

Economic Development Land Work Group Executive Summary

During the 2013 Comprehensive Plan process one issue that received considerable discussion was the issue of job creation and the land that is available for creating and growing jobs within Lexington. Discussion about the adequate availability of land specifically for jobs has been common not only during the comprehensive plan process but also in larger discussions about economic development in Lexington. As a City that is largely dependent upon payroll taxes for its general fund, the existence and adequacy of “jobs land” for the growth of good paying jobs is an extremely important issue for Lexington. This issue of economic development and particularly jobs land has largely been focused around three related issues. The first issue is whether or not there is enough land within the urban services area that is specifically zoned for jobs. In particular, the concern among some is whether there is enough properly zoned land to attract the “next big employer” if they should come looking at Lexington. Most often this argument is termed the “next Toyota” argument, in that if Toyota or some other major manufacturer would want to locate in Lexington would there be enough land to accommodate them. Closely related to the first issue, is the issue of whether the permitted uses in the jobs/economic development zoning categories are too limited in their uses to be effective for attracting and growing jobs. This issue is most closely associated with the ED zone in the expansion area, where almost none of the over 500 acres have been developed in approximately 20 years of existence. The concern raised among many is that something must be wrong with the zone for it to be virtually untouched for over 19 years. The final issue associated with economic development, is whether we are losing jobs to surrounding counties because of land costs and associated polices such as exactions that make it more expensive to do business in Lexington. In particular, the concern among some is that companies are choosing other communities over Lexington because of the combined cost of land, exactions, infrastructure and the development process in general. Together these three issues have come to dominate the discussion of economic development in Lexington particularly as it relates to land use policy and land use decisions.

Because of these and other economic development issues, the Planning Commission requested that the Planning staff delve into these issues in order to provide insight into land use policy as it relates to economic development in Lexington. In particular, the Planning Commission requested one of the implementation steps from the 2013 Comprehensive Plan be a "thorough analysis of all existing vacant and underperforming jobs land, policies and regulations, and other inputs to job creation to determine what barriers exist to recruiting and encouraging jobs in Lexington that pay living wages".

Of particular interest to many members of the Planning Commission and others in the community was a review of the ED zone. As mentioned previously, despite being originally conceived as part of the Expansion Area Master Plan and the expansion of the Urban Services Area that took place in 1996, almost no development associated with jobs has taken place in the preceding 20 years. The intent of the ED zone is to provide land within the expansion area for employment opportunities compatible with the overall character of development as provided in the Expansion Area Master Plan. In many ways, the ED Zone is a combination of several current economic development zones

within the Zone Code. Rather than being contradictory, the ED Zone was created to be highly compatible with the other economic development zones such as I-1, I-2, P-1, P-2 and B-4. One of the goals for the ED zone was to provide a range of uses that allow for flexibility associated with Economic Development uses generally without being duplicative of other zones. Thus, while some minimal manufacturing uses are allowed in the ED zone, the main zones for manufacturing are still the I-1 and I-2 zones.

In December of 2014, in partial fulfillment of this implementation step, a 16 member Work Group (ED Land Work Group) was put together to look at several issues associated with the Economic Development Zone land use category. The work group was selected by the Commissioner of Planning, Preservation and Development and was composed of members representing different segments of the Community in order to attempt to provide a balanced discussion of the issues.

Members are listed in the appendix and represented the Urban County Council, Planning Commission, Commerce Lexington, Chief Economic Development Officer for the City, the Horse Industry, the University of Kentucky and the major property owners in the ED Zone. The committee was asked to look into the following issues:

- Why has the ED zone developed at a slow rate compared to other zones in the Expansion area?
- What kind of absorption rate do we have in the ED zone?
- What size of parcel is needed within this zone for development to be effective?
- What types of uses are we attempting to recruit to this zone?
- What types of uses do we want to exclude from this zone?
- What issues are most crucial to economic development in this zone?
- What changes are most likely to lead to increased use of this zone?

Summary of Economic Development Research

Between December 2014 and May 2015 the work group met a total of 9 times to discuss the issues above. Over the course of these meetings several presentations were given and a lot of great discussion was had concerning issues associated with economic development in Lexington in general and the ED zone in particular. Early meetings focused on providing a solid understanding of how economic development is conducted in Lexington, main strategic business targets and identifying the things that drive business to Lexington as well as drive it away. Commerce Lexington made a presentation (see Appendix) that provided an excellent overview of the strategic business targets as well as the amount and type of business leads and locations that they see. Key findings from the early meetings include the following:

- Main Business Sectors:
 - Renewable Energy and Clean technology
 - Computer, Software and IT

- Business and Professional Services
- Animal and Equine Sciences
- Life Sciences
- Visitor Industries
- The majority of businesses looking to relocate to Lexington are looking for a building only.
- The majority of businesses looking to relocate to Lexington are looking for sites of less than 20 acres.
- The main reasons businesses look to relocate to Lexington is because of our highly educated workforce, lower cost of doing business and quality of life.
- Payroll taxes are the main source of funding for the LFUCG general fund. As such the City is highly dependant on attracting and retaining good paying jobs in order to fund the services of the City and maintain the high quality of life that currently exists in Lexington. (See Appendix for Payroll tax chart)

As the meetings progressed the discussion switched from an informational focus to a focus on issues associated with the ED Zone and why it was slow to develop. This discussion covered both general information about the ED zone as well what some of the real and perceived barriers were that prevented the ED zone from reaching its potential as a jobs provider. At the beginning of these discussions two ground rules were laid down in order to help direct the discussion and focus it on the issue of economic development. First, no matter what issues were brought up concerning the ED zone and how to fix it, the intent of the zone was to remain economic development. It was important to establish that while the discussion was meant to be broad and wide ranging and that all points would be considered, the one option that was off limits was changing the intent of the zone to some other primary use. Given the concerns about the availability of land for economic development in Lexington, it was essential that the work group be focused on fixing and not dismantling the ED zone. The second ground rule was that the discussion was to focus on the issues and problems with the ED zone in general and not on the individual properties that were zoned ED. In particular, the group did not want the discussion of problems with the ED zone to be derailed by focusing on problems associated with individual properties. Moreover, the group felt it important that the discussion not devolve into how the ED could be crafted into different ED zones based on the characteristics of the individual properties. With these two ground rules established, the discussion proceeded to focus on both general information about the ED zone and perceived barriers to its success as a jobs land category.

General Information about the ED Zone

Property	Acres	Current Zone	Acres Developed
2a-Cowgill	86	AR	0
2b-Central Baptist	129	ED	0
3	353	ED	27
Total	568		27

The main barriers to the ED zone that were identified were as follows:

- **Exactions and Infrastructure costs:** The impact of exactions on the cost of land and the general cost of infrastructure in the ED zone was thought to be a major deterrent to the full development of the ED zone. No matter how low the initial cost of the land, property owners and Commerce Lexington were concerned about the additive cost of exactions, which could increase land cost by as much as \$70,000 an acre. A general plea was raised to either remove exactions from the ED zone or to provide financial assistance for putting in infrastructure in lieu of exactions.
- **Development Costs:** In addition to the cost of the land and exactions, property owners were concerned about the added cost of time associated with the development process. Companies looking to locate in Lexington often need to be able to proceed quickly and concerns were raised that the time necessary to go from development plan to building permit and certificate of occupancy was too slow to attract business. A desire was expressed that the City find a way to compress this time in the case of economic development prospects.
- **Flexibility of the zone:** Work group members felt that several aspects of the current ED zone weren't as flexible as they could be and that it was having a negative impact on the ability of the land to be used for economic development. Specifically, work group members mentioned:
 - **Principle and Conditional Uses:** Some members felt that some uses that were allowed in other economic development zones should be allowed in the ED. In addition they asked for other non-economic development uses to be allowed as principle uses such as limited residential.
 - **Density:** Some members felt that the zone didn't allow for a high enough density of building to make it effective and they wanted to examine how it could be increased.
 - **Floor Area ratio:** Some members felt that the current FAR of .75 was too restrictive for the location of the ED zone and that a higher FAR is needed.
 - **Building height:** Some members felt that the building height limitation was problematic for attracting some types of business to the ED zone and asked that it be relaxed.

- **Open Space:** Some members felt that the 25% open space requirements were too high and that it prevented good use of the land. While they acknowledged the benefits of the requirements they wanted them eased.

Summary of Recommendations/Findings

After the list of barriers was identified the work group began to work to try and develop consensus solutions for these barriers. While a consensus solution is always desired in work such as this it is not always achievable. The following is a list of the solutions that were developed through both consensus and those where a consensus wasn't reached. In cases where a consensus wasn't reached a description of the issues is provided. Complete meeting notes are included in the appendix in order to provide more context of the discussions that took place on all issues.

Consensus Solutions

- **Infrastructure Fund:** In order to help address the issue of exactions and the cost of building public infrastructure a proposal in the 2016 budget was put forth to create a Public Infrastructure fund. This proposal was funded using existing bond funds of \$1,000,000. Work is currently underway on developing the enabling ordinance that will create a board and application structure for this fund. Importantly, by design this fund will be available only for economic development projects that involve hourly wages above the current median for Lexington and are not available for supportive use projects. This news was shared with the work group and was met with appreciation as it is viewed that this will provide some relief to the issue of exactions as it relates to economic development.
- **Economic Development Team:** In response to the concerns associated with the length of time of the development process, an Economic Development team was proposed. This proposal involved creating a standing cross division group that will be available to quickly address questions associated with economic development prospects and will be empowered to make binding decisions associated with properties. The team would consist of representatives of Planning, Building Inspection, Engineering, Fire, Traffic Engineering, Division of Water Quality, the Chief Development Officer and the office of the Commissioner of Planning, Preservation and Development.
- **Flexibility of Principle and Conditional uses:** Much discussion was held over the flexibility of uses and what other uses might be added to the ED zone in order to improve its function for economic development. Eventually discussion centered on two categories of uses, principle uses and supportive uses. *Principle* ED uses are those that are directly related to economic development and are “by right” within the zone. Agreement was reached that there would be no limit on how much of the ED zone could be devoted to these principle economic development uses within the ED zone. In contrast, *supportive* uses are those that support economic development uses but are not directly related to economic development. These types of use include residential, banks, adult day care centers, and hotels to name a few uses. Importantly, while these uses are “by right” they are limited

in their total amount within the ED zone based on a ratio of principle to supportive uses. Many within the group argued that these supportive uses are necessary not only to create a more modern and attractive “mixed use style” economic development center, but to make the ED zone viable in general. It was argued that without the ability to have these supportive uses in close proximity to pure ED uses, the developments would be at a competitive disadvantage as public taste about traditional economic development centers had evolved. The ratio of principle-supportive uses, or the ratio of how much of the ED zone may be devoted to supportive uses in relation to total principle economic development uses, is the key to how this scheme works. This principle-supportive ratio allows for the intent of the zone to remain economic development while allowing for more flexibility of uses and the creation of a more modern economic development center. Overall consensus was reached on both principle and supportive use categories that should be allowed in the ED zone but not on the ratio of principle-supportive uses. In total 8 new principle uses were recommended and 18 supportive uses were recommended for inclusion in the ED zone (see ED zone chart).

- **Density:** Discussion was had and an agreement was reached that issues of density were not insurmountable and could be worked out in the discussion to be held by the Planning Commission. Overall it was felt that the issue of density was something that could be finalized in a way to benefit development while still achieving the goals of good planning.
- **Floor Area Ratio:** While no formal change in current FAR of .75 was adopted, consensus was that a different more flexible number could be reached during the discussion with the Planning Commission.
- **Building Height:** Consensus was reached that building height would be allowed to be more flexible and that taller buildings would be placed closer to the Interstate, with building heights being more restricted as they approached the Urban Service Boundary. It was agreed that context was important in this decision and that a formal height limit plan would be written after the Planning Commission discussion.
- **Open Space:** While a formal change in the open space requirement was not created there was consensus amongst the work group that this issue could be resolved during the Planning Commission discussion. Overall, there was consensus amongst the group that there was no desire to remove the current open space requirement, only to adjust it in a manner that would provide for more flexibility.

Issues without consensus

Ratio of Principle to Supportive Uses: The only real area where consensus was not reached was on the ratio of principle to supportive uses. As discussed previously, both principle and supportive uses would be “by right” uses in the ED zone. The main difference between the two uses is that supportive uses would be limited in their maximum amount within the zone, whereas principle uses would not be limited. Various different proposals were presented by members ranging from 95-5 principle-supportive to 70-30 principle-supportive, with no single proposal achieving group consensus (see Ratio chart in Appendix). Those who supported a higher ratio of supportive uses

felt that without more area to develop supportive uses they would not be viable and would thus not be helpful in creating a more mixed use type of economic development center. In particular, if residential and retail uses were too condensed they would not be viable and thus would not create the desired mixed use area. While there was consensus to keep the intent of the zone as economic development there was not agreement as whether allowing too much supportive use would change the intent. Eventually in the last meeting an agreement was reached to submit a ratio of 82.5-17.5 principle-supportive uses. This “cut the baby in half” solution split the difference between those who supported a ratio of 85-15 and those who supported a ratio of 80-20 or higher. A secondary issue of contention was the timing of the development of the supportive uses within the zone. Specifically, some in the group felt that no supportive use should be allowed until a minimum amount of principle economic development land was developed. Conversely, others in the group felt that some amount of supportive uses being allowed would benefit the overall development by preventing it from being an office oasis devoid of services. A crucial element of this discussion was the timing of residential construction and whether allowing residential construction early in the development would make principle economic development uses more difficult. While no agreement could be reached on this issue, most in the group felt that there needed to be a timing component added to the supportive use component and that residential uses would be the most logical category to be regulated. In the end it was decided that these and other issues would benefit from further discussion by the Planning Commission and a more thorough sounding of the issues.

Appendix

Economic Development Land Committee Members (1)

Economic Development Land Use Terms (2)

New Economic Development Land Uses (3-6)

Economic Development Land Ratio Scenarios (7)

Commerce Lexington Economic Land Committee Presentation (8-17)

LFUCG Revenue Information (18-20)

Economic Development Land Committee Meeting Notes (21-104)