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LFUCG Council
Government Center
200 East Main Street
Lexington, KY 40507

May 30th, 2014

Dear Vice Mayor Gorton and Council members,

My name is Knox van Nagell, and I am writing this letter on behalf of Fayette Alliance.

Founded in 2006, Fayette Alliance is a coalition of citizens dedicated to achieving sustainable growth in Lexington-Fayette County through land use advocacy, education, and promotion.

Through our efforts at government and beyond, Lexington can become the model for sustainable growth, by connecting and balancing its vibrant city with its unique and productive Bluegrass farmland.

In furtherance of this mission, Fayette Alliance respectfully requests that you re-affirm your support of 21c's Section 108 HUD Loan request.

As you know, the 21c museum-hotel project represents a \$43.3 million investment in the heart of downtown Lexington that will adaptively re-use our iconic First National Building to provide a boutique hotel, gourmet restaurant, and art museum experience for locals and visitors alike.

In 2012, the Council approved the 21c TIF and related incentives package for the development. However, several unanticipated structural issues arose at that time—stalling the project. After extensive study and re-calibration, 21c is ready to begin construction next month—provided the Council re-approves the Section 108 HUD loan component of the financing package. Without Section 108 financing, 21c Lexington will not move forward.

As with most complex, adaptive re-use infill projects, public-private partnerships are key to making them a financial reality. 21c is no exception, and the following is a breakdown of the various funding sources and expenses associated with the development:

Board Members

Jimmy Bell
Price Bell, Jr.
Sandra Canon
Todd Clark
Daniel Cooper
Kip Comett
Susan Enlow
Greg Goodman
Gay Haggin VanMeter
Dave Harper
Stan Harvey
Barry Holmes
Patrick McGee
John Phillips
Tom Poskin
Walt Robertson
Don Robinson
David Switzer
Jack van Nagell
Griffin VanMeter
Holly Wiedemann
Anthony Wright

Sustainers

Josephine Abercrombie
Helen Alexander
Andover Management Group
Ian Banwell
Antony & Angela Beck
Gary Bisantz
Alex Campbell
Darley
Fayette Co. Farm Bureau
David & Philippa Fogg
Greg Goodman
Dave Harper
John Hendrickson
Sally Humphrey
Keeneland Association
KTA
Murray & Teri Kessler
Lane's End Farm
Langley Properties Co.
Lisa Lourie
Deirdre Lyons
Richard & Sue Ann Masson
Ann McBrayer
Joe & Jacqueline Murphy
Don Robinson
Bill Shively
Derek Vaughan
Fra Vaughan
Brian & Lori Wood
Misdee Wrigley Miller

Executive Director

Knox van Nagell, J.D.



REVENUES

21c Equity: \$2,726,573
Construction Loans: \$18,000,000
Federal & State Tax Credits: \$15,634,922
Section 108 HUD Loan: \$6,000,000
Urban Development Action Grants Loan: \$1,000,000

TOTAL \$43,361,495

EXPENSES

Soft Costs: \$4,009,250
Land: \$3,850,000
Hard Costs: \$27,301,645
Pre Opening Costs: \$1,283,600
Interest Carry: \$550,000
Development Fees/Costs: \$902,000
Contingency: \$1,500,000
FF&E: \$3,965,000

TOTAL: \$43,361,495

Once complete, the fully restored First National Building will offer 88 hotel rooms, a 8,500 square feet public contemporary art exhibition facility, a restaurant, and meeting and event space. With 21c and CentrepoinTE both coming on-line with additional hotel rooms and conference space, downtown Lexington will improve its marketability as a regional and national convention hub.¹

In addition, 21c will support over 200 jobs during construction, and over 125 permanent jobs once built—a substantial portion of which will be made available to those earning low to moderate incomes. 21c will be an economic catalyst in its own right, and inspire the creation of other investment, tourism, and marketing opportunities in our urban core.

With substantial financial backing in place, the proposed 21c hotel is a sound investment for Lexington. The public-private partnership between 21c and our local, state, and federal governments will produce a game-changing development in the heart of our city that will strengthen Lexington's ongoing renaissance. Why? Because the 21c brand is a powerful one that seamlessly marries the arts, food, and accommodations in authentic buildings and environments. In fact, Conde Nast Traveler magazine has named 21c the #1 hotel in the U.S and the South for several years running...and Lexington will have one here.

This is key, as a strong downtown improves our appeal to knowledge-based professionals that drive economic development; it promotes investment in dilapidated and underutilized urban properties needed to accommodate future growth; and it

¹ Lexington Convention and Visitor's Bureau, Conversion Study, 2011

complements the activities of our signature agricultural industries and world-renowned Bluegrass culture.

Moreover, the 21c development satisfies our land use laws including the recommendations of the 2013 Comprehensive Plan, the Downtown MasterPlan, the Design Excellence proposal, and countless community polls such as Destination 2040, and others.

For these reasons, we respectfully request that you re-affirm your support of the Section 108 loan for the 21c Museum Hotel Lexington.

Thank you for your consideration and dedication to Lexington-Fayette County.

Sincerely,

Knox van Nagell, J.D.
Executive Director
Fayette Alliance

Cc: Mayor Jim Gray
Jeff Fugate, DDA
Craig Greenberg, 21c Hotels