
Individual and Family Services	8,654	13,083		4.2%
Other Services (Except Government)	77,156	80,920		0.5%
Electronic and Precision Equipment Repair and Maintenance	1,979	2,426		2.1%

Source : Kentucky Office of Employment and Training (2005), Economics Research Associates

ERA also evaluated the preliminary cluster recommendations from the Initiative for a Competitive Inner City's 2007 update of the *West Louisville Competitive Assessment and Strategy Project*, which recommends that the following industries are the most promising clusters for West Louisville: Building Fixtures, Equipment & Services, Heavy Construction, Medical Devices, Metal Manufacturing, Motor Driven Products, Plastics, Prefabricated Enclosures, Analytical Instruments, Automotive, Business Services, Chemical Products, Distribution Services, Entertainment, Financial Services, Processed Foods, and Publishing and Printing.

ICIC's preliminary findings were confirmed through ERA's stakeholder interviews and site visits, which revealed a strong concentration of printing companies and food and beverage manufacturing. Similar clustering appears to exist in companies related to home products and construction currently in the Corridor (ranging from paint to siding, and specialty fabrication).

Based on employment projections and regional cluster trends, the following business types should be targeted for recruitment to the Park Hill Corridor:

- Building Fixtures, Equipment & Services
- Metal Manufacturing
- Motor Driven Products
- Plastics
- Prefabricated Enclosures
- Automotive, Business Services
- Chemical Products
- Entertainment
- Processed Foods
- Publishing and Printing

2. Take advantage of the Park Hill Industrial Corridor's proximity to the CBD, University of Louisville, and UPS Worldport

The CBD, University of Louisville, UPS Worldport are important engines of the Louisville economy, and the Park Hill Industrial Corridor is located within seven miles of each. The Park Hill Corridor's future relationship to these districts can help guide the redevelopment strategy for the Corridor. The

Park Hill Industrial Corridor must begin by strengthening the physical connections to the University and adjacent neighborhoods. Addressing quality of life factors such as open space and streetscape improvements can serve to reconnect the Park Hill Corridor with the rest of Louisville.

To take advantage of the proximity to downtown and existing clusters in the Park Hill Corridor, an economic development strategy should aim to recruit business service companies such as printers and data centers, which could serve downtown businesses but cannot afford CBD rents.

The University of Louisville Belknap Campus is expanding its nanotechnology capabilities, which could provide opportunities for a modest research and development-related district west of the University's Belknap Campus. Entrepreneurial high technology companies that need early-stage and single-story production space could locate in the Park Hill Corridor and take advantage of the proximity of the University's resources.

UPS is the largest private employer in Louisville and its presence has attracted other companies to the city. Many of the companies that have come to Louisville in order to locate near UPS have moved into industrial parks close to UPS that offer big box format warehousing buildings. However, specific businesses that provide value-added services and require expedited delivery networks could locate within the smaller building footprints of the Park Hill Corridor. Companies that provide just-in-time printing of checks, credit cards, financial statements, and other bank services would be well suited to locate within the Park Hill Corridor. Technical repair and service companies, such as call centers and consumer product maintenance (e.g. cell phone repair) could also locate within Park Hill Corridor to take advantage of the proximity of UPS and the lower rents.

3. Identify and develop key opportunity sites

The Park Hill Corridor includes a number of opportunity areas for future infill development and redevelopment. These areas lend themselves to a variety of land use scenarios based upon their prominent locations, relationships with appropriate infrastructure, proximity to adjacent uses, or synergies with established enterprises that are expected to remain in the Park Hill Corridor for years to come. Within the overall opportunity areas, there exist specific catalyst sites that have great potential for transforming the character and vitality of the corridor. These include:

- The Rhodia site on the 12th Street Corridor holds strong potential for new or enhanced uses in a prominent, central location. This site is owned by Metro government and is adjacent to other

publicly controlled sites including a school, public housing, and a power sub-station. The combined redevelopment of these parcels would establish a new heart for the Park Hill Corridor.

- The American Standard site, located adjacent to the University of Louisville, could help connect the Park Hill Corridor to the University through physical linkages and functional activities, including student housing, laboratory space, or other uses that would support the University's educational mission.
- The Vogt property, which is actively being marketed, provides a unique opportunity to capitalize on the special architectural character of the existing buildings. Smaller footprint commercial and mixed-use development could supplement the existing structures and would relate well to the historic nature of the Old Louisville neighborhood.
- The highly visible Newbridge Crossing site offers an excellent opportunity to create a new gateway to the Park Hill Corridor from the Broadway commercial corridor. In addition, the site has the potential to build upon the strong presence of the adjacent Brown-Forman complex.

These catalyst sites provide near-term redevelopment opportunities. With connectivity improvements, public realm enhancements, and focused encouragement, the catalyst sites can help transform and re-brand the Park Hill Industrial Corridor while retaining the industrial and commercial strengths of the corridor.

4. Implement job-specific employee training funded by employers or through Department of Labor grants

Job creation for West Louisville residents is one of the primary goals in planning for the revitalization of the Park Hill Industrial Corridor. The West Louisville neighborhoods have a high concentration of residents that could fill low to mid-level skilled positions. Job training programs that are tied to the needs of specific industry clusters can help bring more West Louisville residents into the future job market. Currently, there are job training programs in place that provide construction training in anticipation of new transportation and downtown development projects. Beyond teaching general job skills, targeted workforce training programs could provide more specialized training that focus on electronics repair, computer skills, or other skills deemed necessary by companies in the strategic

industry clusters. Stakeholder interviews also revealed a need for English language training as part of a workforce development program.

5. Consider a Business Improvement District for the Park Hill Industrial Corridor

Businesses within the Park Hill Industrial Corridor could work with Louisville Metro to create a Park Hill Business Improvement District. A business improvement district is a public-private partnership formed when businesses in a defined area elect to establish a legal entity through which property owners collectively fund designated activities such as the maintenance, development and marketing/promotion of their district. BIDs are established through State and local government authorizing legislation, and are most frequently located in downtown commercial areas where they help fund services such as marketing, sidewalk cleaning, additional public safety officers, graffiti removal, and other strategically targeted capital improvements in public open spaces. Services provided by BIDs are required by statute to supplement the services already provided by the municipality. Adapting the classic BID model to the unique needs and circumstances of an industrial area such as the Park Hill Corridor would provide an opportunity to innovate in the provision of supplemental services, to spur and support its redevelopment in a focused way.

Beyond raising funds for commercial district improvements, BIDs provide a forum through which local property owners and businesses can collectively define improvement strategies for their district. Stakeholder interviews and site visits suggest that the Park Hill Corridor has many business owners who currently invest their time and money in the local community in various ways, such as volunteering with local schools and improving the streetscape surrounding their property. These same individuals could work with the city to shape and champion the goals of the Park Hill Industrial Corridor revitalization plan through a Park Hill BID.

V. Impact Analysis

ERA has conducted a detailed economic and fiscal analysis of the development program suggested by the real estate market analysis. The impact analysis is based on a full-build out of the supportable retail, office, and industrial space. While the development program will change as the master plan is formalized, this analysis serves as an initial indicator of the fiscal and economic impacts that could be achieved through future development in the Park Hill Industrial Corridor.

The impact analysis is based on job creation that results from the 2014 build-out of commercial and industrial space in the Park Hill Corridor, at which point development will be complete and operations will have stabilized. New job estimates are based on employment growth projections offered by Workforce Kentucky and the office and industrial demand analysis in Section III. The following development program was used to calculate economic and fiscal impacts:

- 40,000 to 78,000 square feet of office space (156 to 313 new jobs)
- 514,000 to 770,000 square feet of industrial space (685 to 1,027 new jobs)
- 52,000 to 78,000 square feet of retail space (120 to 185 new jobs)

The purpose of the analysis is to estimate recurring impacts resulting from ongoing project-related activities. The economic impact analysis reports spending, employee compensation, and employment that would be attributable to the proposed development project. The fiscal impact analysis reports property, sales, and income tax revenues that development could generate annually to Kentucky, Louisville Metro, and schools.

Impact Analysis Findings

The ERA analysis finds that the anticipated development in the Park Hill Industrial Corridor will support significant economic activity beginning in 2014 when the market program is fully built-out. The total amount of spending, employee compensation, and employment supported by the project stems from direct spending and “multiplier effects” that occur as spending ripples through the regional economy. Using an economic model that captures the linkages within the economy, ERA estimates the following economic impacts associated with the Park Hill Corridor project:

- After development is complete and operations have stabilized, the project will generate total economic spending of roughly \$212 million to \$336 million, which could support 961 to 1,525 direct jobs with average annual salaries of \$33,000 to \$38,400.
- The total economic impact of this project, including direct, indirect and induced effects, will result in 1,700 to 2,700 jobs with average annual salaries of \$30,700 to \$33,400.

Fiscal impacts associated with the project include property tax, income tax, and sales tax revenues, and are estimated to total between \$2.8 and \$4.3 million annually at full build-out. Property tax revenue associated with the project is between \$226,000 to \$365,000 annually, sales tax revenue is between \$1 and \$1.5 million annually, and income tax revenue between is \$1.9 and \$3.1 million annually.

Economic Impact Analysis

Methodology

ERA uses the Regional Input-Output Modeling System (RIMS II), in order to estimate economic impacts in the Park Hill Corridor, including number of new jobs, associated salaries, and new spending. The RIMS II model contains a detailed mapping of relationships between different industries, and helps determine the multiplier effects associated with each new industry job in Jefferson County. ERA uses the following methodology for estimating the economic impacts of the full build-out of supportable real estate space:

Step 1: Map Occupations to Industries

Step 2: Apply RIMS industry multipliers to conservative and optimistic projections for occupation growth

Step 3: Estimate direct, indirect, induced, and total jobs, earnings, and spending impacts, defined as follows:

- Direct impacts consist of permanent jobs, wages, and output resulting directly from the new development
- Indirect impacts consist of permanent jobs, wages, and output created by businesses which supply goods and services to the new development

- Induced impacts consist of permanent jobs, wages, and output created by the spending of direct and indirect employees
- Total impacts consist of direct, indirect, and induced impacts in terms of jobs, wages, and output

Findings

Step 1: Map Occupations to Industries

The employment projections used by ERA to estimate supportable office and industrial space were based on occupational workforce projections. The RIMS II model, used to estimate economic impacts, is based upon industry employment. Therefore, ERA began the economic impact analysis by mapping the occupations considered for the Park Hill Corridor to the industrial employment classification used in the RIMS II model.

The Standard Occupations Classification (SOC) is a federal classification system that categorizes all jobs into 820 discrete occupations that cut across industries. In contrast, industry employment is organized according to the North American Industry Classification System (NAICS), which sorts companies according to their primary industrial activity. NAICS classifies 1,170 industries. Both SOC and NAICS have hierarchical systems that group detailed occupations into groups and sub-groups. ERA compared the minor SOC groups, of which there are 96, to the 2-digit NAICS industries, of which there are 20.

The 46 occupations identified for the Park Hill Industrial Corridor can be classified into 21 2-digit NAICS industry groups. Figure 44 illustrates the mapping structure used by ERA to convert occupational employment into the broader industrial employment categories. While some occupations, such as Operations Specialties Managers, cut through many industries, other occupations, such as Life, Physical, and Social Science Technicians, fall entirely within a single 2-digit NAICS industry classification. Most of the occupations selected for the Park Hill Corridor could be neatly organized within the broad 2-digit NAICS classification system.

Figure 44: SOC Occupation to NAICS Industry Mapping

SOC Code Occupation	NAICS Aggregate Industry Code	Aggregate Industry Title
<u>Office / Flex Space Occupations</u>		
151000 Computer Specialists	47	Professional, scientific, and technical services
152000 Mathematical Scientists	47	Professional, scientific, and technical services
171000 Architects, Surveyors, and Cartographers	47	Professional, scientific, and technical services
172000 Engineers	47	Professional, scientific, and technical services
173000 Drafters, Engineering, and Mapping Technicians	47	Professional, scientific, and technical services
194000 Life, Physical, and Social Science Technicians	47	Professional, scientific, and technical services
291000 Health Diagnosing and Treating Practitioners	52	Ambulatory health care services
292000 Health Technologists and Technicians	52	Ambulatory health care services
299000 Other Healthcare Practitioners and Technical Occupations	52	Ambulatory health care services
319000 Other Healthcare Support Occupations	52	Ambulatory health care services
339000 Other Protective Service Workers	49	Administrative and support services
371000 Supervisors, Building and Grounds Cleaning and Maintenance	49	Administrative and support services
372000 Building Cleaning and Pest Control Workers	49	Administrative and support services
373000 Grounds Maintenance Workers	49	Administrative and support services
392000 Animal Care and Service Workers	47	Professional, scientific, and technical services
413000 Sales Representatives, Services	42	Securities, commodity contracts, investments
414000 Sales Representatives, Wholesale and Manufacturing	23	Printing and related support activities
419000 Other Sales and Related Workers	46	Rental and leasing services and lessors of intangible assets
431000 Supervisors, Office and Administrative Support Workers	47	Professional, scientific, and technical services
432000 Communications Equipment Operators	39	Broadcasting and telecommunications
436000 Secretaries and Administrative Assistants	47	Professional, scientific, and technical services
439000 Other Office and Administrative Support Workers	47	Professional, scientific, and technical services
491000 Supervisors of Installation, Maintenance, and Repair Workers	59	Other services*
<u>Industrial / Warehouse</u>		
191000 Life Scientists	47	Professional, scientific, and technical services
192000 Physical Scientists	47	Professional, scientific, and technical services
271000 Art and Design Workers	55	Performing arts, museums, and related activities
351000 Supervisors, Food Preparation and Serving Workers	58	Food services and drinking places
434000 Information and Record Clerks	49	Administrative and support services
435000 Material Recording, Scheduling, Dispatching, and Distributing	35	Other transportation and support activities*
472000 Construction Trades Workers	7	Construction
473000 Helpers, Construction Trades	7	Construction
474000 Other Construction and Related Workers	7	Construction
492000 Electrical and Electronic Equipment Mechanics, Installers	59	Other services*
493000 Vehicle and Mobile Equipment Mechanics, Installers	59	Other services*
499000 Other Installation, Maintenance, and Repair Occupations	59	Other services*
511000 Supervisors, Production Workers	11	Fabricated metal product manufacturing
512000 Assemblers and Fabricators	18	Miscellaneous manufacturing
513000 Food Processing Workers	19	Food, beverage, and tobacco product manufacturing
514000 Metal Workers and Plastic Workers	26	Plastics and rubber products manufacturing
515000 Printing Workers	23	Printing and related support activities
516000 Textile, Apparel, and Furnishings Workers	20	Textile and textile product mills
517000 Woodworkers	8	Wood product manufacturing
518000 Plant and System Operators	18	Miscellaneous manufacturing
519000 Other Production Occupations	18	Miscellaneous manufacturing
531000 Supervisors, Transportation and Material Moving Workers	35	Other transportation and support activities*
537000 Material Moving Workers	27	Wholesale trade

Source: Economics Research Associates

Step 2: Apply RIMS industry multipliers to conservative and optimistic projections for occupation growth

RIMS industry multipliers account for the inter-industry relationships within regions, and Figure 45 illustrates each of the multipliers that apply to the industry occupations selected for the Park Hill Corridor. For every new job added to the Park Hill Corridor, RIMS II multipliers can be used to estimate the total impact of the project on regional output, earnings, and employment. The larger an



industry's multipliers, the greater the regional economic impact associated with each new job gained by the industry.

Figure 45: Jefferson County Multipliers for Selected Industry Occupations

Code	Aggregate Industry Title	Office / Flex	Industrial / Warehouse	Multipliers ¹			
				Retail	Output	Earnings	Employment
7	Construction		✓		1.92	1.83	1.88
8	Wood product manufacturing		✓		1.61	1.95	1.78
11	Fabricated metal product manufacturing		✓		1.73	1.93	2.17
18	Miscellaneous manufacturing		✓		1.85	2.04	2.42
19	Food, beverage, and tobacco product manufacturing		✓		1.65	2.74	3.53
20	Textile and textile product mills		✓		1.56	1.93	1.92
23	Printing and related support activities	✓			1.76	1.88	2.16
23	Printing and related support activities		✓		1.76	1.88	2.16
26	Plastics and rubber products manufacturing		✓		1.91	2.43	2.63
27	Wholesale trade		✓		1.74	1.77	2.26
28	Retail Trade			✓	1.88	1.80	1.51
35	Other transportation and support activities		✓		1.73	1.61	1.84
39	Broadcasting and telecommunications	✓			1.77	1.98	2.47
42	Securities, commodity contracts, investments	✓			1.93	1.62	1.81
46	Rental and leasing services and lessors of intangible assets	✓			1.29	1.66	1.60
47	Professional, scientific, and technical services	✓	✓		1.80	1.52	1.81
49	Administrative and support services	✓	✓		1.74	1.51	1.32
52	Ambulatory health care services	✓			1.89	1.51	1.90
55	Performing arts, museums, and related activities		✓		1.97	1.60	1.40
58	Food services and drinking places		✓		1.91	1.57	1.25
59	Other services	✓	✓		1.81	1.70	1.51

Source: Bureau of Economic Analysis, RIMSII Model; Economics Research Associates

¹ The Output Multiplier presented here is a Final Demand Multiplier while the Earnings and Employment Multipliers are Direct Effect Multipliers. Applying each multiplier to the corresponding direct impact (output, earnings, or employment level) yields the

ERA estimates that by 2014, between 605,000 and 926,000 square feet of new commercial and industrial development will be supportable in the Park Hill Corridor. Figure 46 details the development program that ERA used in order to estimate economic impacts. This development program reflects low and high estimates of the total square feet of development that could be supported by the projected demand for office, industrial, and retail space in 2014. The program outlined in Figure 46 is based entirely on projections for market demand, and is expected to change during the master planning process, which will further define the program based on site constraints and possible synergies.

Figure 46: Low and high Park Hill Industrial Corridor development program scenarios

	Supportable Square Feet	Jobs
Low Share		
Office / Flex Space Occupations (2%)	39,091	156
Industrial / Warehouse Occupations (10%)	513,644	685
<u>Retail (10% Capture)</u>	<u>51,700</u>	<u>120</u>
Low Share Subtotal	604,436	961
High Share		
Office / Flex Space Occupations (4%)	78,182	313
Industrial / Warehouse Occupations (15%)	770,467	1,027
<u>Retail (15% Capture)</u>	<u>77,550</u>	<u>185</u>
High Share Subtotal	926,199	1,525

Source: Workforce Kentucky; Commercial Kentucky, Colliers Harry K. Moore, Economics Research Associates

Step 3: Estimate direct, indirect, induced, and total jobs, earnings, and spending impacts

- ERA applies the Jefferson County RIMS multipliers listed in Figure 45 to the selected industry occupations listed in Figure 44 to determine the economic impacts associated with low and high development scenarios in Figure 46. ERA estimates direct, indirect, induced, and total economic impacts (jobs, wages, and output) that result from the incremental new development program.

Figure 47 details the economic impacts of new development, which is summarized below:

- Direct impacts consist of permanent jobs, wages, and output resulting directly from the new development. ERA estimates that 961 to 1,525 direct jobs with average salaries of between \$33,000 and \$38,400 per year.
- Indirect impacts consist of permanent jobs, wages, and output created by businesses which supply goods and services to the new development. In contrast, induced impacts consist of the permanent jobs, wages, and output that are created by the spending of direct and indirect employees. ERA estimates that 739 to 1,175 indirect and induced jobs with average salaries of between \$29,000 and \$32,000 per year will be created from the combination of indirect and induced impacts.

- Total economic impacts reflect direct, indirect, and induced impacts. The full build out of the development program is expected to create between 1,700 and 2,700 new jobs, with average annual salaries of between \$30,700 and \$33,400.
- ERA estimates that the full development program will result in \$118 to \$187 million in direct spending and \$212 million to \$336 million total spending

Figure 47: Projected Economic Impacts Summary

Occupation	Direct Impacts			Indirect/Induced Impacts			Total Impacts		
	Jobs	Earnings ¹	Spending ¹	Jobs	Earnings ¹	Spending ¹	Jobs	Earnings ¹	Spending ¹
<u>Low Share</u>									
Office / Flex Space Occupations (2%)	156	\$6.76	\$19.08	128	\$3.74	\$15.83	284	\$10.49	\$34.9
Industrial / Warehouse Occupations (10%)	685	\$22.55	\$89.54	550	\$16.6	\$70.63	1,235	\$39.15	\$160.17
<u>Retail (10% Capture)</u>	120	\$2.43	\$9.12	61	\$1.95	\$7.99	181	\$4.37	\$17.1
<u>Low Share Subtotal</u>	961	\$31.73	\$117.74	739	\$22.28	\$94.44	1,700	\$54.02	\$212.18
<u>High Share</u>									
Office / Flex Space Occupations (4%)	313	\$13.51	\$38.15	256	\$7.47	\$31.65	569	\$20.98	\$69.81
Industrial / Warehouse Occupations (15%)	1,027	\$33.82	\$134.31	825	\$24.9	\$105.95	1,853	\$58.72	\$240.26
<u>Retail (15% Capture)</u>	185	\$3.74	\$14.05	94	\$3.	\$12.31	279	\$6.74	\$26.37
<u>High Share Subtotal</u>	1,525	\$51.08	\$186.52	1,175	\$35.37	\$149.91	2,700	\$86.45	\$336.43

Source: Bureau of Economic Analysis, RIMSII Model; Commercial Kentucky, Colliers Harry K. Moore, Economics Research Associates

(1) Earnings and Spending in \$millions

Fiscal Impact Analysis

The direct economic impacts generated by the Park Hill Corridor development program will produce tax revenue for the State of Kentucky, Louisville Metro, the Urban Service District, and the school system. Based on direct spending and employee compensation generated by the project, ERA estimates that the program will generate between \$3.2 and \$5 million in annual tax revenue by 2014. ERA estimates that \$2.3 to \$3.7 million in tax revenue will accrue to the State of Kentucky and \$825,000 to \$1.3 million will accrue to Louisville Metro, the Urban Service District, and the school system.

Figure 48: Fiscal Impacts from Operations (Low Scenario)

Tax	Kentucky	Louisville Metro	Urban Service District	Schools	Total
Property Tax Revenue	\$21,321	\$21,579	\$63,207	\$122,940	\$229,047
Sales Tax Revenue	\$1,085,700	-	-	-	\$1,085,700
Income Tax Revenue	\$1,301,913	\$387,474	-	\$232,485	\$1,921,872
Total Tax Revenue	\$2,408,934	\$409,053	\$63,207	\$355,425	\$3,236,619

Source: Kentucky Department of Revenue; Economics Research Associates

Figure 49: Fiscal Impacts from Operations (High Scenario)

Tax	Kentucky	Louisville Metro	Urban Service District	Schools	Total
Property Tax Revenue	\$34,363	\$34,778	\$101,869	\$198,140	\$369,150
Sales Tax Revenue	\$1,628,550	-	-	-	\$1,628,550
Income Tax Revenue	\$2,083,177	\$619,993	-	\$371,996	\$2,703,170
Total Tax Revenue	\$3,746,089	\$654,771	\$101,869	\$570,136	\$4,700,870

Source: Kentucky Department of Revenue; Economics Research Associates

Property Tax

Property tax is calculated using income capitalization method based on existing rents, market assumptions, and assessment valuation guidelines provided by Kentucky Department of Revenue. ERA begins its property tax analysis by estimating assessed market values on a per-square foot basis using a stabilized year income statement for office, industrial, and retail properties. Assessed market value is based on current rental rates, a vacancy allowance (assumed to be 10 percent of lease revenue), a 10 percent capitalization rate, and sales cost (assumed to be 4 percent). Figure 50 illustrates the methodology used for estimating assessed market value for office properties. The methodology for calculating assessed market valuation for industrial and retail properties is identical to office properties, however lease revenue rates were adjusted to reflect local market conditions.

The analysis assumes that the assessed value for office property is \$98,496 per 1,000 square feet. The assessed value for industrial property is \$16,848 per 1,000 square feet. Assessed value for retail property is \$90,720 per 1,000 square feet.

Figure 50: Stabilized Year Office Income Statement and Assessed Valuation

Gross Square Feet	1,000
Loss Factor	10%
Rentable Building Area (90% of Gross)	900
<u>Office Lease Revenue</u>	
Average Lease Rate (Gross PSF)	\$19
Potential Cash Flow	\$ 17,100
Less Vacancy Allowance (10% of Lease Revenue)	\$ (1,710)
<u>Less Operating Costs Incl. Tax, Insurance, Etc. (30% of Lease Revenue)</u>	<u>\$ (5,130)</u>
Net Cash Flow	\$ 10,260
Stabilized Year Net Operating Income	\$ 10,260
Capitalized Value at 10.00%	\$ 102,600
Less Sales Costs at 4.00%	\$ (4,104)
Residual Value Per 1,000 SF	\$ 98,496
Residual Value Per Gross Square Foot	\$ 98

Source: Economics Research Associates

Property tax revenues are distributed amongst the State of Kentucky, Louisville Metro, the Urban Service District, and the school system. Figure 51 and Figure 52 illustrate distribution by use to each of the public entities that collect property taxes.

The full build out of the market program could generate annual property tax revenues of between \$225,000 and \$365,000.

Figure 51: Real Property Tax Revenues (Low Scenario)

	<u>Property Tax Rate</u> ²						Annual Property Tax Revenue
	Estimated Market Value ¹	Kentucky	Metro Louisville	Urban Service District	Schools		
Tax Rate		0.12%	0.13%	0.37%	0.72%		
Retail	\$90,720	\$ 5,816	\$ 5,886	\$ 17,241	\$ 33,535		\$62,478
Industrial / Warehouse	\$16,848	\$ 10,731	\$ 10,861	\$ 31,812	\$ 61,875		\$115,278
<u>Office / Flex</u>	<u>\$98,496</u>	<u>\$ 4,774</u>	<u>\$ 4,832</u>	<u>\$ 14,154</u>	<u>\$ 27,530</u>		<u>\$51,290</u>
Total	\$206,064	\$21,321	\$21,579	\$63,207	\$122,940		\$229,047

Source: Kentucky Department of Revenue; Economics Research Associates

¹ Assessed value per 1000 square feet of development

² Taxable property is assessed at 100% of the fair cash value. The rates listed are per \$100 of assessed valuation in 2007. The properties may generate additional tax revenue to fund bonds or levies issued on top of the base rate.

Figure 52: Real Property Tax Revenues (High Scenario)

Program Element	<u>Property Tax Rate</u> ²						Annual Property Tax Revenue
	Estimated Market Value ¹	Kentucky	Metro Louisville	Urban Service District	Schools, Fire Department		
Tax Rate		0.12%	0.13%	0.37%	0.72%		
Retail	\$90,720	\$ 8,795	\$ 8,901	\$ 26,073	\$ 50,713		\$94,481
Industrial / Warehouse	\$16,848	\$ 16,096	\$ 16,291	\$ 47,718	\$ 92,813		\$172,918
<u>Office / Flex</u>	<u>\$98,496</u>	<u>\$ 9,472</u>	<u>\$ 9,586</u>	<u>\$ 28,079</u>	<u>\$ 54,614</u>		<u>\$101,751</u>
Total	\$206,064	\$ 34,363	\$ 34,778	\$ 101,869	\$ 198,140		\$369,150

Source: Kentucky Department of Revenue; Economics Research Associates

¹ Assessed value per 1000 square feet of development

² Taxable property is assessed at 100% of the fair cash value. The rates listed are per \$100 of assessed valuation in 2007. The properties may generate additional tax revenue to fund bonds or levies issued on top of the base rate.

Sales Tax

Sales tax is based on 6% tax on retail sales. ERA estimates that the Park Hill Corridor can expect to capture between 51,700 and 77,550 square feet of retail by 2014. Assuming a standard retail

productivity of \$350 per square foot, retail can achieve annual revenues from \$18.1 to \$27.1 million annually. Based on these assumptions, the State of Kentucky can expect to receive between \$1.1 and \$1.6 million annually in sales tax revenues once the full retail program is built out.

Figure 53: Sales Tax Summary

Program Element	Park Hill Retail Potential	Retail Productivity	Annual Revenue	State Tax Rate (6%)
Low Retail (10% Capture)	51,700 SF	\$350 / SF	\$18,095,000	\$1,085,700
High Retail (15% Capture)	77,500 SF	\$350 / SF	\$27,125,000	\$1,627,500

Source: Economics Research Associates

Income Tax

Income taxes are collected by the State of Kentucky, Louisville Metro, and the school system and levied upon all individuals who work in Louisville Metro (irrespective of place of residence). Income tax revenue is based on direct jobs, average wages, and the following income tax rates: State: 4.2 percent; Louisville Metro: 1.25%, and school system: 0.75 percent. ERA estimates that the 961 to 1,525 new jobs in the Park Hill Corridor will generate \$1.3 to \$2.1 million in tax revenue for the State of Kentucky and \$620,000 to \$992,000 for Louisville Metro and the school system. Figure 54 illustrates estimated annual income tax revenues at full build-out.

Figure 54: Income Tax Revenue

	Average Annual Employees	Kentucky Income Tax Revenue	Metro Louisville Income Tax Revenue	Schools Income Tax Revenue	Total Income Tax Revenue ¹
<i>Tax Rate</i>		4.2%	1.25%	0.75%	
<u>Low Scenario</u>					
Office/Flex					
Industrial/Warehouse	156	\$ 38,389	\$ 252,113	\$ 75,034	\$ 45,020
Retail	685	\$ 32,951	\$ 947,795	\$ 282,082	\$ 169,249
Total	120	\$ 20,239	\$ 102,006	\$ 30,359	\$ 18,215
	961		\$ 1,301,913	\$ 387,474	\$ 232,485
<u>High Scenario</u>					
Office/Flex					
Industrial/Warehouse	313	\$ 38,389	\$ 504,226	\$ 150,067	\$ 90,040
Retail	1,027	\$ 32,951	\$ 1,421,692	\$ 423,123	\$ 253,874
Total	185	\$ 20,239	\$ 157,259	\$ 46,803	\$ 28,082
	1,525		\$ 2,083,177	\$ 619,993	\$ 371,996

Source: Kentucky Department of Revenue; Economics Research Associates

¹ Income tax estimates exclude transit authority tax, which equals 0.2 percent of gross income.



Appendices

A: Stakeholder Interview Summary

ERA conducted thirty-nine stakeholder interviews over the phone and face-to-face in order to develop a more complete understanding of the goals, opportunities, and challenges associated with redeveloping the Park Hill Corridor. This section details key findings from the stakeholder interviews, which informed the real estate market analysis and will continue to inform the master plan.

The stakeholder interviewees (see Figure 55) represent a diverse group of Louisville residents and employees, including representatives of companies located within the Park Hill Corridor, community activists, local developers and brokers, Louisville Metro officials, and representatives from the University of Louisville. The stakeholders interviewed are a dedicated group of Louisville residents and employees whose thoughts will help shape the Park Hill Industrial Corridor master plan and whose continued participation will help steer the plan from a vision to reality.

Interview Findings

The findings and summary observations from the stakeholder interviews represent an amalgamation of viewpoints and information provided by multiple participants. The stakeholder interviews revealed the following points to be key issues to consider while planning for the economic revitalization of the Park Hill Corridor:

- The Park Hill Corridor's competitive advantages over other industrial and office parks are its lower costs and central location.
- Park Hill Industrial Corridor appeals to leaner entrepreneurial companies that are attracted to the district due to its affordable price, central location, "eclectic" building stock, creative work spaces, and high visibility.
- Several business clusters exist in the Park Hill Industrial Corridor, including printers and home products and construction.
- The West Louisville neighborhood contains a large and underemployed low- and mid-skilled workforce. Revitalization of the Park Hill Corridor will need to address two competing goals: creating job opportunities for low-skilled residents while attracting companies in growth industries that can provide higher paying opportunities.

- The Park Hill Industrial Corridor's broken street grid and poor accessibility from the Corridor to the Interstate system (particularly southbound) are significant challenges to businesses.
- Railroad lines in the Corridor were uniformly criticized by business owners in the district because rail crossings damage trucks and idle trains block streets.
- Stakeholders from both within and outside the Corridor agree that the Park Hill Corridor has a negative image. This image is not related to their experience there, but to long-standing public perceptions about the area's safety and general appearance.
- Marketing of the district today is impeded by a lack of cleared, "ready-to-go" sites and buildings.
- While the Park Hill Corridor contains some retail and dining establishments, which employees in the district lauded, retail sites are dispersed. The lack of a retail zone makes the Park Hill Corridor less accessible to those who do not live or work in the district.

Figure 55: Stakeholder Interview List

First Name	Last Name	Company
Tim	Barry	Housing Authority
Bruce	Blue	Freedom Metals
Theresa	Bridgewater	The Meridian Group, Inc.
Brian	Carrier	UPS Supply Chain Solutions
Charles	Cash	Metro Louisville Planning
Rusty	Cheuvront	Brown Foreman
Walter	Crutcher	Walter Wagner Real Estate
Steven	Cundiff	V.G. Reed and Sons, Inc.
Chuck	Davis	Nelco
Kenneth	Dietz	University of Louisville
Bobby	Ferreri	Greater Louisville, Inc.
John	Fischer	Economic Development Retail
Ralph	Fitzpatrick	University of Louisville
Roxann	Fry	Greater Louisville, Inc.
Steve	Grey	Commercial Kentucky
Daniel	Hall	University of Louisville
Bob	Hanekamp	Packaging Unlimited
Larry	Hathcock	The Meridian Group, Inc.
Lauren	Heberle	University of Louisville
Devonne	Holt	Greater Louisville, Inc.
Robert	Homes	The Meridian Group, Inc.
Kirt	Jacobs	Economic Development Retail
Maurice	Jones	Economic Development Retail
Steve	Lannert	Harry K Moore Co.
Caroll	Mackin	Great Northern Manufacturing
Michael	McCoy	Center for Neighborhoods
Larry	McFall	Riverport
Skip	Miller	Louisville Regional Airport Authority
Larry	Owsley	University of Louisville
Bob	Patterson	Consumers Choice Coffee
Eileen	Pickett	Greater Louisville, Inc.
Richard	Powers	Sud Chemie
Joe	Reagan	Greater Louisville, Inc.
Bud	Reed	V.G. Reed and Sons, Inc.
Bobby	Reed	V.G. Reed and Sons, Inc.
Ben	Richmond	Louisville Urban League
Kevin	Shea	College Industrial - Exeter Property Group
Marty	Snyder	Pro-Liquitech
Steve	Trager	Republic - local
Bruce	Traughber	Econ. Dev. Metro
Jack	Trawick	Center for Neighborhoods
Sam	Watkins	Louisville Central Community Center
Bill	Weyland	City Properties Realty
Art	Williams	Air Pollution Control District

Competitive Advantages of the Park Hill Industrial Corridor

Businesses that have re-located to the Park Hill Corridor have been driven primarily by lower costs and the district's central location. Stakeholder interviews confirmed that land, rent and purchase prices in the Corridor are lower than at competing industrial parks, such as Bluegrass or Riverport. Warehouse / manufacturing space in the Park Hill Corridor rents for \$1 - \$3 /SF, as compared to \$2.50 - \$5/SF in surrounding industrial parks. Similarly, land cost for industrial use is \$40- \$60/acre in the Park Hill Corridor, as compared to \$100-\$200/acre in the surrounding region.

Businesses that are located in the Park Hill Corridor also appreciate the benefits afforded from the district's central location. The Park Hill Corridor is relatively accessible for employees coming from Southern Indiana (compared with more upscale industrial parks in eastern or southern Jefferson County). Some companies point out that the Corridor's relative proximity to the Central Business District is a clear plus. Companies who left areas such as Bluegrass Industrial Park noted that that location has specific problems with access and egress at peak commuting hours.

For companies that rely more heavily on a low- and mid- skill workforce, the availability of employees living relatively nearby is seen as a clear advantage of the Park Hill Corridor. Planners and leaders interviewed uniformly noted that the availability of a significant low-skilled workforce should be an advantage for Louisville's robust and growing logistics industry.

Target Industries

The stakeholder interviews helped illuminate several industry clusters that currently exist within the Park Hill Corridor. There is a strong concentration of printing companies in the Park Hill Corridor, which can help to recruit other companies that can use printing services in their supply chain. Additionally, some clustering appears to exist in companies related to home products and construction currently in the Corridor (ranging from paint to siding, and specialty fabrication).

At the same time, examples of businesses from the region's strongest industries are not necessarily found within the Corridor today. These would include a variety of just-in-time repair / supply business sectors (e.g. specialty printing, IT equipment repair); or segments such as call centers and data centers. These industries are locating in the Metro area but not in the Park Hill Corridor.

Metro and Chamber economic development efforts have succeeded in attracting leaner companies to the district, as compared to the more established light manufacturing operators in the Park Hill

Corridor. Newer companies, such as ProLiquitech and Consumer Choice Coffee, are smaller in terms of employment and the size of facilities they required. The companies are locally owned with operations that have local, regional, and national scales. The entrepreneurs behind the companies were attracted to the Park Hill Industrial Corridor for its combination of affordable price, central location, “eclectic” building stock, creative work spaces, and high visibility. Notably, the properties were individually purchased sites, not leased from larger scale real estate developers.

A theme emerging from conversations with representatives from companies that are located in the Park Hill Industrial Corridor is that marketing of the district needs to focus on “people who really want to be there” and who have an appetite for a non-traditional location. Interviewees suggested that future redevelopment plans should seek to create a sense of place and scale that caters to a more entrepreneurial, risk-friendly company.

Interviewees who saw in the Park Hill Industrial Corridor a market for higher value-added and logistics-dependent businesses emphasized that the district’s smaller building footprints could accommodate these company types. They emphasized that general logistics operations typically require a “campus” environment and extremely large buildings (both in footprint and height), which does not conform to the building footprints within the Corridor. Logistics uses suggested for the Park Hill Corridor include back-office operations for banks (check printing, mail-outs for next-day signatures), and emergency credit card replacement services, call centers, or data centers.

A general perception exists that more purely life science-focused technologies being developed at the University’s Health Science Campus are likely to cluster at the research park facilities being developed adjacent to the University’s downtown location. However, the University’s Belknap Campus’s research efforts in nanotechnology offer opportunities for the Park Hill Industrial Corridor. The district offers a modest research and development-related district west of the Belknap Campus, where technology companies that need early-stage and single-story production space, coupled with excellent University access, could locate.

Jobs for West Louisville Residents

Job creation for residents of the neighborhoods around the Park Hill Industrial Corridor is one of the driving goals of the Corridor’s revitalization strategy. Revitalization of the Park Hill Corridor will need to address two competing goals: creating job opportunities for low-skilled residents while attracting

companies in growth industries that can provide higher paying opportunities. There is a need within The Corridor for both kinds of employment – both to employ the available workforce immediately and also to provide higher skilled jobs that may provide area residents with a chance for upward mobility.

Civic leaders who have worked on strategies to promote community and economic development in West Louisville cite the need to attract jobs that will be accessible to existing residents of the surrounding neighborhoods. One interviewee suggested that jobs that would match the skill level of West Louisville residents would pay \$8 to \$11 per hour. Another interviewee noted that if economic development efforts succeed in attracting jobs that pay in the \$18 - \$20 per hour range, these jobs by definition would not go to West Louisville residents because the skill requirements would be too stringent.

Several interviewees suggested that job training should be tied to specific industry clusters where growth is occurring, or to specific jobs that will come on line. The example of training in construction trades to take advantage of the anticipated major transportation and downtown projects was cited as a case in point. Others pointed to the opportunity to use job training programs as a means of improving upward mobility for area residents, so as to take advantage of jobs that are likely to be developed in the Corridor if new economic development and physical redevelopment strategies are successful.

Within the logistics-driven industry clusters, important distinctions emerged between a strategy based on jobs for “moving packages”, versus jobs in higher skilled trades such as computer or IT equipment repair. It was noted that the Louisville region has a gap in workforce able to perform mid- and higher-level technical work in the IT field.

Another area of training noted for attention was English as a Second Language (ESL). The availability of immigrant workers new to Louisville is identified as a positive by employers, but further assistance in helping these individuals become employable and fully productive is a continuing concern.

Site Constraints

Trucking

Companies located within the district were almost uniformly dependent on truck transportation for inbound and outbound shipping. The challenges posed by breaks in the existing street grid and by

poor accessibility from the Corridor to the Interstate system (particularly southbound) were operational challenge sited most frequently by stakeholder interviewees. A widely held perception is that the prospects for future redevelopment of the Corridor and for attraction of companies to locate there, will hinge largely on the ability to remedy this weakness.

Rail

Railroad lines in the Park Hill Industrial Corridor were uniformly criticized by business owners in the district. Complaints included rail crossings that damage trucks and streets blocked by idle trains. One interviewee stated that the spur lines should be removed. Others asked whether the existing rail lines could represent an asset, in order to better link the district and the airport. However, UPS Supply Chain Solutions, which operates primarily south of the airport, does not rely on rail service to any significant degree. The use of rail as a means of transport by area companies appeared negligible.

Images and Perceptions

Stakeholders from both within and outside the Corridor agree that the Park Hill Industrial Corridor has a negative image. This image is not related to their experience there, but to long-standing public perceptions about the area's safety and general appearance. Interviewees repeatedly returned to the challenge of overcoming the area's current negative image – including concerns about safety, perceptions that the district is hard to get into or out of, and that its gateways are unattractive.

The Corridor also has a negative image due to its physical characteristics, whether it is the deteriorated condition of roadways and rail corridors, large tracks of vacant and/or neglected property, navigation challenges, or the physical condition of some neighborhoods bordering the district. The area was characterized by one interviewee as "lacking curb appeal" from a marketing standpoint. Its key access points and gateways also are unattractive, presenting a poor first impression to visitors.

Outsiders describe perceptions of the Corridor's transportation access for trucks more negatively than companies located within the district, who have learned to adapt to its constraints.

Companies located within the district confirmed that moving to the Park Hill Industrial Corridor required surmounting perception challenges, however few of the fears voiced in perceptions materialized into realities. Companies in the district take normal security precautions (fenced

perimeter, security lights, and electronic building access) and none reported any serious incident of crime to their property.

Parkway Place Site

Despite the 1,400 acre scale of the study area, the number of large contiguous parcels that may be catalysts for redevelopment is limited. To this end, the potential to relocate residents of the Parkway Place public housing complex to new housing is thought to represent a key opportunity for the economic development strategy envisioned by many stakeholders.

Retail / Amenities

Interviewees uniformly supported efforts to bring additional service retail and related commercial activities to the Corridor. While the district contains some retail and dining establishments, which employees in the district lauded, retail sites are dispersed and do not form a cohesive commercial district. The lack of a retail zone makes the district less accessible to those who do not live or work in the district.

The current redevelopment of the former Phillip Morris site into a mixed retail, commercial and residential development represents an opportunity to test new retail development in the district. The project's success will be important to the ability of local government and economic development officials to reposition the Corridor in the eyes of prospective businesses.

B. Financial Inputs

ERA conducted informational interviews with local developers, brokers, and other real estate professionals in order to develop financial assumptions for new office and industrial construction in the Park Hill Corridor. The financial assumptions provided in Figure 56 will be used as inputs for financial models that will test the feasibility of various development scenarios during the master planning phase of the Park Hill Industrial Corridor revitalization.

Figure 56: Park Hill Industrial Corridor Office and Industrial Development Financial Assumptions

	Office	Industrial
<i>Development Budget</i>		
Direct Costs: Development		
Development Costs (Hard + Soft)	\$150/SF - \$175/SF	\$35/SF - \$40/SF
Tenant Improvements	\$10/SF - \$15/SF	N/A
Direct Costs: Site		
Land (Sale) per acre	\$1 - \$2.50 / SF	\$40 - \$60 / acre
Demolition	\$2/SF to \$4/SF	\$2/SF to \$4/SF
<i>Operational Revenues & Expenses</i>		
Annual Rent (\$psf/year)	\$19.00/SF	\$2.00/SF to \$4.50/SF
Vacancy Rate	8% - 12%	7% - 9%
Management Fees	3% of lease revenue	3% of lease revenue
Sales/Leasing Commissions	18% to 24% of first year revenue	18% to 24% of first year revenue
Property Tax	\$1.30 / SF	\$0.20 / SF
<i>Global Assumptions</i>		
Cap Rate	6.5% - 7.5%	7.5% - 8.5%
Required IRR	15%	15%
Construction Cost Escalation	6% - 8%	6% - 8%
Annual Absorption	4,500 SF to 9,000 SF	150,000 SF to 200,000 SF

Sources: Commercial Kentucky, Colliers Harry K. Moore, Economics Research Associates