

# Downtown Lexington 2018 Impact

**Commissioned by:** Downtown Lexington Partnership and Downtown Lexington Management District



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"Because of downtown's economic productivity, **every dollar invested has the potential to produce much greater returns than investment in less productive areas.** To maintain downtown's economic impact, cities will need to continue investing in these areas where the tax revenues support the entire city. With shrinking federal funding, cities will be increasingly reliant on the local economic engines which are increasingly found in the downtown."

- *International Downtown Association*

This study was commissioned by Downtown Lexington Partnership and the Downtown Lexington Management District. The purpose of this report is to demonstrate the valuable contributions that Downtown Lexington has on Fayette County.



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# Executive Summary

Downtown Lexington is a powerful economic engine for the Commonwealth of Kentucky, the Bluegrass Region, and Fayette County. Its impact is evident in its contributions to the economy, its ability to attract young talent and tourists, and its role as the cultural heart of the community. This report uses 2017 data to describe and quantify the value of Downtown Lexington. Key takeaways from this report are as follows:

## Economic Impact Far Exceeds its Size

Generates \$1.4 million in economic activity per acre (compared to \$190,000 per acre in the rest of the County)

## Attracts Young Talent

Over 55% of Downtown residents are between 18 and 34 and 24% of Downtown workers are under the age of 29

## Significant Revenue Generator for Local Government

Generates nearly 7 times more tax revenue than it consumes in government service per acre

## Cultural and Tourism Destination

Attendance at ticketed and gated events exceeded 1.4 million, accounting for over 34% of the County's attendance in 2016

## Regional Hub for Commercial Activities

Preferred location for the region's largest banks, law, wealth management, and accounting firms, and commercial real estate

## Major Hospitality Center

Home to the region's most popular hotels, restaurants, and craft breweries, ensuring downtown is attractive to visitors and residents alike

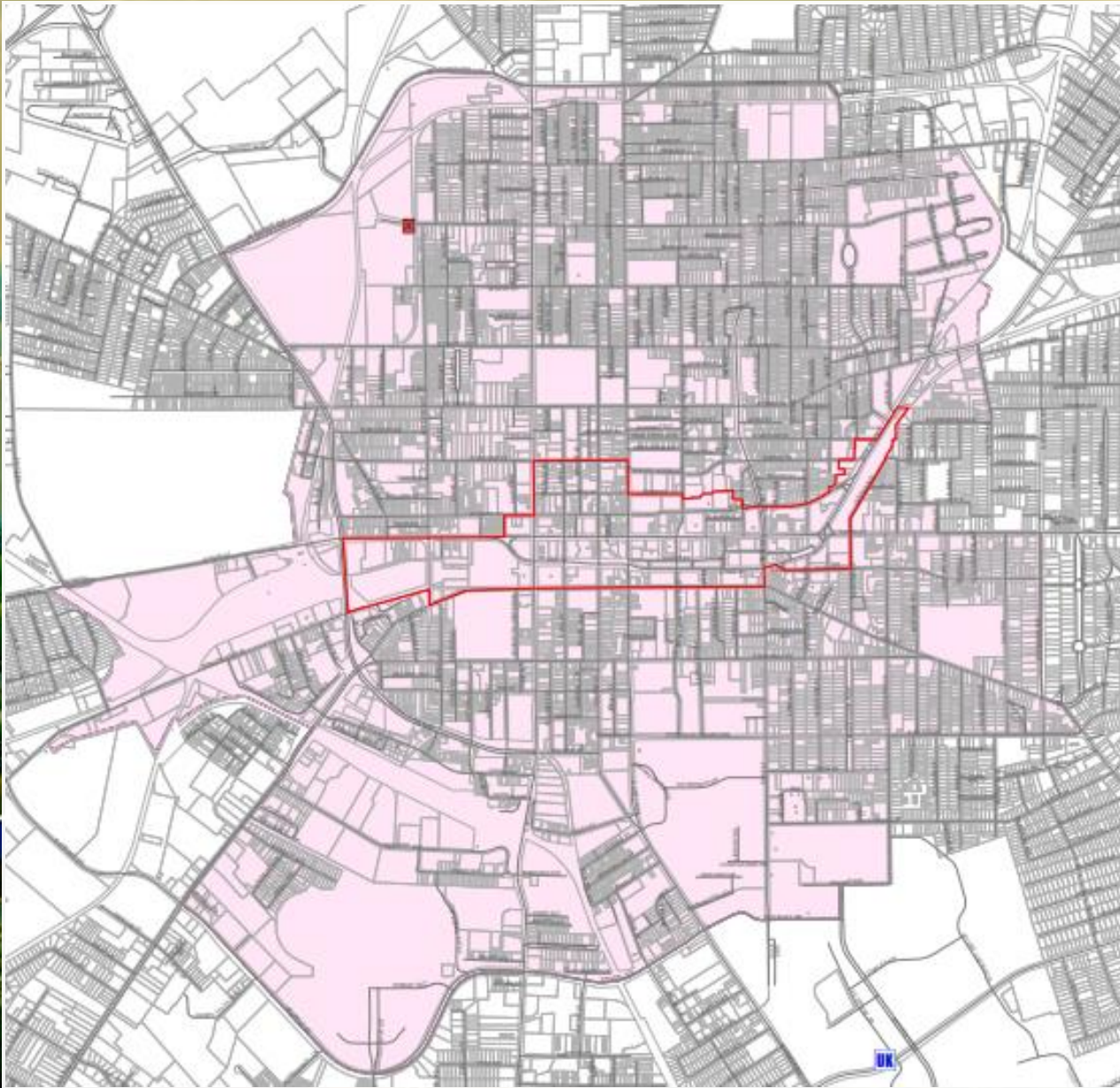


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# Downtown Lexington

**Downtown Lexington** encompasses 2,522 acres and accounts for 1.4% of Fayette County's land mass.

The Downtown Core is the area also known as the **Downtown Lexington Management District (DLMD)**. The DLMD is situated on 174 acres, accounting for 6.9% of the Downtown area and 0.1% of the County's land mass.

For the purposes of this study, Downtown is defined as the entire pink shaded area and the DLMD is defined as the area located inside of the red outline.

Statistics in the study are presented for the Downtown area unless otherwise noted.



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# Downtown Lexington's economic impact far exceeds its size.

The Downtown Area is critical to the economic health of Fayette County, particularly given the need to maximize revenue and employment density within the urban service boundary. Although Downtown covers only **1.4% of the County's acreage**, it has a significant annual economic impact per acre relative to its size.



Economic Impact per Acre		
	Downtown Lexington	Fayette County
Economic Activity	\$1.4 million	\$190,000
Jobs	11	1
Earnings	\$172,183	\$53,704
Tax Revenue	\$13,756	\$3,052



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# Downtown Lexington is a significant revenue generator for local government.

Given the cost of services per County acre, taxpayers see a significant return-on-investment for each public dollar spent downtown: it **generates nearly 7 times more in tax revenue than it consumes in services.**

Tax Revenue			
	Downtown Lexington	Fayette County	Percent of County
Property Tax Revenue	\$22.3 million	\$190,000	7%
Occupational Revenue	\$9.8 million	\$226.1 million	4%
Hotel Tax Revenue	\$2.6 million	\$16.3 million	16%
Total Tax Revenue	\$34.7 million	\$554.1 million	6%
Taxpayers' ROI	6.90	1.55	n/a

"The presence of public buildings is one of the keys to a strong and vibrant downtown or town center. Many communities have seen economic and social benefits when the post office, the municipal building, the public library, and other important public buildings stay or expand downtown."  
- Planning Commissioners Journal

Land is significantly more productive in Downtown Lexington than the rest of the County, which is particularly noteworthy given the **relatively high proportion of property that is nontaxable** (45%) due to the clustering of government and nonprofit activities that serve the entire County and region.

Within the Downtown Area, the **average property tax revenue per acre is \$8,848**; however, when excluding the acreage that is likely tax exempt, the productivity of land downtown is even higher:

- The average taxable acre generates **\$16,010**
- The revenue per taxable acre within the DLMD is even higher at **\$30,320**



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# Downtown Lexington is the regional hub for economic and commercial activities.

Downtown Lexington generates approximately **\$3.5 billion in economic activity** per year. Downtown businesses provide quality jobs for both local residents and commuters from the wider region, with over **41% of workers residing outside the County**.

Economy			
	Downtown Lexington	Fayette County	Percent of County
Economic Output	\$3.5 billion	\$37.4 billion	9%
Jobs	27,633	199,249	14%
Businesses	1,971	12,593	16%
Office Buildings	44	232	19%
Leasable Office Space, sq. ft.	3.0 million	9.8 million	31%

Relative to its size, the Downtown Area accounts for a significant proportion of the County's activity in the following industries:

- **34%** of Finance & Insurance
- **26%** of Management of Companies & Enterprises
- **24%** of Professional, Scientific, and Technical Services

As the preferred location for industry leaders and businesses in Fayette County, Downtown Lexington is home to:

- **14 out of the 15** largest Law Firms
- **8 out of the 10** largest Banks
- **8 out of the 10** largest Wealth Management Firms
- **5 out of the 5** largest Accounting Firms
- **5 out of the 9** largest Commercial Real Estate/Management Firms
- **3 out of the 5** largest Non-Manufacturing Employers



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# Downtown Lexington is a cultural and tourism destination.

Downtown Lexington draws nearly **2 million annual visitors** to its attractions and events.

Gated and Ticketed Events			
	Downtown Lexington	Fayette County	Percent of County
Attendance	1.4 million	4.4 million	34%

DLP coordinates and hosts a number of events to promote Downtown Lexington. In 2017, the estimated attendance for these events was **206,000** for the following events:

- Luminate Lexington
- Bike Lexington Family Fun Ride
- Fourth of July Festival Foundation
- Foundation Films on Friday
- Unified Trust Company Ice Rink
- Lexington Fest of Ales
- Mayfest Arts Fair
- Thursday Night Live

"Concentrations of cultural enterprises and creative workers in a geographic area provide a competitive edge, likely by elevating the quality of life, improving a community's ability to attract economic activity, and creating a climate in which innovation can flourish."

- American Planning Association

Downtown Lexington Cultural enterprises include:

- **25+** Art galleries
- **25+** Cultural venues
- **20+** Parks and public spaces with 85 acres
- **10** Artist studios
- **10** Breweries and distilleries



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# Downtown Lexington is a major hospitality center.

Downtown Lexington is home to some of the County's most popular hotels, including:

- Hyatt Regency Lexington
- Hilton Lexington /Downtown
- 21c Museum Hotel
- Lyndon House Bed and Breakfast

In addition to its numerous attractions, cultural events, and festivals, the Downtown Area is home to Fayette County's most popular restaurants:

- **8 out of 11 Culinary Destinations** in Zagat's "11 Reasons to Drive to Lexington"
- **3 of 5 Best Restaurants** according to Open Table Diner's Choice Reviews
- **6 of the largest craft breweries** in Kentucky

Hotels			
	Downtown Lexington	Fayette County	Percent of County
Rooms	820	8,200	10%
Hotel Room Revenue	\$30.7 million	\$192.0 million	16%

"Hotels may bring additional tax revenues, create jobs, and may also stimulate the local economy through the development of other new buildings and businesses or simply by attracting new visitors who may frequent local restaurants and retail stores."  
-Pinnacle Advisory Group



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# Downtown Lexington attracts young talent.

There is a significant population of millennials and young professionals who live, work, or study in Downtown Lexington:

- Residents: **55% are between the ages of 18 and 34**
- Downtown Workers: **24% are 29 years and under** (2015)
- Downtown Students: **37,454 college students** are enrolled at the University of Kentucky, Bluegrass Community and Technical College, and Transylvania University

Young Talent			
	Downtown Lexington	Fayette County	Percent of County
Residents between 18-34	13,198	93,165	14%
Workers under 29	6,577	47,421	14%

Attracting and retaining people in this age group is critical for the economic health of the region, providing an asset that will shape the region's future. This young talent is attracted to Downtown Lexington by its high-quality educational institutions but remain as residents due to Downtown's unique blend of business and commercial establishments, amenities, and cultural attractions.

"Millennials migrating to more affordable urban areas present a unique opportunity for second- and third-tier cities to experience long-term economic benefits from the influx of young, college-educated professionals."

- *Progressive Urban Management Associates*



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# Appendix



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# Demographics

Downtown Lexington is the primary population center within Fayette County, attracting a significant number of workers and millennials commuters due to its unique blend of business and commercial establishments amenities, higher education institutions, and cultural attractions.

- **Total Population:** 24,318, which accounts for 7.6% of the population in Fayette County
- **Significant Population Density:** 6,165 residents per square mile, which makes it 5.5x more dense than the County
- **Increasing Daytime Population:** 37,965, a 56% increase over the residential population.
- **Relatively Young Population:** Median age of 24.9, which is over 10 years younger than the median age in Fayette County (35.1 years)
- **Education:** Over 63% of the residents aged 25 years and older have some college or a degree
- **Relatively Diverse:** There is more racial diversity downtown (66% White, 28% African American, 6% Other Minority) compared to the County (77%, 16%, and 8% respectively)

Population (2107)	Total Population	24,318
	Annual Growth Rate (2010 - 2017)	0.83%
	Population Density (per acre)	10
	Total Daytime Population	37,965
	Daytime Population Density	15
Age (2017)	Median Age	24.9
	0-19	5,455
	20-39	11,443
	40-59	4,281
	60-79	2,655
	80+	485
Education (2017)	Less than 9th Grade	761
	9-12th Grade/No Diploma	1,309
	High School Diploma	1,651
	GED/Alternative Credential	680
	Some College/No Degree	2,371
	Associate's Degree	552
	Bachelor's Degree	2,808
	Graduate/Professional Degree	1,873
Diversity (2017)	White Non-Hispanic	15,343
	Black/African American Non-Hispanic	6,358
	American Indian/Alaska Native Non-Hispanic	91
	Asian Non-Hispanic	693
	Pacific Islander Non-Hispanic	12
	Other Race Non-Hispanic	36
	Multiple Races Non-Hispanic	531



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# Economy

Downtown Lexington is an economic hub for Fayette County. It generates significant economic activity, provides the types of quality-of-life amenities that attracts residents and workers, and is the center for the County's corporate, financial, and professional activities.

- **Outsized Share of Economic activity:** \$3.5 billion per year, which accounts for 9.4% of Fayette County's economy
- **Significant Number of Business Establishments:** 1,971, accounting for 16% of the County total
- **Largest Industries:** Nearly half of downtown's economy is concentrated in relatively highly-skill, high-pay industries:
  - Finance & Insurance
  - Health Care and Social Assistance
  - Professional, Scientific, & Technical Services

Industry	Economic Activity (\$000)	Percent of Economy
Finance & Insurance (NAICS52)	\$701,179	20.0%
Health Care/Social Assistance (NAICS62)	\$601,430	17.1%
Prof/Scientific/Tech Srv (NAICS54)	\$448,288	12.8%
Wholesale Trade (NAICS42)	\$419,189	11.9%
Accommodation/Food Services (NAICS72)	\$291,911	8.3%
Retail Trade (NAICS44-45)	\$257,421	7.3%
Real Estate/Rental/Leasing (NAICS53)	\$204,840	5.8%
Manufacturing (NAICS31-33)	\$181,641	5.2%
Construction (NAICS23)	\$131,574	3.7%
Information (NAICS51)	\$110,034	3.1%
Other Srv excl Public Admin (NAICS81)	\$52,529	1.5%
Admin/Support/Waste Mgmt&Remediatn (NAICS56)	\$31,841	0.9%
Mgmt of Companies/Enterprises (NAICS55)	\$27,830	0.8%
Arts/Entertainment/Recreation (NAICS71)	\$20,496	0.6%
Transportation/Warehouse (NAICS48-49)	\$20,008	0.6%
Educational Services (NAICS61)	\$3,397	0.1%
Agric/Forestry/Fish/Hunting (NAICS11)	\$3,330	0.1%
Mining (NAICS21)	\$1,433	0.0%
Public Administration (NAICS92)	\$392	0.0%
Utilities (NAICS22)	\$0	0.0%
Unclassified Establishments (NAICS99)	\$0	0.0%
<b>2017 Total</b>	<b>\$3,508,764</b>	<b>100.0%</b>



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# Employment

Downtown Lexington generates good job opportunities, attracting both local workers and commuters. For every 100 residents in downtown, there are 114 job opportunities.

- **Outsized Share of Employment:** 27,633, accounting for 14% of the County's employment
- **Significant Job Density:** 7,013 jobs per square mile, which means its job density is 10x greater than the County's
- **Relatively High-Wage Jobs:** Over 48% of workers earn more than \$3,333 per month (2015)
- **Primarily Local Jobs:** Just over 60% of the jobs are held by workers who travel less than 10 miles, while 18% travel 10-24 miles, with the remaining 22% of workers commute more than 25 miles for work (2015)
- **Relatively High-Skill Jobs:** 52% of jobs are held by workers with a Bachelor's degree or higher (2015)

Industry	Employment	Percent of Employment
Health Care & Social Assistance	5,191	18.8%
Professional, Scientific & Tech Services	4,372	15.8%
Accommodation & Food Services	3,292	11.9%
Public Administration	3,041	11.0%
Finance & Insurance	2,019	7.3%
Other Services (except Public Administration)	1,807	6.5%
Retail Trade	1,227	4.4%
Educational Services	1,128	4.1%
Information	1,063	3.8%
Real Estate, Rental & Leasing	895	3.2%
Manufacturing	814	2.9%
Construction	772	2.8%
Administrative & Support & Waste Management & Rem	472	1.7%
Management of Companies & Enterprises	363	1.3%
Arts, Entertainment & Recreation	343	1.2%
Utilities	325	1.2%
Wholesale Trade	290	1.0%
Transportation & Warehousing	141	0.5%
Unclassified Establishments	36	0.1%
Agriculture, Forestry, Fishing & Hunting	31	0.1%
Mining	11	0.0%
<b>2017 Total</b>	<b>27,633</b>	<b>100.0%</b>



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# Real Estate

Downtown Lexington provides the vast majority of the County's office space in an efficient footprint. The Downtown Area is a significant attractor of investment, with an outsized share of building permits issued and a significant development pipeline.

- **Significant Share of Office Space:** 44 office buildings in the Central Business District, which accounts for 19% of the stock within the urban and suburban market. Those buildings constitute nearly 70% of the gross leasable square footage available in the County.
- **Available Office Space:** 14 office buildings are currently on the market for a total of 1.7 million square feet of space available. The average size of the space is 121 square feet with an average lease rate of \$16.05 per square foot.
- **Outsized Share of Building Permits:** 139 permits, accounting for 14% of all permits issued in the County in 2017
- **Ongoing Development Pipeline:** 41 projects with a total investment of \$1.5 billion since 2015



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# This report was commissioned by:

The **Downtown Lexington Partnership (DLP)** is a newly formed organization that resulted from merging the Downtown Lexington Corporation (DLC) and Lexington Downtown Development Authority (LDDA). DLP, working to provide a strategically coordinated approach to Downtown revitalization.

The **Downtown Lexington Management District (DLMD)** was established in 2015 pursuant to KRS 91.750 through 91.762 for the purpose of providing and financing economic improvements that specially benefit property within the District. In January 2017, DLMD authorized DLP to implement its programs and services contained in the 2018 DLMD Economic Improvement Plan.



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# Sources and Methodology

All data is as of 2017 unless otherwise noted and was sourced from:



Demographic, economic, and occupational data  
<https://www.esri.com/en-us/home>



Event data and photos  
<http://www.downtownlex.com/>



Property tax data  
<http://fayettepva.com/>



Permit data  
<https://www.lexingtonky.gov/>



Commuter data  
<https://onthemap.ces.census.gov/>



Real estate data  
<http://www.naiisaac.com/>



Hospitality data  
<https://www.visitlex.com/>



Businesses in Downtown data  
(Business Lexington 2018 Book of Lists)  
<https://issuu.com/>



Restaurant Rankings  
<https://www.opentable.com/best-lexington-restaurants>  
<https://www.zagat.com/b/11-reasons-to-drive-to-lexington-ky>



Where possible, data and impact numbers were derived from official sources; however, approximations were used for the following data points due to the lack of information available for the Downtown region:

- Taxpayers Return-on-Investment estimated assuming:
  - The cost of services is evenly distributed by acre
  - Cost of government services per acre is equal to Lexington-Fayette Urban County Government adopted budget for fiscal year 2017-2018 by the total number of acres in the County ( $\$362,142,880 / 181,536 = \$1,995$ )
- DLMD property tax per taxable acre estimated by assuming:
  - The same proportion of taxable acreage as that of downtown (55% of the 174 acres)
  - DLMD's proportion of downtown's tax revenues is equal to the proportion of the DLMD's assessed value of downtown property (13%)
- Occupational License Fee Revenue estimated by multiplying the Downtown Area's aggregate income by the Occupational License tax rate (\$434.2 million x 2.25%)
- Office buildings and leasable square feet based on estimates for the Central Business District and the suburbs, rather than a full accounting of the Downtown area and the County



Prepared with assistance from: THOMAS P. MILLER & ASSOCIATES





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