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William M. Landrum III
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November 22, 2017

VIA FIRST CLASS MAIL

Wesley Holbrook
Lexington-Fayette Urban County Government
Department of Finance
200 East Main Street
Lexington, Kentucky 40507

Re: Red Mile Tax Increment Financing Request for Calendar Year 2016

Dear Mr. Holbrook:

This letter is in response to the request from the Lexington-Fayette Urban County Government for Tax Increment Financing ("TIF") amounts arising from the Red Mile Mixed-Use Redevelopment TIF Project for calendar year 2016. The following paragraphs reflect the Department of Revenue's (the "Department") preliminary calculation of the increment amount.

After reviewing the supplied documentation and the Department's records, the Department adjusted the amounts your office requested in Exhibit F – Request for Disbursement. For real estate property tax, the requested increment amount was \$25,204.15. The Department's calculated property tax amount is slightly higher at \$29,468.22. Here is a breakdown of our preliminary property tax calculation compared with yours:

	Applicant's Calculation	Dept. of Rev. Calculation
Tax receipts for calendar yr.	\$35,875.06	\$48,480.09
Less: old revenues	4,369.87	11,644.81
Tax receipts available for increment	31,505.19	36,835.28
Multiplied by 80%	80%	80%
Calculated Increment	\$25,204.15	\$29,468.22

The Department has made adjustments that reduce the withholding tax increment calculation for 2016 from the amount requested. The Department's preliminary calculation reflects a lower receipts amount for 2016 and a higher Old Revenues amount than what was reported in Exhibit F. The Department's calculation for the Old Revenues amount is \$81,830.36, which is based on the 2015 Old Revenues amount of 80,810.92 grown by the Consumer Price Index adjustment required by the project grant agreement.

The following is a breakdown of the preliminary withholding calculation:

	Applicant's Calculation	Dept. of Rev. Calculation
Tax receipts for calendar yr.	\$273,302.92	\$251,525.36
Less: old revenues	38,742.42	81,861.47
Tax receipts available for increment	234,560.50	169,663.89
Multiplied by 80%	80%	80%
Calculated Increment	\$187,648.40	\$135,731.12

For the Sales and Use Tax preliminary calculation, there were no changes in the businesses included from those included in the final calculation for the 2015 increment. Here is a breakdown of the 2016 sales and use tax calculation:

	Applicant's Calculation	Dept. of Rev. Calculation
Tax receipts for calendar yr.	\$226,251.47	\$113,366.92
Less: old revenues	93,745.09	105,839.90
Tax receipts available for increment	132,506.38	7,527.02
Multiplied by 80%	80%	80%
Calculated Increment	\$106,005.11	\$6,021.62

The total preliminary increment for 2016 is **\$171,245.84**, broken down as follows:

Property Tax	\$29,468.22
Withholding Tax	\$135,731.12
Sales and Use Tax	<u>\$6,021.62</u>
 Total Increment	 \$171,220.96

This is the Department's preliminary increment calculation. If you are in agreement with this amount, please let us know. If you are in disagreement with the increment amount, please provide an explanation and relevant documentation within thirty days from the date of this letter.

If you have any questions, please let me know.

Sincerely,



Gary C. Morris
Executive Advisor
Office of the Commissioner
Finance & Administration Cabinet
Department of Revenue
501 High Street
Frankfort, KY. 40601

cc: Katie Smith
Richard Dobson
Melissa Klink
Ricky Haven
Christy Kenney
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