

BOARD OF COUNTY COMMISSIONERS OF DOUGLAS COUNTY, KANSAS

WEDNESDAY, JULY 30, 2014: 6:35

4:00 p.m.

CONSENT AGENDA

- (1) (a) Consider approval of Commission Orders; and
(b) Authorization to solicit construction bids for Project No. 2013-18 Deck replacement for Bridge No. 08.74N-07.95E Route 1039 bridge over Washington Creek at Lone Star town (Keith Browning)

REGULAR AGENDA

- (2) Consider approval of an Engineering Services Agreement for a preliminary engineering study and pre-design report for Project No. 2014-9, the replacement of Bridge No. 05.07N-17.00E, reconstruction of approach roadways, and stream channel stabilization (Keith Browning)
- (3) Consider authorization to apply for a Kansas Department of Wildlife, Parks & Tourism grant to design and construct an ADA-accessible trail near the Lone Star Lake marina building (Keith Browning)
- (4) Consider waiving formal bidding process and authorizing staff to enter into agreement with Central Power Systems for semi-annual inspection, service and maintenance contract for all Douglas County owned back-up generators. (Scott Ruf)
- (5) (a) Consider approval of Accounts Payable (if necessary)
(b) Appointments
-Board of Zoning Appeal (2) eligible for reappointment 10/2014
-Building Code Board of Appeals (1) eligible for reappointment 12/2014
-Fire District No. 1 – 12/2014
Jayhawk Area Agency on Aging Board of Directors – (2) vacancies
Jayhawk Area Agency on Aging Tri-County Advisory Council – (2) vacancies
(c) Public Comment
(d) Miscellaneous

RECESS

RECONVENE

6:35 p.m.

- (6) Neighborhood Revitalization Act project for 1106 Rhode Island and 1101/1115 Indiana Street (Diane Stoddard)
- (7) Adjourn

WEDNESDAY, AUGUST 6, 2014

WEDNESDAY, AUGUST 13, 2014

-Consider approval of 2015 Budget

THURSDAY, AUGUST 14, 2014

-9:00 a.m. – Primary Election Canvass

TUESDAY, AUGUST 19, 2014

- A joint meeting with a Board of Trustees of the Lawrence Memorial Hospital. Receive an update on LMH and discuss any issues that either Board may want to discuss.

WEDNESDAY, AUGUST 20, 2014

4pm – Joint City/County/School District Meeting at the County Courthouse.

WEDNESDAY, AUGUST 27, 2014

THURSDAY, NOVEMBER 13, 2014

-9:00 a.m. – General Election Canvass

***Note:** The Douglas County Commission meets regularly on Wednesdays at 4:00 P.M. for administrative items and 6:35 P.M. for public items at the Douglas County Courthouse. Specific regular meeting dates that are not listed above have not been cancelled unless specifically noted on this schedule.*



DOUGLAS COUNTY PUBLIC WORKS

1242 Massachusetts Street
Lawrence, KS 66044-3350
(785) 832-5293 Fax (785) 841-0943
dgcopubw@douglas-county.com
www.douglas-county.com

Keith A. Browning, P.E.
Director of Public Works/County Engineer

MEMORANDUM

To : Board of County Commissioners

From : Keith A. Browning, P.E., Director of Public Works/County Engineer

Date : July 24, 2014

Re : Authorization to solicit construction bids for Project No. 2013-18
Deck replacement for Bridge No. 08.74N-07.95E
Route 1039 bridge over Washington Creek at Lone Star town

The referenced bridge carries Route 1039 (E 800 Road) over Washington Creek just south of the community of Lone Star. The bridge is a 3-span, 136 feet long, steel bridge with concrete deck constructed in 1980. The concrete deck has been patched numerous times. The latest bridge inspection revealed approximately 60% of the deck is patched or delaminated, and the bottom of deck has several spalled areas with exposed reinforcing steel and some transverse cracks with leaching, a sign of moisture passing through cracks in the slab possibly leading to reinforcing steel deterioration.

The CIP includes a 2014 bridge rehabilitation project to replace the bridge deck. The CIP allocates \$275,000 for this project. Our current construction cost estimate for the project is approximately \$310,000. The CIP can absorb an overrun of this magnitude for this project as many CIP project allocations are underrun.

Plans have been developed by our consultant, Finney & Turnipseed. We need to acquire a very small area of right-of-way in the northeast quadrant. The property owner has verbally indicated he will donate the needed right-of-way. We plan to open bids in mid- to late-August with construction commencing in early-September. We estimate construction will be complete by late-November.

Following the opening of bids, a construction contract will be presented to the BoCC for consideration of approval.

Action Required: Authorization to solicit bids for Project No. 2013-18, deck replacement for Bridge No. 08.74N-07.95E, which carries Route 1039 over Washington Creek near Lone Star town.



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Keith A. Browning, P.E.
Director of Public Works/County Engineer

MEMORANDUM

To : Board of County Commissioners

From : Keith A. Browning, P.E., Director of Public Works/County Engineer

Date : July 25, 2014

Re : Consider approving Engineering Services agreement
Preliminary engineering study
Replacement of Bridge No. 05.07N-17.00E
DGCO Project No. 2014-9

The referenced drainage structure carries Route 1055 over a tributary to Coal Creek just north of N 500 Road. The current structure is a 16' span x 14.5' high x 46' long reinforced concrete box (RCB) culvert originally constructed in the 1920's and extended in 1989. The downstream stream channel has degraded to several feet below the outlet of the RCB, and has steep, eroded banks. The project's purpose is to replace the RCB and stabilize the stream channel, as well as full pavement replacement and paved shoulder construction from N 500 Road to approximately 0.2-mile north.

A selection committee comprised of department personnel selected BG Consultants, Inc. as the top rated firm for the project. Wildhorse Riverworks, Inc. will assist BG on the stream channel stabilization portion of the project.

It is anticipated the replacement drainage structure will be an open-span bridge, although the bridge size and type are yet-to-be determined. The required measures for stabilizing the stream channel also need to be determined.

The attached Engineering Services Agreement includes only the Scope of Services required for a preliminary engineering study to determine alternate and recommended bridge replacement structure types/sizes, recommended road and pavement typical sections and alignment, and recommended measures to stabilize the stream channel. A pre-design report of study findings will be produced. The not-to-exceed fee for the preliminary engineering study and report is \$22,615.30.

Following the preliminary engineering study, we will negotiate a fee with BG to complete detailed design and produce final construction plans for the project. Assuming successful negotiations, a separate Engineering Services Agreement will be presented to the BOCC for approval at that time.

MEMORANDUM

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The CIP allocates \$500,000 for this project with construction scheduled in 2015. In addition, the US Fish & Wildlife Service has committed \$165,000 towards the stream channel stabilization portion of this project.

Action Required: Approval of an Engineering Services Agreement with BG Consultants, Inc. for a preliminary engineering study and pre-design report for Project No. 2014-9, the replacement of Bridge No. 05.07N-17.00E, reconstruction of approach roadways, and stream channel stabilization. |



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Keith A. Browning, P.E.
Director of Public Works/County Engineer

MEMORANDUM

To : Board of County Commissioners

From : Keith A. Browning, P.E., Director of Public Works/County Engineer
Terese A. Gorman, P.E., Engineering Division Manager

Date : July 25, 2014

Re : Consider authorization to apply for KDWPT grant
Construction of ADA accessible trail near Lone Star Lake marina building

During recent 2015 Parks budget discussions, we discussed the need to provide access from the park road near the Lone Star Lake marina building to the fishing docks. No 2015 funds were budgeted for this project. BOCC Chair Thellman suggested we pursue available grant opportunities for this project.

We discovered a program for recreational trail development appropriated by the Federal Highway Administration to the Kansas Department of Wildlife, Parks and Tourism. This Recreational Trail Program is a grant program which provides funding in the amount of 80% state – 20% local of the total project costs for trail related projects. Proposals that provide for improved ADA access will receive a high priority. The grant application for FFY 2015 projects is due Friday, August 1.

Our proposed project constructs an ADA accessible trail (long ramp) on the east side of the renovated marina building which provides access down to the waterfront in front of the newly renovated building. This location will provide easy access to the fishing docks and waterfront for visitors of all ages and physical abilities and provides the opportunity for fishing and wildlife observation

Action required: Authorize staff to submit an application with supporting documents to the Kansas Department of Wildlife, Parks & Tourism for a grant to design and construct an ADA accessible trail near the Lone Star Lake marina building. |



DOUGLAS COUNTY EMERGENCY COMMUNICATIONS

111 East 11th Street, Unit 200
Lawrence, KS 66044

phone: (785) 832-5237
fax: (785) 330-2801

website: www.douglas-county.com
email: ecdept@douglas-county.com

MEMORANDUM

To : Board of County Commissioners
From : Scott W. Ruf, Director of Emergency Communications
Date : July 30, 2014
Re : Regular Agenda item waiving formal bidding process and authorize staff to enter into agreement with Central Power Systems for semi-annual inspection, service and maintenance contract for all Douglas County owned back-up generators.

The County currently owns numerous back-up power generators to allow critical functions to continue to operate in emergency situations after a loss of power. Previously the service and maintenance of the generators fell to the departments responsible for them and there was no centralized way to account for the proper maintenance and servicing of the generators.

Ongoing service and maintenance is paramount to the successful operation of the generators and failure to provide the necessary levels of service could result in catastrophic failure of one or more County operations during an emergency. While the cost savings associated with centralizing all the generators under one agreement is minimal it allows for the assurances that the generators and associated equipment is continually tested, inspected and serviced.

The funding for the service and maintenance for all County owned generators are already budgeted as operational expenses.

The Agreement presented has been reviewed and approved by the County's Director of Facilities and Maintenance, Purchasing Manager and legal counsel.

Action Required: Regular Agenda authorization for Emergency Communications Director and Director of Facilities and Maintenance to enter into a 5-year service and maintenance agreement with Central Power Systems.

SCOTT W. RUF
Director

911 ADVISORY BOARD

SHERIFF KENNETH MCGOVERN
Douglas County
Chairman

CHIEF MARK BRADFORD
Lawrence Douglas County
Fire-Medical Services
Vice Chairman

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Lawrence Police Department

CHIEF RALPH OLIVER
Kansas University

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Wakarusa Township Fire Dept.

Inspection & Preventative Maintenance Agreement #: DouglasCountyGen07252014

We would like to thank you for your continued interest in our generator preventative maintenance program. Your standby generators represent a significant investment and a solid maintenance program will help ensure they will be ready to perform when you need them most. We look forward to being of service you!

Central Power Systems & Services, Inc. (CPS&S) agrees to provide to ***Douglas County Kansas - Emergency Communications and Detention sites*** on account # 31345 and Customer agrees to accept and pay for the parts and services necessary for the periodic inspections and services of the equipment described in paragraph 10 in accordance with the following terms and conditions.

1. **TERM:** This agreement shall be for a term of five (***5***) **years**. At the end of this agreement price of parts and labor will be reviewed and updated to reflect current costs. A new maintenance agreement will be submitted for customer approval.
2. **PAYMENT:** Each installment will be due and payable upon receipt of the invoice by the customer, with said invoices being sent by CPS&S upon completion of each periodic inspection.
3. **INSPECTION AND PREVENTATIVE MAINTENANCE:** For the duration of this Agreement CPS&S, during normal business hours shall inspect the equipment Semi-Annual (2 times per year), one of which will include Annual Full Service PM (change of oil and all filters) and 2-hour Load Bank Test. Any service covered by this Agreement that is completed outside of normal business hours per customer's request will be invoiced at 1.5 times the labor portion of the quoted price. The following services will be provided under this agreement:

ENGINE

Lubrication System

- Perform complete oil and filter change at time of Annual PM
 - ***Draw oil sample for Lab Analysis during Annual PM***
- Inspect waste oil & filter for visual evidence of dilution or contamination
- Test run engine and inspect for leaks - check all engine controls for proper adjustments

Fuel System - Diesel

- Change engine fuel filters at time of annual PM
 - ***Add chemical treatments to fuel tank***
- Inspect fuel supply for quantity and visual contamination
 - ***Top-off diesel fuel tanks at sites listed herein except for Law & Justice Center***
- Inspect fuel supply manifolds for leaks, condition, and security
- Inspect engine fuel lines, pump, and filters for leaks, condition, and security
- Inspect and lubricate governor actuator to rack and ball joints

Fuel System - Gaseous

- Inspect fuel supply connection at generator for leaks, condition, and security
- Inspect engine fuel lines, fuel/air mixer, pressure regulator, and shut-off solenoid for leaks, condition, and security
- Inspect regulator & solenoid for proper operations and inches of water column
- Inspect and lubricate governor actuator to rack and ball joints

Air System

- Inspect louvers for condition, security, and proper operation & air flow
- Inspect air filters for condition and security: tighten clamps and brackets as needed.
 - ***NOTE: Air filters have an expected service life of 3 to 5 years and will be predictively quoted for replacement based on age & condition when necessary and would be at an additional cost to this agreement.***
- Inspect turbo outlet hoses and pipes for condition and security: tighten clamps and brackets as needed
- Service crankcase breathers and air box drains as required

Cooling System

- Check coolant level and record freeze protection point
 - ***Top-off coolant as needed, up to 1) gallon per unit per year at NO ADDITIONAL CHARGE***
- Inspect fan, drive bearings, shrouds, guards, and brackets for condition and security
- Inspect radiator core for cleanliness, condition, and security
- Inspect fan drive belt, idlers, and tensioners for condition, security, and proper track and tension
- Inspect coolant hoses and pipes for condition and security, tightening clamps and brackets as needed

Exhaust System

- Inspect exhaust pipe and flexes where accessible, tightening clamps and flange bolts as required
- Inspect muffler supports & rain cap and operate drains as equipped
- Inspect turbocharger clamps and brackets, tightening as required

Engine Electrical System

- Inspect starter cables, wire, and connectors for condition and security
- Check and record starting battery float voltage and electrolyte level
- Check charger for proper operation and output
- Load test starting batteries to 450 amps/cell for 15 seconds and record voltage & RCCA
 - **NOTE: Batteries have an expected service life of 3 to 5 years and will be predictively quoted for replacement based on age & condition when necessary and would be at an additional cost to this agreement.**
- Inspect electrical control and sensor wire termination, tightening as required
- Check operation of jacket water heater, control thermostats, and oil pressure disconnect switch
- Inspect all engine protective devices including oil pressure, coolant temperature, overcrank, over speed shutdowns, and all other applicable devices
- Inspect ignition system for condition and proper operation (Gaseous units)

GENERATOR END

Mechanical

- Lubricate serviceable bearings at least once per year
- Inspect mounting bolts and drive flex fastening bolts
- Inspect fan guard for condition and security - clean air inlet screen as needed
- Inspect mechanical connections for tightness, condition, and security

Electrical

- Test run unit to check & record output voltage & amperes with no load
- Inspect cable wire termination at generator for condition and security
- Inspect end bell enclosure for cleanliness and device interference with rotating assembly
- Inspect and test generator protective devices (circuit breaker, safeguard breaker)

CONTROLS AND TRANSFER SWITCH

- Check operation of auto start and remote controls – perform load transfer test ***ONLY*** if approved to do so
- Output under a load can only be checked with building load ***or at time of Annual 2-hour Load Bank Test***
- Check operation of generator set associated indicators, lights, and alarms - check and adjust system frequency and voltage
- Inspect relays and contacts for excess wear and cleanliness and check soundness of linkages and load cables
- Inspect condition of control panel wiring and switch for overall cleanliness and condition

4. **ADDITIONAL REPAIRS / PARTS / WASTE REMOVAL:** Any additional required repairs or parts not covered under this preventative maintenance agreement will be charged at the current rates. Such additional work will not be performed unless specifically authorized by the customer. All waste parts & materials as a result of performing services shall be removed from site by CPS&S for proper recycling &/or disposal.

5. **LIMITATION OF LIABILITY:** It is agreed, by the customer, that the agreement covers only those items as outlined above and it does not include any expense to repair damage caused by abuse, accidents, theft, acts of a third party, forces of nature, alteration of the equipment, or improper operation. ***Periodic service and maintenance should result in maximum availability of the equipment. However, CPS&S makes no warranties or guarantees as to the availability of the equipment or loss of the use of the equipment covered under this contract. CPS&S shall not be liable for any consequential, incidental, or exemplary damages, including but not limited to, loss of profits, downtime, or other damages.***

6. **INSPECTION REPORTS:** After each inspection, the customer will be furnished a written report detailing any conditions found and advising of further services required, if any, to assure operating dependability of the equipment.

7. **TERMINATION:** This agreement may be cancelled by customer at will during the agreement period with no termination fees by notifying CPS&S in writing. Customer will then still be responsible for all parts and labor completed or in process prior to the cancellation.

8. **ADDITIONAL TERMS AND CONDITIONS:** This proposal is subject to acceptance within 30 days. No changes or additions to this agreement shall be recognized unless made in writing and signed by both parties. ***Prices quoted do not include taxes which will be an additional charge if applicable.*** Invoicing will be done per CPS&S standard practices. If customer requires us to participate in their unique web-based PO / Invoicing system, additional surcharges will apply.

9. ENGINE GENERATOR SET: The following Generators and associated Automatic Transfer Switches (ATS) located at **Douglas County Emergency Communications & Detention Sites** are covered under this agreement:

SITE	MAKE	M/N	KW	FUEL	S/N
Baldwin Tower	Generac	0055330	20	Gaseous	820119208178
Stradford Tower	Generac	D4081-0	60	Gaseous	3144028
Eudora Tower	MTU OE	30GGC6NLT1	30	Gaseous	340027
Globe Tower	Generac	SG0035AG035	35	Gaseous	8248126
Lecompton Tower	Generac	SG0035AG035	35	Gaseous	8515642
Youth Services	Spectrum	40DS60	40	Diesel	355277
Fairgrounds	Generac	SD0200-K367.5	200	Diesel	2082857
Flair Tower	Kohler	60REOZJB	60	Diesel	2091821
Law Enforcement Center	MTU OE	750XC6DT2	750	Diesel	363987110913
County Jail	Caterpillar	3512 DYTA	1000	Diesel	24208599

DESCRIPTIVE INFORMATION

Annual 2-hour Load Bank Testing

Load Bank Testing is one of the most practical and cost effective way to test your generator's performance and electrical output under realistic and controlled circumstances.



Central Power Systems & Services has 6 decades of experience in the generator industry. We employ highly qualified, factory-trained, and ESGA Certified Technicians and own the necessary equipment to conduct Load Bank Testing on generators with ratings up to 2 Mega-watts per NFPA 110 guidelines.



Your stand-by generators are responsible to provide an on-demand power supply to the emergency circuits at your facility when the primary power source is not available. There can be contributing factors, especially with diesel engine driven generators, that can reduce the performance and reliability of gensets:

- Generator not receiving adequate preventative maintenance
- Generator not being exercised on a routine schedule
- Generator not being exercised routinely with 100% of its nameplate kW rating

Load Bank Testing **“works”** the generator as is was designed to do. We utilize our portable Load Banks to perform step-increment loads, which will indicate if there are any engine conditions that could prevent it from performing at optimum levels. Each step-load is increased as soon as the generator is steady-state until the generator reaches up to 100% rated load capacity. This type of Load Bank Testing help ensure proper seating of piston rings, can help rid the exhaust ports and valves and cylinder bores of carbon build-up, and the exhaust system of un-burnt fuel deposits. Performing a Load Bank Test on a newer generator does not void factory warranties.

Diesel Fuel Tank Top-off & Chemical Treatment Services

Due to the extreme changes in ambient air temperature in this this region, OEM recommendations are to maintain fuel level in tank as close to 75% of its rated capacity for as much of the time as possible. This will help minimize the formation of condensation inside the tank. Condensation will increase the formation of rust inside the tank on bare surfaces and increase the water content of the fuel. The lower the fuel level, the higher the formation of condensation, which is not good for the tank, fuel, fuel filters, or fuel injectors.

Central Power Systems & Services equips our four wheel drive service trucks with DOT approved fuel transfer tanks to best serve you in maintaining fuel tanks to the recommended levels as part of this PM Agreement.



CPS&S will also chemically treat the generators' fuel tanks to keep fuel in best year-round condition and winter preparedness, using PENRAY® Winter Power Plus (anti-waxing & cetane booster) and Fuel Prep (water disperser & anti-fungal).



10. NEW PREVENTATIVE MAINTENANCE SCHEDULE: Services to be performed during the following months and charged upon completion, commencing in April 2015:

Year 1 Price Note →		Price for Annual Load Bank Test, oil analysis, & fuel tank treatment - all other PM cost to CPS&S Sales department.				2015	
Note →		Annual PM includes 2-hr LBT - All units.		Fuel Type:			
Note →		includes Fuel Treatment: All Diesel units		Diesel			
↓ Fuel Notes →		CPS&S will top-off fuel tank at time of both services Douglas County will procure fuel from other vendor.		Gaseous		Year 1 Prices	
Site:	Address	Unit	S/N	APRIL	OCTOBER		
				Inspection	Annual PM		
1	Baldwin Tower - (By water tower)	Baldwin, KS 66006	Generac 20kW	820119208178	\$309.00	\$1,075.00	
2	Stradford Tower - 1901 Stradford RD	Lawrence, KS 66046	Generac 60kW	3144028	\$309.00	\$1,136.00	
3	Eudora Tower - 627 Elm ST	Eudora, KS 66025	MTU OE 30kW	340027	\$309.00	\$1,080.00	
4	Globe Tower - E 550th ST & N 400th ST	Overbrook, KS 66524	Generac 35kW	8248126	\$309.00	\$1,115.00	
5	Lecompton Tower - 247 N. 2100 Road	Lecompton, KS 66050	Generac 35kW	8515642	\$309.00	\$1,115.00	
6	Youth Services - 330 Industrial Lane	Lawrence, KS 66044	Spectrum 40kW	355277	\$309.00	\$1,200.00	+ Fuel
7	Fairgrounds - 2110 Harper ST	Lawrence, KS 66044	Generac 200kW	2082857	\$309.00	\$1,300.00	+ Fuel
8	Flair Tower - 1756 N. 1100 Road	Lawrence, KS 66046	Kohler 60kW	2091821	\$309.00	\$1,141.00	+ Fuel
9	Law Enforcement Center - 111 E 11th ST	Lawrence, KS 66044	MTU OE 750kW	363987110913	\$340.00	\$1,275.00	
10	County Jail - 3601 E. 25th ST	Lawrence, KS 66046	CAT 1000kW	24208599	\$350.00	\$3,270.00	
				Price per site by service:	\$3,162.00	\$13,707.00	
Fuel dispensed for Fuel Tank Top-off will be at additional cost per gallon at market price at time of each schedule periodic service.				PMA Total Price per year:	\$16,869.00		+ Fuel

Note →		Annual PM includes 2-hr LBT - All units.		Fuel Type:		2016 - 2019	
Note →		includes Fuel Treatment: All Diesel units		Diesel			
↓ Fuel Notes →		CPS&S will top-off fuel tank at time of both services Douglas County will procure fuel from other vendor.		Gaseous		Years 2 - 5 Prices	
Site:	Address	Unit	S/N	APRIL	OCTOBER		
				Inspection	Annual PM		
1	Baldwin Tower - (By water tower)	Baldwin, KS 66006	Generac 20kW	820119208178	\$309.00	\$1,075.00	
2	Stradford Tower - 1901 Stradford RD	Lawrence, KS 66046	Generac 60kW	3144028	\$309.00	\$1,136.00	
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4	Globe Tower - E 550th ST & N 400th ST	Overbrook, KS 66524	Generac 35kW	8248126	\$309.00	\$1,115.00	
5	Lecompton Tower - 247 N. 2100 Road	Lecompton, KS 66050	Generac 35kW	8515642	\$309.00	\$1,115.00	
6	Youth Services - 330 Industrial Lane	Lawrence, KS 66044	Spectrum 40kW	355277	\$309.00	\$1,200.00	+ Fuel
7	Fairgrounds - 2110 Harper ST	Lawrence, KS 66044	Generac 200kW	2082857	\$309.00	\$1,300.00	+ Fuel
8	Flair Tower - 1756 N. 1100 Road	Lawrence, KS 66046	Kohler 60kW	2091821	\$309.00	\$1,141.00	+ Fuel
9	Law Enforcement Center - 111 E 11th ST	Lawrence, KS 66044	MTU OE 750kW	363987110913	\$340.00	\$2,575.00	
10	County Jail - 3601 E. 25th ST	Lawrence, KS 66046	CAT 1000kW	24208599	\$350.00	\$3,270.00	
				Price per site by service:	\$3,162.00	\$15,007.00	
Fuel dispensed for Fuel Tank Top-off will be at additional cost per gallon at market price at time of each schedule periodic service.				PMA Total Price per year:	\$18,169.00		+ Fuel
				5-Year PMA TOTAL Price:	\$89,545.00		

Additionally, both parties agree to have CPS&S complete the following services in October 2014 as an "extension & addendum" of "existing agreement" as follows:	Note →	Annual PM includes 2-hr LBT - All units.	
	Note →	Annual PM includes Fuel Treatment:	All Diesel units
	Price Note →	Customer price for Annual Load Bank Test, oil analysis, & fuel tank treatment - all other PM cost to CPS&S Sales Department.	
	Fuel Notes →	CPS&S will top-off fuel tanks at time of services, fuel will be charged additionally per gallon at market price.	
	→	Douglas County will procure fuel from other vendor.	
Fuel Type:	Gaseous	Diesel	

Site:	Address			Unit	S/N	Annual PM
1	Baldwin Tower	(By water tower)	Baldwin, KS 66006	Generac 20kW	820119208178	\$568.54
2	Stradford Tower	1901 Stradford RD	Lawrence, KS 66046	Generac 60kW	3144028	\$568.54
3	Eudora Tower	627 Elm ST	Eudora, KS 66025	MTU OE 30kW	340027	\$568.54
4	Globe Tower	E. 550th ST & N. 400th ST	Overbrook, KS 66524	Generac 35kW	8248126	\$568.54
5	Lecompton Tower	247 N. 2100 Road	Lecompton, KS 66050	Generac 35kW	8515642	\$568.54
6	Youth Services	330 Industrial Lane	Lawrence, KS 66044	Spectrum 40kW	355277	\$568.54
7	Fairgrounds	2110 Harper ST	Lawrence, KS 66044	Generac 200kW	2082857	\$568.54
8	Flair Tower	1756 N. 1100 Road	Lawrence, KS 66046	Kohler 60kW	2091821	\$568.54
9	Law Enforcement Center	111 E 11th ST	Lawrence, KS 66044	MTU OE 750kW	363987110913	\$1,275.00
10	County Jail	3601 E. 25th ST	Lawrence, KS 66044	3512DYTA 1000kW	24Z08599	\$3,270.00
Total of all sites:						\$9,093.32

Respectfully submitted for your approval,

James Gregory – Service Sales Manager



Email: james.gregory@cpower.com Office Direct: (816)415-6707 Cell phone: (816)533-2994 FAX: (816)415-6767



We Proudly Support and Employ EGSA Certified Technicians!

For Emergency Service 24/7 call (816)415-6700

Douglas County Kansas

Approved by:

Printed Name	Signature	Office Phone	Date
Email	Title	Cell Phone	Fax



City of Lawrence

DAVID L. CORLISS
CITY MANAGER

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CITY COMMISSION

MAYOR
MIKE AMYX

COMMISSIONERS
JEREMY FARMER
DR. TERRY RIORDAN
ROBERT J. SCHUMM
MICHAEL DEVER

July 21, 2014

Craig Weinaug
County Administrator
Douglas County
1100 Massachusetts Street
Lawrence, KS 66044

Dr. Rick Doll
Superintendent of Schools
USD 497, Lawrence Public School
110 McDonald Drive
Lawrence, KS 66044

Sent via e-mail

Dear Mr. Weinaug and Dr. Doll,

The City of Lawrence is in receipt of two requests to establish a neighborhood revitalization area (NRA):

HERE Kansas is requesting a 12-year, 95% rebate of the incremental tax revenues for the properties at 1101/1115 Indiana Street to redevelop the property into an upscale, 7-story, mixed-use, commercial/student housing community.

Hernly Associates is requesting a 10-year, 95% rebate of the incremental tax revenue for rehabilitating three historic structures and redeveloping the property at 1106 Rhode Island Street to productive use as office and rental-residential space.

The City, County, and School District separately determines their participation and level of participation in the NRA. The City Commission held a public hearing on July 8, 2014 to consider the City's participation in establishing the NRA district. During that time, the City Commission voted to approve City participation in both NRAs at the 10-year, 85% rebate level.



In visiting with you, we have scheduled July 28 at 7 pm as the date and time for the School Board to consider their participation in the NRAs and July 30 at 6:35 pm as the date and time for the County Commission to consider their participation in the NRAs. The City Commission would then take final action in early August on both NRAs.

Attached is analysis and supporting materials for each request. Please let me know if you have any questions.

Sincerely,

Britt Crum-Cano, Economic Development Coordinator

c: David L. Corliss, City Manager
Diane Stoddard, Assistant City Manager
Jim Heffernan, HERE Enterprises LLC
Stan Hernly, Hernly Associates, Inc.

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
CC: Cynthia Wagner, Assistant City Manger
FROM: Britt Crum-Cano, Economic Development Coordinator
Diane Stoddard, Assistant City Manger
DATE: July 21, 2014
RE: HERE Kansas request for 1101/1115 Indiana Street

*Please see the **List of Attachments** at the end of this memo.*

Overview

The City received a **request letter and application** from HERE Enterprises/Kansas LLC on June 10, 2014, to establish a Neighborhood Revitalization Area (NRA) and stand-alone Industrial Revenue Bonds for the property at 1101/1115 Indiana Street. Specifically, the company is requesting:

- Industrial Revenue Bonds (IRB) in order to receive a sales tax exemption on project construction materials.
- A 12-year, 95% NRA rebate of the incremental real property tax revenues generated by the property. The company is requesting NRA participation of the City of Lawrence, Douglas County and School District USD 497.

HERE Enterprises/Kansas, LLC, is proposing the redevelopment of the property into an upscale, 7-story, mixed-use, commercial and student housing community. The proposed \$75.5 million project will include approximately 237 high-end apartment units, first floor retail consisting of approximately 13,137 square feet to accommodate multiple retail users, and an automated robotic parking garage.

This request was received by the City Commission at its June 17, 2014 meeting and was considered by the Public Incentives Review Committee for review and recommendation on June 24, 2014.

The City, County, and School District individually decide their participation in the NRA and each will conduct a public meeting to consider this request. The City Commission considered the request and NRA participation at their July 8, 2014 meeting. At this meeting, the City Commission authorized participating in a 10-year, 85% NRA as well as support for industrial revenue bond financing for the project.

Policy & Eligibility

The City of Lawrence adopted an updated NRA policy in the fall of 2011. The establishment of a revitalization area enables a property owner to receive a rebate on a

portion of the incremental increase of property taxes associated with an improvement project within the area.

The City adopted an updated IRB policy in May 2010. Although IRBs can be used in conjunction with a tax abatement, this request is for a stand-alone IRB to obtain a sales tax exemption on project construction materials.

Staff's technical memo summarizes the policy issues as it relates to this request. It appears that the request would meet the parameters of both NRA and IRB policies.

Analysis

City Staff has completed a cost-benefit and "but for" analysis of the proposal. Results were first examined utilizing the typical 15-year evaluation period within the cost-benefit model. Including estimated IRB sales tax savings on project construction materials, analysis indicates that the project could meet required thresholds for all of the taxing jurisdictions with a 10 Year-85% NRA rebate.

After additional applicant correspondence, Staff provided additional analysis for a 20-year evaluation period. Results show that when extending the evaluation period to 20 years and including IRB sales tax savings on project construction materials, required thresholds can be met with a 12 Year-95% NRA.

Staff has also provided supplemental information in response to applicant's letter dated June 26, 2014.

The applicant has also provided estimated retail sales tax revenues for the project. It should be noted that the City's cost-benefit model was primarily created to estimate the fiscal impacts of projects supporting primary job creation and does not consider market impacts, including estimated retail sales revenues generated by the project's commercial space nor the market share captured from existing businesses. However, Staff would note that if net new retail sales are brought into the community as a result of the project, and assumed retail sales tax revenue amounts were added to the analysis, it would have the effect of raising the cost-benefit ratio.

Draft Neighborhood Revitalization Plan

Staff has prepared a draft Neighborhood Revitalization Plan, which is required by State statute, which mirrors the applicant's request. This plan should be reviewed by the City Commission, the Public Incentive Review Committee, and the taxing jurisdictions. The plan includes a rebate schedule and provisions for Douglas County to retain \$100 annually as an administrative fee for the duration of the rebate program.

Next Steps/Calendar

A draft calendar has been prepared to consider items related to this request. The City Commission conducted a public hearing to consider the request at their July 8, 2014 meeting. After the public hearing, the School Board and County Commission will also consider their participation regarding the project. The meeting with the School Board is scheduled for July 28th and the meeting with the County is scheduled for July 30th. The City Commission would take final action on the NRA ordinance and plan once School

District and County participation is known. Second reading of the NRA ordinance and plan is tentatively scheduled for the August 5th City Commission meeting.

Staff Recommendation

Given City policy guidelines, including eligibility requirements, cost-benefit thresholds, and “but for” provisions, Staff recommended approval of a 10 year, 85% NRA and the issuance of a stand-alone IRB.

PIRC Recommendation

During the PIRC meeting, conducted on June 24, 2014 to consider the request:

- A motion was made to recommend a 10-year, 85% NRA. *Motion failed.*
- A motion was made to recommend a 12-year, 95% NRA. *The motion was tied with four members voting for and four members voting against the motion.*
- A motion was made to make a positive recommendation on the project to the City Commission without the group weighing in on the incentive level due to the policy. *Motion passed unanimously.*

Draft minutes of the June 24, 2014 PIRC meeting are attached.

City Commission Actions

At the 7-8-2014 City Commission meeting, the Commission considered the request and authorized establishment of a 10-year, 85% NRA and issuance of Industrial Revenue Bond (IRB) financing for the project.

Requested County and School District Action

Consider County/School District participation in the NRA, including the percentage rebate amount and duration, if appropriate.

If NRA participation is authorized, authorize County Administrator to execute cooperative agreement between the City, County and School District on NRA administration.

List of Attachments: 1101/1115 Indiana Street NRA

1. Technical Report and Analysis
 - a. HERE Enterprises Request Letter and Application
 - b. City NRA Policy (Resolution 6954)
 - c. City IRB Policy (Ordinance 8253)
 - d. Model Results and Limitations
2. Staff Additional Analysis
3. Applicant's Letter dated June 26, 2014
4. Staff Supplemental Information for Applicant's June 26, 2014 letter
5. Applicant's Estimated Retail Sales Tax Revenues
6. Draft Neighborhood Revitalization Plan
7. Draft Calendar
8. Draft PIRC Meeting Minutes (June 24, 2014)
9. Ordinance 9021 establishing the revitalization area and approving the NRA plan
10. City, County, and School District Cooperative Agreement

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
CC: Diane Stoddard, Assistant City Manager
FROM: Britt Crum-Cano, Economic Development Coordinator
DATE: June 24, 2014
RE: Technical Report: HERE Kansas request for public assistance on 1101/1115
Indiana Street

Project Overview

HERE Kansas, LLC, (project Developer) is proposing the redevelopment of the property located at 1101 & 1115 Indiana Street into an upscale, 7-story, mixed-use, student housing community. The \$75.5 million project will include approximately 237 apartment units, first floor retail consisting of approximately 13,137 square feet to accommodate multiple retail users, and an automated robotic parking garage.

Request for Support

A **Request Letter and Incentives Application** was received on June 10, 2014 from HERE Kansas, requesting a 12-year, 95% Neighborhood Revitalization Area (NRA) and the issuance of Industrial Revenue Bonds (IRBs) to receive a sales tax exemption on project construction materials.

The following presents details and analytical results associated with this request.

Neighborhood Revitalization Area (NRA)

Description of NRA and Purpose

The NRA is one of several economic development tools utilized by municipalities to promote economic growth through neighborhood enhancement. Authorized by the state, NRAs are intended to encourage the reinvestment and revitalization of properties which in turn have a positive economic effect upon a neighborhood and the City in general. The use of an NRA is particularly applicable for use in areas where rehabilitation, conservation, or redevelopment is necessary to protect the public health, safety or welfare of the residents of the City.

Resolution 6954 outlines the City's policy for establishing an NRA. Typically, a percentage of the incremental increased value in property taxes (due to improvements) is rebated back to the developer/applicant over a period of time to help offset redevelopment costs and make the project financially feasible.

Typical Rebate Amounts & Duration

As per NRA policy, the City typically follows the below standard practice:

- Does not provide more than 50% rebate on incremental property taxes
- Does not establish an NRA for a period of time longer than 10 years

However, there is an exception provision within the policy which allows the City to *"consider a greater rebate and/or a longer duration if sufficiently justified in the "but for" analysis."*¹

¹ Resolution 6954, Section 4: Amount of Rebate

NRA Project Eligibility

Project eligibility for NRA consideration is governed by both State (KSA 12-17,114 et seq.) and City policy.

State Requirements

Statutory Criteria	Governing Body determines that rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of residents and the proposed project meets at least one of the below criteria:		
	1	An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation, light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare.	<i>Health & Safety Need</i>
	2	An area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land uses relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions deterioration of site or other improvements, diversity of ownership, tax, or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes or a combination of such factors substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations, or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use.	<i>Economic Need</i>
	3	An area in which there is a predominance of buildings or improvements that should be preserved or restored to productive use because of age, history, architecture or significance should be preserved or restored to productive use.	<i>Preservation of Community/Historical Asset</i>

Redevelopment of both properties into a mixed-use, residential and retail complex would address state statute requirements for an NRA. Redevelopment would replace dilapidated or deteriorating structures, which currently contribute to health and safety concerns, with new space that provide significantly more open space than required by City code, increased area density, environmentally friendly features, and increased economic potential.

For an NRA to be established, the project must not only meet statutory requirements, but also a majority of City policy criteria. The project meets City policy eligibility as detailed below:

City Policy: NRA Eligibility			
City Policy Criteria	When considering the establishment of a NRA, the City shall consider not only the statutory criteria, but if the project meets a majority of the below criteria:		Eligible
	1	The opportunity to promote redevelopment activities which enhance downtown	N
	2	Provides the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized.	Y
	3	Provides the opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base.	Y
	4	Provides the opportunity to enhance neighborhood vitality as supported by the City's Comprehensive Plan or other sector planning document(s).	Y
	5	Provides the opportunity to enhance community stability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.	Y
	Project must meet or exceed a 1:1.25 cost-benefit ratio.		Y

As indicated above, the proposed redevelopment of 1101/1115 Indiana Street properties by HERE Kansas appears to meet both State and City criteria for NRA eligibility.

Industrial Revenue Bonds (IRB)

Industrial Revenue Bonds are an incentive established by the State of Kansas to enhance economic development and improve the quality of life. Considered a "conduit financing mechanism" whereby the City can assist companies in acquiring facilities, renovating structures, and purchasing machinery and equipment through bond issuance, IRBs can be useful to companies in obtaining favorable rate financing for their project, as well as providing a sales tax exemption on project construction materials.

IRBs are repayable solely by the company receiving them and place no financial risk on the City. When IRBs have been issued, the municipality owns the underlying asset and the debt is repaid through revenues earned on the property that has been financed by the bonds. If the company defaults, the bond owners cannot look to the city for payment.

IRB Eligibility

Project eligibility for IRB consideration is governed by both State (KSA 12-17,114 et seq.)² and City policy (Ordinance 8253). According to City policy, the City may from time to time grant IRBs when the project under consideration helps further economic and community development objectives. Additional eligibility criteria, as stipulated in the policy, are outlined below:

IRB City Policy Criteria			
Item #	Policy Requirement	Project Delivers	Project Qualifies (Y/N)
1	Only those projects which qualify under Kansas Law will be eligible for IRB financing.		Y
2	Proposed Project shall achieve one or more of the following public benefits:		
	Meets economic goals of the City as set forth in policy and the Comprehensive Plan of Lawrence and Douglas County.	Estimated 17 direct, net new jobs created: 10 with an average salary of \$30,600 and 7 with an average salary of \$25,000.	Y
	Promotes infill through the development of vacant lots, the rehabilitation of deteriorated properties or the adaptive reuse of historic properties.	Project will replace deteriorating apartments at 1101 Indiana and dilapidated residential at 1115 Indiana.	Y
	Enhance Downtown		N
	Incorporate environmentally sustainable elements into the design and operation of the facility	On-premise bike storage, energy & water consumption efficiencies utilized throughout project, provides significantly more open space than required by City code (including an inactive green roof)	Y
	Provide other public benefits to the community, particularly as set forth in the Comprehensive Plan of Lawrence and Douglas County.	Increases area density, contributes to storm water management policies of the City by not increasing the amount of impervious surface found currently on the site.	Y
3	Prospective tenant shall show the financial capacity to complete the proposed project and successfully market the bonds ³ .	Development team has successfully completed over \$750,000,000 of development.	Y

² K.S.A. 12-1740 permits cities and counties to issue revenue bonds for the purpose of paying the costs of purchasing, acquiring, constructing or equipping facilities for the following business categories: Agriculture, Hospital, Natural Resources, Manufacturing, Commercial, Industrial, Recreational Development

³ Applicant informed Staff on 6-6-14 that they are in discussions with possible lenders for the project and will provide the letter showing ability to market bonds once they finalize those discussions.

Other IRB Considerations

City policy also mentions other project considerations when issuing IRBs. Those are outlined below, along with project notes.

IRB: Other Considerations (Preferred)			
Item #	Policy Requirement	Project Delivers	Project Qualifies (Y/N)
1	<i>City looks more favorably upon projects that support the below targeted industries:</i>		
	Life Sciences/Research	n/a	N
	Information Technology	n/a	N
	Aviation and Aerospace	n/a	N
	Value-Added Agriculture	n/a	N
	Light Manufacturing and Distribution	n/a	N
2	<i>The City favors issuing Industrial Revenue Bonds to projects that bring in new revenues from outside the community or enhance the local quality of life over projects that will primarily compete against other local firms.</i>		
	Project anticipated to bring in new revenues from outside community:	Some revenue is assumed to be generated by renters coming from outside the community to attend the University.	Y
	Project enhances local quality of life:	Densification of desirable, safe residential options in close proximity to campus reduces need to drive: less vehicular congestion, increases safety, promotes walking and biking.	Y
		Incorporates automated robotic parking garage which dramatically reduces CO2 emissions in comparison to standard parking garage.	
	On-premise bike storage, energy & water consumption efficiencies utilized throughout project, provides significantly more open space than required by City code (including an inactive green roof)		
IRB: Special Consideration for Residential Projects			
Item #	Policy Requirement	Project Delivers	Project Qualifies (Y/N)
1	Project is multi-family or senior living project		Y
2	Projects that contain no non-residential uses and are requesting IRBS must have at least 30% of all housing units set aside for households making 80% of the Area Median Income or less.		n/a
Preferred Qualities for Residential Projects:			
	Infill or redevelopment:		Y
	Mixed -Use		Y
	Downtown Location	n/a	n/a

As indicated above, the proposed redevelopment of 1101/1115 Indiana Street properties by HERE Kansas appears to meet both State and City criteria for IRB eligibility.

Analysis

Estimated fiscal impacts to taxing jurisdictions is examined through a cost-benefit analysis and project financial feasibility is examined through a “But For” analysis (pro forma), both of which are required by current NRA policy. A cost-benefit analysis is also required by the City’s IRB policy.

Cost-Benefit Analysis

Based on information received through the incentives application, staff conducted analysis of the costs and benefits associated with the project utilizing the City’s economic development cost-benefit model. This model measures estimated fiscal impacts to four taxing jurisdictions: City, County, School District, and State. Furthermore, the model outputs a ratio reflecting the comparison of estimated costs to estimated benefits returned to the jurisdictions as a result of the project. The below assumptions were utilized within the model:

Capital Investment & Job Creation Assumptions:

According to the incentives application received, approximately \$75.5 million will be invested in purchasing and redeveloping the property. Project completion is anticipated in July 2016. Once redeveloped, the project is expected to support seventeen new, full-time jobs. Seven positions are anticipated to have an average annual salary of \$25,000 and 10 are anticipated to have an annual average salary of approximately \$35,600.

Sales Tax Assumptions:

IRBs are being requested for the project to receive a sales tax exemption on construction materials. Below are estimated project costs and foregone sales tax revenues by taxing jurisdiction if an IRB is issued.

Estimated IRB Sales Tax Exemption: 1101/1115 Indiana	
	Amount
Total Construction Costs	\$75,473,008
Estimated Construction Materials	\$27,616,342
Sales Tax Estimates	
City (1.55%)	\$428,053
County (1%)	\$276,163
State (6.15%)	\$1,698,405
Total Sales Tax Savings (8.7%)	\$2,402,622

Property Tax Assumptions:

In its present condition, the property generates approximately \$46,300 per year in real property taxes. Under the NRA program, these "base" property taxes are shielded from rebates and would continue to be paid by the property owner. Only a percentage of the incremental increase in property value resulting from project improvements is subject to NRA rebates and then only during the NRA period. After the NRA period, no reimbursements are made on property taxes and the property returns fully to the tax rolls.

2014 Estimated Base Valuation							
Year	Appraised			Assessed			Total Tax
	Land	Improvements	Total	Land	Improvements	Total	
1101 Indiana	\$737,000	\$2,347,800	\$3,084,800	\$84,755	\$269,997	\$354,752	\$44,943
1115 Indiana	\$50,070	\$42,230	\$92,300	\$5,758	\$4,856	\$10,614	\$1,345
Total Base Value	\$787,070	\$2,390,030	\$3,177,100	\$90,513	\$274,853	\$365,366	\$46,287

The following table provides a summary of the estimated base and incremental tax amounts the developer would be responsible for given a 10-year and 12-year NRA, assuming both 85% and 95% rebate scenarios. As base taxes are shielded from rebate, these tax revenues remain the same over the NRA period regardless of the rebate percentage granted.

Cost-Benefit Results:

City eligibility criteria prefers the project meet a cost-benefit threshold of 1:1.25 (e.g. for every \$1 of cost incurred as a result of the project, \$1.25 is received as benefit) for economic development projects.

Several cost benefit scenarios were ran utilizing information provided on the incentives application submitted by HERE Kansas. Results for 10 and 12 year NRA periods with rebate percentages of 85% and 95% are presented below.

Cost-Benefit Results: 1101 & 1115 Indiana Street					
Incentive Package	City	County	USD 497	State ⁴	Total Package Value
10-Year, 85% NRA, IRB for Sales Tax X (2017-2026)	1.26	1.38	14.67	n/a	\$5,669,571
12-Year, 85% NRA, IRB for Sales Tax X (2016-2027)	1.19	1.23	12.91	n/a	\$6,064,273
10-Year, 95% NRA, IRB for Sales Tax X (2017-2026)	1.18	1.20	12.59	n/a	\$6,034,925
12-Year, 95% NRA, IRB for Sales Tax X (2016-2027)	1.09	1.02	10.62	n/a	\$6,476,062

*Cost/Benefit
Threshold Met*

Model **results** show that a 10-year, 85% NRA will meet or exceed the preferred cost-benefit ratio threshold for all taxing jurisdictions.

⁴ State does not have costs

“But For” Analysis

In order for the City to agree to provide an NRA rebate, it must be determined that the need for public assistance is necessary for the project to proceed. In other words, the City must be convinced that without public assistance, the project will not be financially feasible. Commonly referred to as the “But For” test, the developer’s project pro forma and supporting financial documents are examined to compare cash flow and developer returns with and without public assistance.

The “But For” test for redeveloping the property utilized estimated project program information, annualized cash flow and pro forma data. Taxes were estimated using property information from Douglas County Appraiser’s Office. Pro forma analysis provided the below results for a 10-year and a 12-year NRA.

Return Rates (est.)					
NRA Scenarios ⁵	Investment Threshold ⁶	1101/1115 Indiana Street			
		Average ROE: No Incentives	Average ROE: With Incentives	IRR: No Incentives	IRR: With Incentive
10 Year, 85% NRA (years 2017-2026)	8.10%	3.89%	5.64%	7.51%	9.03%
10 Year, 95% NRA (years 2017-2026)			5.75%		9.13%
12 Year, 85% NRA (years 2016-2027)			5.75%		9.69%
12 Year, 95% NRA (years 2016-2027)			5.88%		9.86%

Analysis shows the project’s returns without City assistance is below estimated investment thresholds. Without incentives, average project return on equity (ROE)⁷ is 3.89% with internal rate of return (IRR)⁸ of 7.51% as compared to an 8.10% investment threshold. With the addition of City incentives, analysis shows the project’s return on investment increases to more acceptable levels, with ROEs ranging between 5.64%-5.88% and IRRs ranging from 9.03%-9.89%.

Given these results, it is reasonable to assume that without incentives, the return rates for the project are too low to proceed.

⁵ All scenarios include IRB Sales Tax Exemption.

⁶ Investment threshold proxy = 2 * 10-Year average Treasury Bill rate.

⁷ Return on Equity: ROE = Cash Flow/Equity

⁸ Internal Rate of Return: IRR = Discount rate that makes the net present value of all cash flows from a particular project equal to zero. (IRR can be used to rank several prospective projects. Assuming all other factors are equal among the various projects, the project with the highest IRR would be considered the best and undertaken first.)

Performance Agreement

Per City policy, the property owner/development team would be required to enter into a performance agreement with the City in order to receive NRA rebates. The most significant reason for this is to make sure the developer coordinates with the City and County at the beginning of the establishment of the district and to ensure that there are no delinquent property taxes during any of the years of the NRA plan.

Conclusion

CBA Summary:

City eligibility criteria prefers the project meet a cost-benefit threshold of 1:1.25 (e.g. for every \$1 of cost incurred as a result of the project, \$1.25 is received as benefit) for economic development projects. The preferred cost-benefit ratio can be met assuming a 10-year, 85% NRA and IRB generating sales tax exemption on project construction materials.

"But For" Summary:

Examination of estimated cash flows with and without public assistance (i.e. NRA rebate and sales tax savings on construction materials) indicates the "but for" test has been met for the project. Returns without assistance are not likely to support proceeding with the project.

Recommendation

Given City policy guidelines, including eligibility requirements, cost-benefit thresholds, and "but for" provisions, Staff recommends approval of a 10 year, 85% NRA and the issuance of a stand-alone IRB.

Requested Action

Public Incentives Review Committee to consider applicant's request for a 12-year, 95% NRA and stand-alone IRB. PIRC to make recommendation to the City Commission regarding economic development support, including:

- Issuing stand-alone IRBs for a sales tax exemption on project construction materials.
- The establishment of a NRA:
 - If a NRA is recommended, PIRC to further recommend the duration period and rebate percentage for the project.

HERE.

HERE ENTERPRISES, LLC

▲ 908 N. Halsted
Chicago, IL 60642
✦ Here-LLC.com

June 10, 2014

Mr. David L. Corliss
City Manager
City of Lawrence
6 East 6th Street
Lawrence, KS 66044

Re: **Request for Approval of Neighborhood Revitalization Area Property Tax Abatement and Industrial Revenue Bond Sales Tax Exemption for Redevelopment of 1101 & 1115 Indiana Street**

Dear Dave:

As you are aware, we are currently investigating the redevelopment of the site located at 1101 & 1115 Indiana Street for an upscale mixed-use student housing community. We currently propose the demolition of the existing structures on the site and the construction of approximately 239 high-end apartment units, along with a first floor retail component consisting of approximately 14,051 square feet to accommodate multiple retail users. The project will also feature an automated robotic parking garage, which will be the first of its kind in the State. This unique solution will allow full build-out of the property for its highest and best use.

Upon completion, we anticipate that both the residential and commercial portions of the project will provide convenient, highly desirable amenities for the students, employees, and visitors of the City and the University. We also believe there will be synergistic increases in the overall commercial market in the downtown area by adding to the density of nearby student residents. We feel that the project is consistent with the Oread Neighborhood Plan's vision for the long-term use of the site and serves as an excellent continuation in the City's high development standards.

In conducting financial analysis of the project, it has become clear that the cost of the project – in particular the parking structure and robotic automation – leaves the project on the borderline of acceptable financial risk. We feel, however, that it is critical to the success of the project that it be constructed to the highest standards.

Thus, we would respectfully request from the City: (1) the creation of a Neighborhood Revitalization Area ("NRA") and granting of an associated property tax rebate of 95% that extends for twelve (12) years and (2) the approval of an Industrial Revenue Bond ("IRB") issuance for the purpose of facilitating a sales tax exemption on

construction materials, furniture, fixtures, and parking equipment for the project. Without these incentives, our analysis demonstrates that it would be very difficult to undertake the project. But with this relatively low level of public assistance relative to total project costs, we believe that the projected return on the project increases to a level that would be considered standard in the real estate development community.

Community benefits from the project, in addition to those items noted above, would include expanded live-work opportunities and construction of a building consistent with the Oread Neighborhood's Plan for a high density mixed-use building on this site. There would also be an increase in employment opportunities at the businesses within the project and increased sales tax generated for the local taxing jurisdictions. Further, under the NRA structure, the current level of property taxes would continue to be held constant (plus the 5% exclusion from abatement under our 95% request).

We look forward to continuing to work with the City on this important project. We believe the project will be a great asset success for both the KU campus and Oread neighborhood communities.

Attached please find our Economic Incentive Application and our "but for" analysis. Please contact me with any questions.

Sincerely,

HERE Kansas, LLC or its assigns
Applicant



James W. Heffernan
Its: Manager

Cc: Diane Stoddard
Britt Crum-Cano

City of Lawrence, Kansas Application for Economic Development Support/Incentives



The information on this form will be used by the City to consider your request for economic development support and may also be used to prepare a cost-benefit or other analysis of the project. Information provided on this form will be available for public viewing and will be part of compliance benchmarks, if approved for economic development support. Prior to submission, applicant may wish to seek technical assistance from City Staff, the Chamber of Commerce, the Small Business Development Center, or others to address questions and ensure the application is complete.

Please provide data in the cells below. Applicant is encouraged to attach additional pages as necessary to fully explain and support the answers to each question. Note anything additional you wish the City to take into consideration for your request and provide supporting documentation.

Applicant Contact Information	
Applicant:	HERE Kansas, LLC or its assigns
Representative:	James W. Heffernan
Title:	Manager
Address 1:	908 N. Halsted Street Chicago, IL 60642
Address 2:	
Phone:	262-642-0170
Email:	jwh@here-llc.com
Fax:	

Application Tips:

Enter contact information for the company representative completing this application.

Economic Development Support Requested		
City Incentives	Amount	Term (in years)
Tax Increment Financing District (TIF)		
Transportation Development District (TDD)		
Neighborhood Revitalization Area (NRA)	Est. \$2,444,772 (NPV- 95%)	Twelve (12) years
Tax Abatement (TA)		
Industrial Revenue Bonds (IRBs) for the purpose of a Sales Tax Abatement	Est. \$75,473,008 (\$2,402,622 Tax Abatement)	N/A
Community Improvement District (CID)		
<i>Other (Please Describe):</i>		

Application Tips:

Applicable Terms:

- TIF: Up to 20 years
- TDD: Up to 22 years
- TA: Up to 10 years
- CID: Up to 22 years

IRBs: If applying for IRBs, please enter the amount that will cover all construction costs for the project. Enter "n/a" for term.

Examples: City provided water main along ABC Street from 1st Street to 2nd Street, employee training grant for 5 years at \$500/new employee, etc.

Project Information	
Name of Company Seeking Incentive(s):	HERE Kansas, LLC or its assigns
Project Type (check one):	Expansion: N/A
	New Facility: X
Company Type (check one):	Existing Local Company:
	Out-of-Area Company Locating Locally: X
Current Company Address:	908 N. Halsted Street Chicago, IL 60642
Location of Proposed New Facility/Expansion Project:	1011 & 1115 N. Indiana Street
Describe the Company's Plans to Develop or Expand in the Community: Construct a Seven (7) Story Mixed-Use Student Housing Project	
Operations Start Date at the Expansion or New Facility:	July 2016
Industry NAICS # for the New or Expanded Facility (6-digit code):	See Attached
Describe the Primary Industry the New or Expanded Facility Will Support: The new development will help support Kansas University, the single largest economic engine of the City of Lawrence.	

Application Tips:

Company's Plans: e.g. ABC manufacturing is the nation's largest processors of wind turbine components. The company plans to construct a new 250,000 sf manufacturing plant in Commerce Park, initially employing 150 with an average annual salary of \$35,000 each. Another 50 employees will be hired in Year 5 and 40 in year 7. The firm expects to initially invest \$5 million in land and buildings and anticipates a 50,000 sf, \$2 million expansion in Year 5 and another 50,000 sf expansion in Year 7.

Link for NAICS code lookup:
<http://www.naics.com/search.htm>

Capital Investment Information for New Facility or Expansion			
Estimated Size of New Facility (square feet):	437,755 sq. ft.		
Estimated Size of Land for New Facility (acres):	110,120 sq. ft. (2.528 acres)		
For the new or expanded facility, enter the amount the company anticipates spending for initial and subsequent investments in land, buildings and improvements (do not include machinery or equipment):			
Year	Buildings & Other Real Property Improvements	Land	Total
1	\$67,968,008	\$7,505,000	\$75,473,008
2			
3			
4			
5			
6			
7			
8			
9			
10			
Total	\$67,968,008	\$7,505,000	\$75,473,008
Will land be leased from the City or County (Y/N):	No		
If yes, Monthly Lease Rate for Land:			

Application Tips:

If expansion, only include information on size and values of the new facility, not existing facility.

If land is currently owned, enter current land value from Douglas County property tax records. Otherwise, enter the market value amount the company will pay for land.

Local Utility Expenses		
Utility	Current Local Monthly Expenses	Projected Local Monthly Expenses at New Facility
Gas	\$0	\$4,012
Electricity	\$0	\$16,715
Phone	\$0	\$1,065
Cable	\$0	\$11,290
Operating Expenditures		
For Expansion Projects, Current Annual Operating Expenses at Existing Facility:		N/A
Annual Operating Expenses after Expansion/Relocation:		\$2,009,589 stabilized
% of Additional Operating Expenses Anticipated to be Spent Locally:		84%
Exports		
% of Revenues at the new Lawrence Facility Anticipated to Come from Non-Local Sources.		N/A

Application Tips:

Current Local Monthly Expenses: Enter 0 for an out-of-area relocation or if project involves a separate, new facility.

Projected Local Monthly Expenses: Enter expense amounts anticipated at the new facility.

Existing Facility Annual Operating Expenses: Enter 0 if project is being relocated from out-of-area or if project involves a separate, new facility.

% Additional Operating Expenses Spent Locally: Enter % of operating expenses anticipated to be spent in Lawrence/Douglas County as a result of the project.

Exports: Enter % of revenues (from the sale of goods or services) anticipated to be generated from sources outside of Lawrence/Douglas County.

IRB and Tax Abatement Request Information	
If you are seeking an IRB, please list the firm that will be receiving the IRB: CA/HERE Kansas JV, LLC	
Will your firm be leasing the building or the land in your expansion or newly constructed facility? (Y/N)	Yes
If you are leasing the building or land, and you are seeking a tax abatement <u>without</u> an IRB, please list the tenant and owner and the financial relationship between tenant and owner. N/A	
Estimated Total Cost of <u>Initial</u> Construction for the Project:	\$75,473,008
<u>Application Tips:</u> Estimated Cost of Construction Materials for <u>Initial</u> Construction:	\$27,616,342
Anticipated Annual Gross Profits:	\$874,942

Anticipated Annual Gross Profits: If you are seeking a tax abatement or an IRB, please provide an estimate of anticipated Annual Gross Profits (\$). Note: For expansions, please enter anticipated gross annual profits from expansion.

This question helps estimate the impact of your incentive request on the State of Kansas, which is required for all tax abatements and IRBs.

Environmental Information		
Will the new facility meet Energy STAR criteria? (Y/N)		Yes
Will the project seek or be designed to LEED certification standards? (Y/N)		Yes
<i>If yes, please indicate level:</i>	Certification	X
	Silver	
	Gold	
	Platinum	
Please describe environmentally friendly features of the project:		
<p>The Project will be LEED and Energy Star certifiable. The Project incorporates an automated robotic parking garage which dramatically reduces CO2 emissions in comparison to a standard parking garage. The building will provide significantly more common open space than required by local code including an inactive green roof. The Project will also incorporate on-premise bike storage for residents and their guests. Energy and water consumption efficiencies will be utilized throughout the Project.</p>		
Please describe anticipated positive environmental impacts resulting from the project:		
<p>The Project contributes to the storm water management policies of the City by not increasing the amount of impervious surface found currently on the site. The Project's design incorporates significant new areas of common open space through the use of internal courtyards.</p>		
Please describe anticipated negative environmental impacts and planned remediation efforts:		
N/A		

Application Tips:

Environmentally Friendly Features: e.g. Low-energy, led lighting used throughout, pedestrian friendly elements including green space, bike paths, water saving native plantings used in landscapes, etc.

Additional Community Benefits

Describe Other Local Economic Benefits Resulting From Project:

The Project takes a strategically located underutilized site across the street from Memorial Stadium, the largest tourist attraction on the KU campus, and transforms it into a highly desirable mixed-use project consistent with the Oread Neighborhood Long Term Land Use Plan. The redevelopment will directly add significant property and sales tax benefits to the local taxing jurisdictions. The Project results in a significant increase in students within convenient walking distance to downtown businesses.

Application Tips:

Local Economic Benefits: Include additional benefits not directly related to project capital investment and direct employment (e.g. Project attracting overnight visitors that will spend on lodging, entertainment, food and beverages, shopping, etc.)

Describe Other Quality of Life Benefits Resulting From Project:

The Project will set a new standard for convenient high quality student housing in the neighborhood. This is consistent with helping attract the best and brightest students to Kansas University and having them enjoy their experience in Lawrence enough to stay following graduation. In addition, the Project's close proximity to campus allows residents to walk or ride their bikes to both campus and downtown eliminating the need to utilize their cars. This reduces vehicular congestion on campus as well as the in the Oread neighborhood. It also provides a safer alternative for a neighborhood known for its affinity for celebration. Dramatically reducing the need to drive is also consistent with a community concerned about the environment. Finally, the densification of desirable and safe residential options in close proximity to campus will enhance the sense of community which is a critical component to any vibrant college campus experience.

Quality of Life Benefits: Include tangible and intangible benefits; such as how company is/will be a good corporate citizen, community involvement, local philanthropy efforts, and how project /company will contribute to local well being of citizens.

Employment Information									
Construction Employment for New Facility or Expansion									
# Full-Time, Construction Jobs:							Est. 250		
Average Annual Salary for Full-Time, Construction Workers (during construction period):							Est. \$40,000		
Construction Period (months):							Eighteen (18)		
For Expansion, # of Full-Time Employees Currently Working in Lawrence: 0									
New Employment Resulting from Project									
Net New Jobs (full-time, permanent)	Year	Residential		Commercial					
		# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary
	1	Est. 2-3	Est.* \$46,400	Est. 6-8	Est. \$25,000				
	2			Est. 6-8	Est. \$25,000				
	3								
	4								
	5								
	6								
	7								
	8								
	9								
	10								
	Total	Est. 2-3	Est. \$46,400	Est. 12-16	Est. \$25,000				
Anticipated # of Employees to Be Relocated Locally as a Result of the Project									
# of Net New Full-Time Employees Anticipated to be Relocated From Outside of Kansas:							Est. 2-3		
# of Net New Full-Time Employees Anticipated to be Relocated from Outside of Lawrence/Douglas County:							Est. 2-3		
# of Local, Full-Time Jobs Anticipated At End of Incentives Period:							Est. 14-19		

*includes \$11,400 of employer supplied housing

Application Tips:

Enter 0 if project is new or relocation.

Enter information by major job category (e.g. administrative, support, professional, executive, production, etc.)

For a local expansion, Net New Jobs = number of additional employees to be hired each year, excluding employees that are already employed in Lawrence.)

Average Annual Salary: Only provide wage information. Do not include the value of non-wage benefits such as insurance and time off.

Jobs at End of Incentives Period: Enter total number of full-time employees (existing & new) anticipated to be employed at the new facility over the term of incentives (e.g. If applying for a 10-year tax abatement, this would be the total number of local Existing (if expanding) + Net New full-time jobs anticipated at the end of that 10-year period.)

Employee Benefits	
Description	After Expansion or Relocation
% of Employees with Company Provided Health Care Insurance	100% of full time residential employees
% of Health Care Premium Covered by Company (Residential)	100%
% of Employees with Company Provided Retirement Program	0%
Will You Provide Job Training for Employees? (Y/N) (Residential)	Yes
<i>If Yes, Please Describe:</i> Through our Employee Handbook.	
What is the Lowest Hourly Wage Offered to New Full Time Employees? (Residential)	\$12.37
What Percentage of Your New Employees Will Receive this Wage? (Residential)	10%
Will You Provide Additional Benefits to Employees? (Y/N)	No
<i>If Yes, Please Describe:</i> N/A	

Disclosures	
Company Form of Organization: Delaware Limited Liability Company	
Company Principals: James D. Letchinger and James W. Heffernan	
List all subsidiaries or affiliates and details of ownership:	
Affiliate : HERE Enterprises, LLC	
Principals: James D. Letchinger and James W. Heffernan	
Has Company or any of its Directors/Officers been involved in or is the Company presently involved in any type of litigation?	NO
Has the Company, developer or any affiliated party declared bankruptcy?	NO
Has the Company, developer or any affiliated party defaulted on a real estate obligation?	NO
Has the Company, developer or any affiliated party been the defendant in any legal suit or action?	NO
Has the Company, developer or any affiliated party had judgments recorded against them?	NO
<i>If the answer to any of the above question is yes, please explain:</i>	

Note: Applicant may be required to provide additional financial information for the project and company.

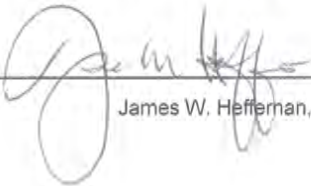
When you have completed this form to your satisfaction, please sign and send, along with applicable application fee(s) to:

City of Lawrence
Attn: Economic Development Coordinator
6 East 6th Street
Lawrence, KS 66044
Fax: 785-832-3405
Email: bcano@lawrenceks.org

Application Fees	
Tax Abatement	\$500
Industrial Revenue Bonds (IRB)	\$1,000
Community improvement District (CID)	\$2,500
Neighborhood Revitalization Area (NRA)	n/a
Transportation Development District (TDD)	n/a
Tax Increment Financing (TIF)	n/a
Other	n/a

I hereby certify that the foregoing and attached information contained is true and correct, to the best of my knowledge:

Applicant/Representative: **HERE Kansas, LLC or its assigns**

Signature:  _____
James W. Heffernan, Manager

Date: 6-10-14

RESOLUTION NO. 6954

A RESOLUTION ESTABLISHING A POLICY OF THE CITY OF LAWRENCE, KANSAS RELATING TO NEIGHBORHOOD REVITALIZATION AREAS.

WHEREAS, the City of Lawrence, Kansas (the "City") is committed to the high quality and balanced growth and development of the community while preserving the City's unique character and broadening and diversifying the tax base; and

WHEREAS, the economic development goals of the City include the expansion of existing businesses, development of new businesses, economic development activities which are environmentally sound, diversification of the economy, quality in-fill development, historic preservation, and the creation of quality jobs; and

WHEREAS, neighborhood revitalization areas are an economic development tool established by K.S.A. 12-17,114 et seq. (the "Neighborhood Revitalization Act") which can assist with spurring reinvestment and revitalization of properties which can benefit a neighborhood and the general public; and

WHEREAS, the City finds it in the best interest of the public to establish certain policies and guidelines for the consideration of requests to utilize the Neighborhood Revitalization Act ("NRA") within the City of Lawrence.

NOW, THEREFORE, THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS DOES HEREBY RESOLVE;

SECTION ONE: This policy shall be entitled the Neighborhood Revitalization Act Policy of the City of Lawrence.

SECTION TWO: POLICY STATEMENT: It is the policy of the City to consider the establishment of Neighborhood Revitalization areas in order to promote reinvestment and revitalization of properties which in turn have a positive economic effect upon a neighborhood and the City in general. An applicant may request the City consider the establishment of a Neighborhood Revitalization area under the NRA either for a specific property, group of properties or neighborhood area. In considering the establishment of an NRA, the Governing Body shall consider the criteria outlined in Section Three. In determining the amount of a rebate, the Governing Body may balance the desirability of the project versus the amount and duration of the rebate and the requirements set forth in Section Four. It is the policy of the City to only consider the establishment of Neighborhood Revitalization areas which yield a benefit/cost ratio of at least 1.25.

SECTION THREE: CRITERIA:

1. ELIGIBLE AREAS: Eligible areas may include a defined geographic area which encompasses more than one property, or it may be a single property/lot.

2. STATUTORY FINDINGS AND OTHER CRITERIA:

A. STATUTORY CRITERIA. It shall be the policy of the City to create a Neighborhood Revitalization area, if, in the opinion of the Governing Body, the rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of the residents of the City of Lawrence, it is in the best interest of the City to do so, and if, in the opinion of the Governing Body, one of the following findings, set forth in K.S.A. 12-17,115 can be made:

1. An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation, light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare;
2. an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use; or
3. an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use.

B. OTHER CRITERIA. Additionally, the Governing Body will consider whether a project meets the Policy Statement outlined in Section Two, and the project meets a majority of the following criteria when considering the establishment of a Neighborhood Revitalization area:

1. the opportunity to promote redevelopment activities which enhance Downtown Lawrence;
2. the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized;
3. the opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base;
4. the opportunity to enhance the vitality of a neighborhood within the City as supported by the City's Comprehensive Plan and/or other sector planning documents;
5. the opportunity to enhance the community's sustainability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.

SECTION FOUR: AMOUNT OF REBATE:

As a standard practice, the City will not provide a rebate amount in excess of 50% of the incremental property taxes and will not establish an NRA for a period of time longer than 10 years. The City may consider a greater rebate and/or a longer duration if sufficiently justified in the “but for” analysis required by Section Five. The determination of the rebate amount and duration of the NRA is the sole discretion of the Governing Body.

SECTION FIVE: PROCESS:

1. An applicant wishing to request that the City to create a Neighborhood Revitalization Area in the City of Lawrence shall submit a request to the City. The request shall include information that would be required for a revitalization plan. Such requirements are set forth in K.S.A. 12-17,117. The applicant shall also submit a “but for” analysis to the City demonstrating the need for the NRA and the purpose for which the NRA revenue will be used. The analysis should support that “but for” the NRA, the project will be unable to proceed. The applicant shall provide City Staff with pro forma cash flow analysis and sources and uses of funds in sufficient detail to demonstrate that reasonably available conventional debt and equity financing sources will not fund the entire cost of the project and still provide the applicant a reasonable market rate of return on investment.

The applicant shall furnish such additional information as requested by the City in order to clarify the request or to assist staff or the Governing Body with the evaluation of the request.

2. The Governing Body shall receive the request and determine whether to consider the request or deny the request. If the Governing Body wishes to consider the request, the request shall be referred to the City’s Public Incentive Review Committee for review and a recommendation. Staff will perform a benefit/cost analysis on the project. The Governing Body may also set a date for a public hearing to consider the establishment of a revitalization area and a revitalization plan.

3. Douglas County and USD 497 are also important parties related to a NRA request. When an NRA is considered, the City and the applicant will work with Douglas County and USD 497 to seek concurrence from these entities regarding the establishment of an NRA.

4. The Governing Body will determine whether one of the findings set forth in Section Three can be made regarding the request. Additionally, the Governing Body shall consider the other criteria outlined in Section Three.

5. The Governing Body shall hold a public hearing, after the required statutory notice is provided, and consider adoption of the revitalization plan to establish the revitalization area.

6. The City will require a performance agreement with the property owner to require adherence to the adopted Neighborhood Revitalization Plan.

7. The merits of the proposal under this policy shall guide the decision on the application without regard to the applicant.

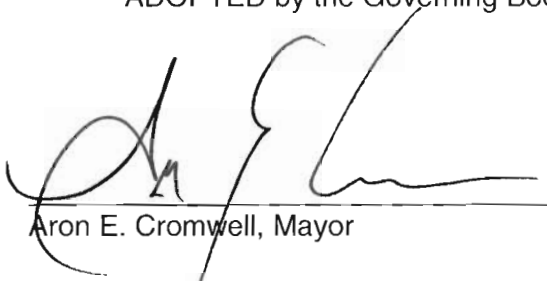
SECTION SIX: PUBLIC INCENTIVES REVIEW COMMITTEE AND GOVERNING BODY ANNUAL REVIEW OF THIS POLICY: Annually, the Public Incentives Review Committee and the Governing Body shall review this policy.

SECTION SEVEN: AUTHORITY OF GOVERNING BODY: The Governing Body reserves the right to deviate from any policy, but not any procedure set forth in state law, when it considers such action to be of exceptional benefit to the City or extraordinary circumstances prevail that are in the best interests of the City. Additionally, the Governing Body, by its inherent authority, reserves the right to reject any proposal or petition for creation of a NRA at any time in the review process when it considers such action to be in the best interests of the City.

SECTION EIGHT: REPEAL OF RESOLUTION 6921. Resolution 6921 is hereby repealed.

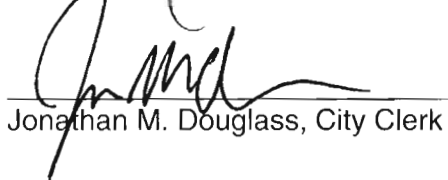
SECTION NINE: EFFECTIVE DATE: This Resolution shall take effect immediately.

ADOPTED by the Governing Body this 25th day of October, 2011.



Aron E. Cromwell, Mayor

ATTEST:



Jonathan M. Douglass, City Clerk

ORDINANCE NO. 8523

AN ORDINANCE ESTABLISHING A POLICY OF THE CITY OF LAWRENCE, KANSAS RELATING TO INDUSTRIAL REVENUE BONDS, AND REPEALING RESOLUTION 5239.

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS:

SECTION ONE: The Policy of the City of Lawrence, Kansas relating to the issuance of Industrial Revenue Bonds, shall be as follows:

INDUSTRIAL REVENUE BONDS: PURPOSE.

Industrial Revenue Bonds (IRBs) are an incentive established by the State of Kansas to enhance economic development and improve the quality of life. The City may from time to time grant IRBs when the project under consideration helps further the economic and community development objectives as set forth in this Ordinance and Horizon 2020.

SECTION TWO: CRITERIA.

The City favors issuing Industrial Revenue Bonds to projects that bring in new revenues from outside the community or enhance the local quality of life over projects that will primarily compete against other local firms. Additionally, a project must meet the following criteria in order to qualify for IRBs:

- 1) Only those projects which qualify under Kansas law will be eligible for IRB financing. The City shall look more favorably upon projects that support the targeted industries listed in Section 1-2103 of the Code of the City of Lawrence.
- 2) The proposed project shall achieve one or more of the following public benefits:
 - a. Meet the economic development goals of the City as set forth in this policy and the Comprehensive Plan of Lawrence and Douglas County;
 - b. Enhance Downtown Lawrence;
 - c. Promote infill through the development of vacant lots, the rehabilitation of deteriorated properties or the adaptive reuse of historic properties;
 - d. Incorporate environmentally sustainable elements into the design and operation of the facility; or
 - e. Provide other public benefits to the community, particularly as set forth in the Comprehensive Plan of Lawrence and Douglas County.
- 3) The prospective tenant shall show the financial capacity to complete the proposed project and successfully market the bonds.

SECTION THREE: SPECIAL CONSIDERATION FOR HOUSING AND RETAIL PROJECTS.

Except as indicated below, Industrial Revenue Bonds shall not be granted for projects that are principally for retail or residential use.

- 1) Projects requesting IRBs that are primarily retail in nature shall only be considered if the applicant demonstrates that the project is exceptional and unique, and is likely to add to the retail base by attracting new retail sales or capturing sales that are leaking to other markets.
- 2) Projects requesting IRBs that are primarily residential in nature shall only be considered if the project is a multi-family or senior living project and fits the criteria herein described. Infill development or redevelopment is preferred. Mixed-use projects are more desirable, as are projects in the Downtown area. Multi-family or senior living projects that contain no non-residential uses and are requesting IRBs must have at least 35% of all housing units set aside for households making 80% of the Area Median Income or less. Infill housing projects shall be looked upon more favorably if they are mixed use, located in Downtown, or both.

SECTION FOUR: PROCEDURES.

- 1) **Formal Application.** An applicant may pick up a formal application either at City Hall in the City Manager's Office, or online. The applicant shall complete the application and file it with the City Manager. A fee of \$1,000 is due upon filing in order to help defray the City's cost in processing the application. Such fee shall be collected regardless of the City Commission's action on the application or if the bond issue closes.
- 2) **Preliminary Review.** City staff will provide an initial review of the application to ensure that it meets the requirements in City policy.
- 3) **Coordination with Bond Counsel:** City staff will coordinate with the applicant and bond counsel a schedule for the issuance of the bonds which meets the needs of all parties involved. During the process, bond counsel will assist with the preparation of other documents needed for filing through the State of Kansas.

Applicants are encouraged to utilize the City's bond counsel. In the event that the applicant selects other bond counsel, the City may require its bond counsel to be involved in the transaction in a review capacity, depending upon the amount of the transaction and the project involved.

- 4) **Public Notification:** At least seven (7) days prior to consideration, the City shall prepare a Notice of Public Hearing to be published in the official City newspaper, giving notice of hearing on the IRB request, and indicating the purpose, time and place thereof.
- 5) **Resolution of Intent and Ordinance Provisions:** The City Commission shall conduct a public hearing and consider a Resolution of Intent followed by two readings of an ordinance authorizing the issuance of the bonds.
- 6) **Documents:** All documents related to Industrial Revenue Bonds will be kept on file with the City Clerk.

SECTION FIVE: SALES TAX EXEMPTIONS.

Labor and materials used in construction as well as equipment purchased with IRB proceeds are generally exempted from State and local sales tax. Payments-in-lieu of sales tax may be made as negotiated between the City and the Applicant.

SECTION SIX: INDUSTRIAL REVENUE BONDS AND TAX ABATEMENTS.

Applicants that request tax abatements in conjunction with IRBs must follow the policies and procedures set forth in the City's Tax Abatement Policy in addition to the procedures for IRBs as provided above.

SECTION SEVEN: ADDITIONAL FEES.

Each applicant who receives an issuance of Industrial Revenue Bonds shall pay all fees associated with the issuance of the Industrial Revenue Bonds.

SECTION EIGHT: AUTHORITY TO ISSUE INDUSTRIAL REVENUE BONDS.

The authority to approve the issuances of IRBs shall be the responsibility of the City Commission. The Commission's decision for approval or disapproval will be based on the analysis made by the City staff and the recommendations the staff provides to the City Commission from its review of all pertinent data relating to a particular request for bonds.

SECTION NINE:

Resolution 5239, approved May 4th, 1989 to govern the issuance and use of Industrial Revenue Bonds by the City, is hereby repealed.

SECTION TEN. If any section clause, sentence, or phrase of this ordinance is found to be unconstitutional or is otherwise held invalid by any court of competent jurisdiction, it shall not affect the validity of any remaining parts of this ordinance.

SECTION ELEVEN. This Ordinance shall take effect and be in force from and after its adoption and publication as provided by law.

Adopted this 18th day of May, 2010.

APPROVED:



Mike Amyx, Mayor

ATTEST:



Jonathan M. Douglass
City Clerk

APPROVED AS TO FORM AND LEGALITY:



Toni Ramirez Wheeler, Director of Legal Services

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

Project Summary

Capital Investment in Plant:	\$67,968,008
Annual Local Expenditures by Firm:	\$1,688,055
Retained Jobs:	17
Average Wage per Retained Job:	\$28,242
Indirect Jobs Created:	15
Economic Value per Indirect Job:	\$12,982
Total New Households:	13
Discount Rate:	6.24%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	15

Incentives

IRB Offered	Yes
Value of IRB Construction Sales Tax:	\$2,564,066 (Does not include sales tax exemption on machinery and equipment.)
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	\$0
Other Incentives	
Site Infrastructure:	\$0
Facility Construction:	\$0
NRA Rebates:	\$3,105,506
Value of All Incentives Offered:	\$5,669,571
Value of All Incentives per Job per Year:	\$22,234
Value of Incentives in Hourly Pay:	\$10.69
Value of Incentives per Dollar Invested:	\$0.08

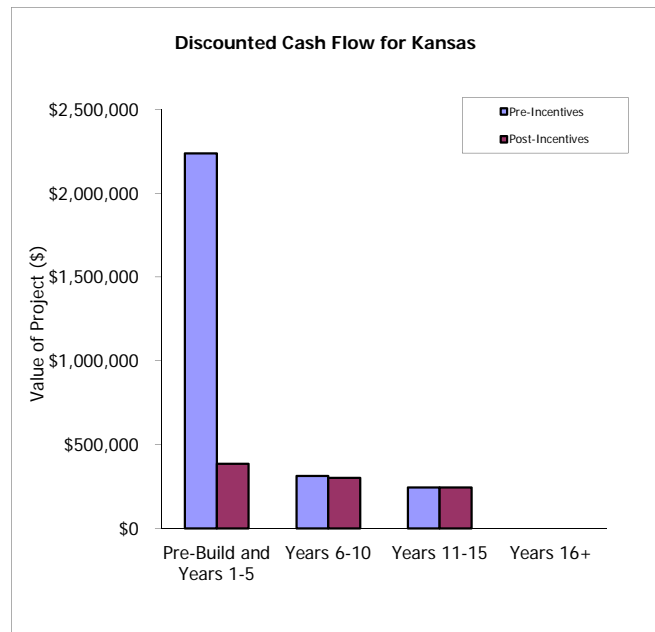
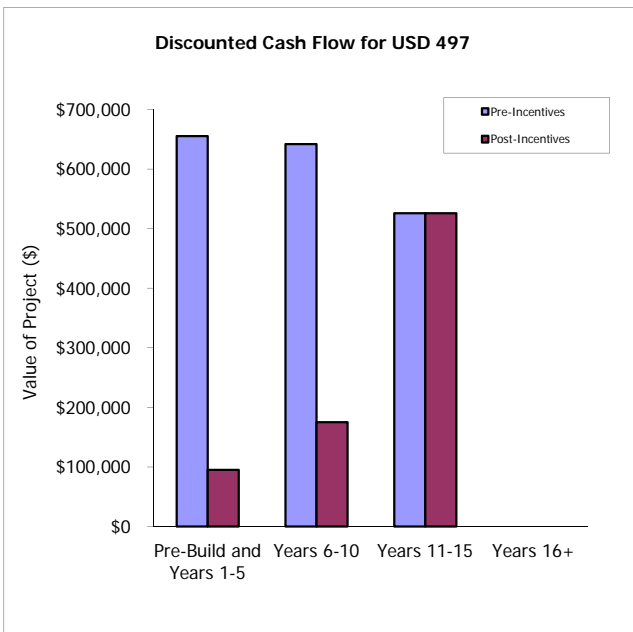
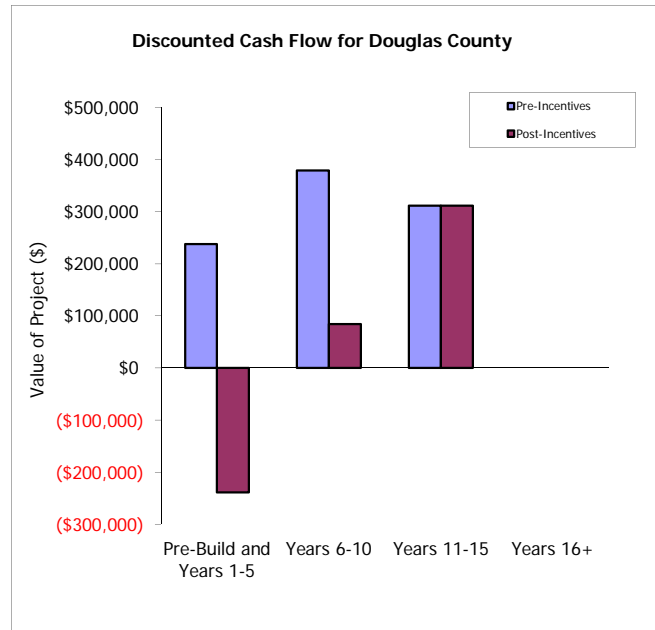
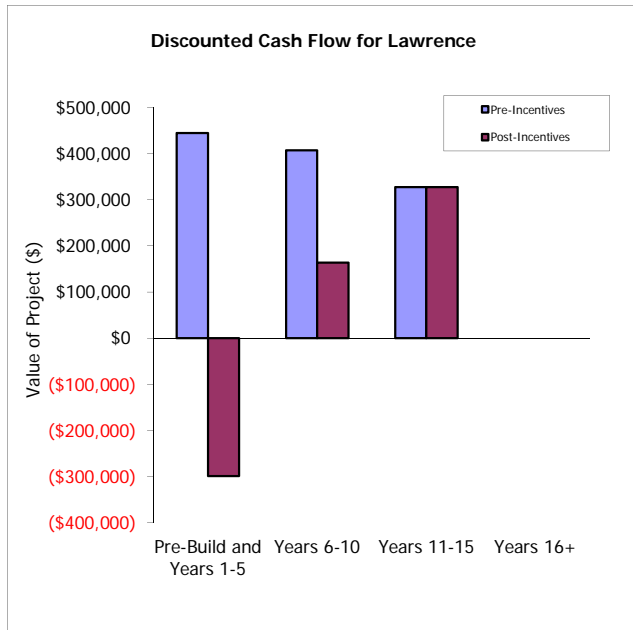
Summary of Results

Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	\$2,844,420	\$2,127,526	\$3,087,007	\$3,469,128
Costs	\$926,127	\$515,056	\$90,597	\$0
<i>Revenue Stream, Pre-Incentives</i>	<i>\$1,918,294</i>	<i>\$1,612,470</i>	<i>\$2,996,410</i>	<i>\$3,469,128</i>
Value of Incentives Offered	\$1,224,357	\$1,030,911	\$1,428,533	\$1,985,771
Revenue Stream with Incentives	\$693,937	\$581,559	\$1,567,877	\$1,483,357

Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.24%			
Discounted Cash Flow, Without Incentives	\$1,178,789	\$927,710	\$1,822,668	\$2,792,611
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>2.61</i>	<i>3.25</i>	<i>32.31</i>	<i>#DIV/0!</i>
Discounted Cash Flow, With Incentives	\$192,048	\$157,561	\$795,611	\$930,433
Benefit/Cost Ratio, With Incentives	1.26	1.38	14.67	#DIV/0!

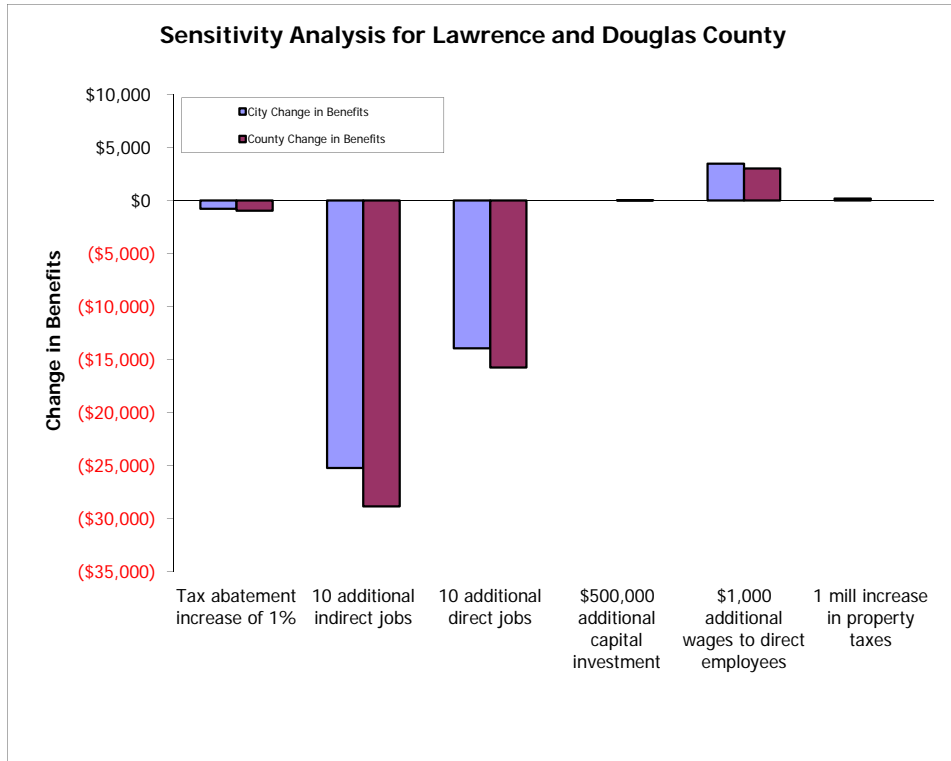
Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

Graphs of Benefits and Costs by Time Period, with and Without Abatement



Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

Sensitivity Analysis



Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 1: Annual Results (not Discounted)

<i>Lawrence</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$549,755	(\$490,674)	(\$545,764)	(\$486,683)	(\$486,683)
2	\$148,890	(\$43,136)	(\$68,364)	\$37,391	(\$449,293)
3	\$151,424	(\$28,410)	(\$70,035)	\$52,980	(\$396,313)
4	\$154,006	(\$28,694)	(\$71,742)	\$53,570	(\$342,743)
5	\$156,637	(\$28,981)	(\$73,487)	\$54,170	(\$288,573)
6	\$159,318	(\$29,270)	(\$75,269)	\$54,778	(\$233,795)
7	\$158,853	(\$29,563)	(\$77,091)	\$52,199	(\$181,596)
8	\$160,529	(\$29,859)	(\$78,952)	\$51,718	(\$129,879)
9	\$163,323	(\$30,157)	(\$80,854)	\$52,311	(\$77,568)
10	\$166,170	(\$30,459)	(\$82,798)	\$52,913	(\$24,654)
11	\$169,072	(\$30,764)	\$0	\$138,309	\$113,654
12	\$172,030	(\$31,071)	\$0	\$140,959	\$254,614
13	\$175,045	(\$31,382)	\$0	\$143,663	\$398,277
14	\$178,118	(\$31,696)	\$0	\$146,422	\$544,699
15	\$181,250	(\$32,013)	\$0	\$149,237	\$693,937

<i>Douglas County</i>					
Year	Revenues	Costs	#REF!	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$166,932	(\$295,523)	(\$210,945)	(\$339,535)	(\$339,535)
2	\$122,435	(\$17,335)	(\$82,606)	\$22,493	(\$317,042)
3	\$124,922	(\$14,642)	(\$84,625)	\$25,655	(\$291,387)
4	\$127,461	(\$14,789)	(\$86,688)	\$25,985	(\$265,403)
5	\$130,054	(\$14,936)	(\$88,796)	\$26,321	(\$239,081)
6	\$132,701	(\$15,086)	(\$90,951)	\$26,665	(\$212,416)
7	\$135,404	(\$15,237)	(\$93,152)	\$27,016	(\$185,400)
8	\$138,164	(\$15,389)	(\$95,401)	\$27,374	(\$158,026)
9	\$140,982	(\$15,543)	(\$97,699)	\$27,740	(\$130,286)
10	\$143,859	(\$15,698)	(\$100,048)	\$28,113	(\$102,173)
11	\$146,796	(\$15,855)	\$0	\$130,941	\$28,768
12	\$149,796	(\$16,014)	\$0	\$133,782	\$162,550
13	\$152,858	(\$16,174)	\$0	\$136,684	\$299,234
14	\$155,984	(\$16,336)	\$0	\$139,649	\$438,882
15	\$159,176	(\$16,499)	\$0	\$142,677	\$581,559

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 1: Annual Results (not Discounted) (Continued)

<i>USD 497</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$53,605	(\$6,727)	(\$127,897)	(\$81,018)	(\$81,018)
2	\$189,089	(\$8,133)	(\$131,031)	\$49,925	(\$31,093)
3	\$192,983	(\$5,485)	(\$134,233)	\$53,265	\$22,172
4	\$196,959	(\$5,539)	(\$137,506)	\$53,914	\$76,086
5	\$201,020	(\$5,595)	(\$140,849)	\$54,575	\$130,661
6	\$205,166	(\$5,651)	(\$144,266)	\$55,249	\$185,910
7	\$209,400	(\$5,707)	(\$147,758)	\$55,935	\$241,845
8	\$213,724	(\$5,764)	(\$151,326)	\$56,634	\$298,479
9	\$218,139	(\$5,822)	(\$154,971)	\$57,346	\$355,825
10	\$222,647	(\$5,880)	(\$158,696)	\$58,071	\$413,896
11	\$227,252	(\$5,939)	\$0	\$221,313	\$635,209
12	\$231,953	(\$5,998)	\$0	\$225,955	\$861,164
13	\$236,754	(\$6,058)	\$0	\$230,696	\$1,091,859
14	\$241,656	(\$6,119)	\$0	\$235,537	\$1,327,396
15	\$246,661	(\$6,180)	\$0	\$240,481	\$1,567,877

<i>State of Kansas</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$2,044,913	\$0	(\$1,957,496)	\$87,416	\$87,416
2	\$94,981	\$0	(\$2,848)	\$92,132	\$179,549
3	\$95,974	\$0	(\$2,918)	\$93,056	\$272,604
4	\$96,978	\$0	(\$2,989)	\$93,989	\$366,593
5	\$97,993	\$0	(\$3,062)	\$94,931	\$461,525
6	\$99,020	\$0	(\$3,136)	\$95,884	\$557,408
7	\$100,057	\$0	(\$3,212)	\$96,845	\$654,254
8	\$101,106	\$0	(\$3,290)	\$97,817	\$752,071
9	\$102,167	\$0	(\$3,369)	\$98,798	\$850,869
10	\$103,239	\$0	(\$3,450)	\$99,789	\$950,658
11	\$104,323	\$0	\$0	\$104,323	\$1,054,982
12	\$105,419	\$0	\$0	\$105,419	\$1,160,401
13	\$106,528	\$0	\$0	\$106,528	\$1,266,929
14	\$107,648	\$0	\$0	\$107,648	\$1,374,577
15	\$108,781	\$0	\$0	\$108,781	\$1,483,357

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 2: Annual Results (Discounted)

<i>Lawrence</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$517,448	(\$461,839)	(\$513,692)	(\$458,083)	(\$458,083)
2	\$131,905	(\$38,215)	(\$60,565)	\$33,125	(\$424,958)
3	\$126,267	(\$23,690)	(\$58,399)	\$44,178	(\$380,780)
4	\$120,873	(\$22,520)	(\$56,307)	\$42,045	(\$338,735)
5	\$115,713	(\$21,409)	(\$54,287)	\$40,017	(\$298,718)
6	\$110,777	(\$20,352)	(\$52,337)	\$38,088	(\$260,630)
7	\$103,964	(\$19,348)	(\$50,453)	\$34,162	(\$226,467)
8	\$98,886	(\$18,393)	(\$48,635)	\$31,858	(\$194,609)
9	\$94,695	(\$17,485)	(\$46,880)	\$30,330	(\$164,279)
10	\$90,684	(\$16,622)	(\$45,185)	\$28,876	(\$135,403)
11	\$86,846	(\$15,802)	\$0	\$71,044	(\$64,359)
12	\$83,172	(\$15,022)	\$0	\$68,150	\$3,791
13	\$79,657	(\$14,281)	\$0	\$65,376	\$69,167
14	\$76,292	(\$13,576)	\$0	\$62,716	\$131,883
15	\$73,071	(\$12,906)	\$0	\$60,165	\$192,048

<i>Douglas County</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$157,122	(\$278,156)	(\$198,549)	(\$319,583)	(\$319,583)
2	\$108,468	(\$15,358)	(\$73,183)	\$19,927	(\$299,655)
3	\$104,168	(\$12,209)	(\$70,566)	\$21,392	(\$278,263)
4	\$100,039	(\$11,607)	(\$68,038)	\$20,394	(\$257,868)
5	\$96,076	(\$11,034)	(\$65,597)	\$19,445	(\$238,424)
6	\$92,271	(\$10,490)	(\$63,240)	\$18,541	(\$219,883)
7	\$88,617	(\$9,972)	(\$60,964)	\$17,681	(\$202,202)
8	\$85,109	(\$9,480)	(\$58,767)	\$16,863	(\$185,339)
9	\$81,742	(\$9,012)	(\$56,646)	\$16,084	(\$169,256)
10	\$78,508	(\$8,567)	(\$54,599)	\$15,342	(\$153,914)
11	\$75,404	(\$8,144)	\$0	\$67,259	(\$86,654)
12	\$72,423	(\$7,742)	\$0	\$64,680	(\$21,974)
13	\$69,560	(\$7,360)	\$0	\$62,200	\$40,226
14	\$66,811	(\$6,997)	\$0	\$59,815	\$100,040
15	\$64,172	(\$6,652)	\$0	\$57,520	\$157,561

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 2: Annual Results (Discounted) (Continued)

<i>USD 497</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$50,455	(\$6,331)	(\$120,381)	(\$76,257)	(\$76,257)
2	\$167,518	(\$7,205)	(\$116,083)	\$44,230	(\$32,027)
3	\$160,921	(\$4,573)	(\$111,932)	\$44,416	\$12,388
4	\$154,585	(\$4,348)	(\$107,922)	\$42,315	\$54,703
5	\$148,500	(\$4,133)	(\$104,051)	\$40,317	\$95,020
6	\$142,657	(\$3,929)	(\$100,312)	\$38,416	\$133,436
7	\$137,044	(\$3,735)	(\$96,702)	\$36,607	\$170,043
8	\$131,654	(\$3,551)	(\$93,217)	\$34,887	\$204,930
9	\$126,478	(\$3,376)	(\$89,853)	\$33,249	\$238,179
10	\$121,506	(\$3,209)	(\$86,605)	\$31,691	\$269,870
11	\$116,730	(\$3,051)	\$0	\$113,680	\$383,550
12	\$112,144	(\$2,900)	\$0	\$109,244	\$492,794
13	\$107,738	(\$2,757)	\$0	\$104,981	\$597,775
14	\$103,506	(\$2,621)	\$0	\$100,886	\$698,660
15	\$99,442	(\$2,492)	\$0	\$96,950	\$795,611

<i>State of Kansas</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$1,924,742	\$0	(\$1,842,463)	\$82,279	\$82,279
2	\$84,145	\$0	(\$2,524)	\$81,622	\$163,901
3	\$80,029	\$0	(\$2,433)	\$77,596	\$241,497
4	\$76,114	\$0	(\$2,346)	\$73,768	\$315,265
5	\$72,391	\$0	(\$2,262)	\$70,129	\$385,394
6	\$68,851	\$0	(\$2,181)	\$66,670	\$452,064
7	\$65,484	\$0	(\$2,102)	\$63,382	\$515,446
8	\$62,282	\$0	(\$2,026)	\$60,255	\$575,702
9	\$59,237	\$0	(\$1,953)	\$57,283	\$632,985
10	\$56,341	\$0	(\$1,883)	\$54,458	\$687,443
11	\$53,587	\$0	\$0	\$53,587	\$741,030
12	\$50,968	\$0	\$0	\$50,968	\$791,998
13	\$48,477	\$0	\$0	\$48,477	\$840,475
14	\$46,108	\$0	\$0	\$46,108	\$886,583
15	\$43,855	\$0	\$0	\$43,855	\$930,438

This analysis utilized the City of Lawrence's Cost-Benefit Model. The City's cost-benefit model provides a framework for estimating the fiscal impacts of a project, assuming it were in existence and in use today, through the examination of costs and benefits to various taxing jurisdictions (City, County, School District, State).

The Cost-Benefit model is one tool that government decision makers can incorporate in their decision-making process. However, as with most models, it does have limitations.

Limitations of model:

- **Does not consider intangible effects**

The model does not speak to the effects of intangible costs or benefits resulting from the project, since intangible effects are difficult, if not impossible to assign a dollar value.

- **Does not consider private effects**

The model only seeks to quantify the cumulative effect on public revenues and expenses and not the effect on private interests that may be affected by the project. Thus, the model only considers public, or governmental, costs and revenues.

Logic would dictate that any development will also have a fiscal impact on the private sector. For example, if one were analyzing a proposal to build a new baseball stadium, the new tax revenue from the building and property – as well as the costs for providing additional public security and emergency services (police, fire, ambulance, etc.) – would factor into the analysis. However, the effect of the stadium on neighboring property values or the impact on business at local restaurants would not be accounted for.

- **The model considers direct effect economic impacts**

Multipliers used within the model are applied to direct effects such as the number of jobs created by the project and associated wages. The model does not attempt to measure all indirect effects such as capturing visitor spending associated with the project, nor the economic effects of that spending as outside dollars circulate through the community over time.

- **Model assumes current effects**

The model is run on assumptions and estimations provided at the time of analysis. The current effects aspect of the model means that the analysis provides a means of estimating the financial impact of a development as if the project were in existence and in use today, given estimated costs and assumptions that are usually defined prior to the project being constructed or operational. Given that it may be difficult to predict future costs and benefits accurately, there is an implicit assumption that future changes affect both revenues and costs.

In addition, the model does not reflect any changes in economic adjustments over time due to macroeconomic conditions, regional industrial structure, public policies, and technological advances.

- **Does not consider fiscal impacts of temporary or part-time employment**

Employment analyzed is for full-time, permanent positions related to the project and does not consider temporary jobs created due to project construction or part-time positions created during project operation.

Other considerations for decision making:

It is important to remember that there could be several important considerations that fall outside of the realm of municipal budgets. For example, fiscal impacts of development on abutters, local businesses and natural resources are not accounted for in the cost-benefit model.

The model also does not consider issues of equity and social responsibility. For instance, while it may be easy to identify the fiscal downsides of low-income housing on municipal and school budgets, municipalities may also bear some level of responsibility for ensuring access to affordable housing, as is dictated by the Fair Housing Act. Finally, communities maintain certain values that cannot be assigned a price tag, such as the intrinsic value of nature, cultural heritage, and aesthetics.

Depending on the project, it may be prudent to employ other analytical models or studies (e.g. economic impact analysis; pro forma/but-for analysis; trade area analysis; tourism impact, market demand and other studies; etc.) in conjunction with the cost-benefit model, as well as non-quantifiable elements, to gain insight into the project's overall value to the community.

Cost-Benefit Model Results: 1101/1115 Indiana Street

Scenario 1: Stand-Alone IRB + 12Y-95% NRA/20Y Evaluation Period

Project Summary

Capital Investment in Plant:	\$67,968,008
Annual Local Expenditures by Firm:	\$1,688,055
Retained Jobs:	17
Average Wage per Retained Job:	\$28,242
Indirect Jobs Created:	15
Economic Value per Indirect Job:	\$12,982
Total New Households:	13
Discount Rate:	6.24%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives

IRB Offered	Yes
Value of IRB Construction Sales Tax:	\$2,564,066
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	\$0
Other Incentives	
Site Infrastructure:	\$0
Facility Construction:	\$0
NRA Rebates:	\$3,911,997

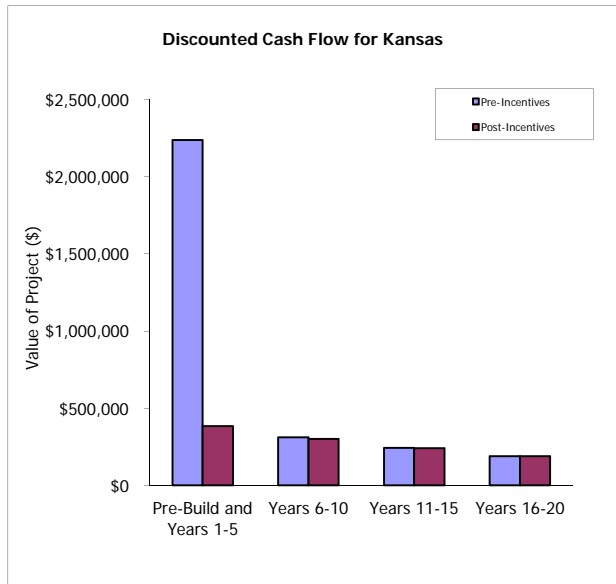
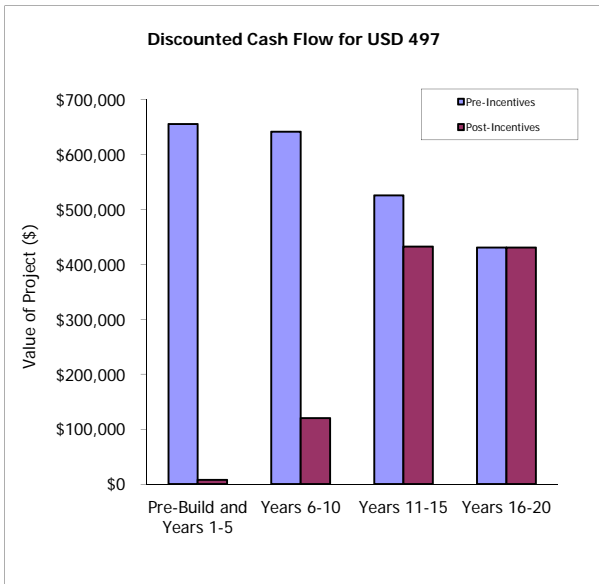
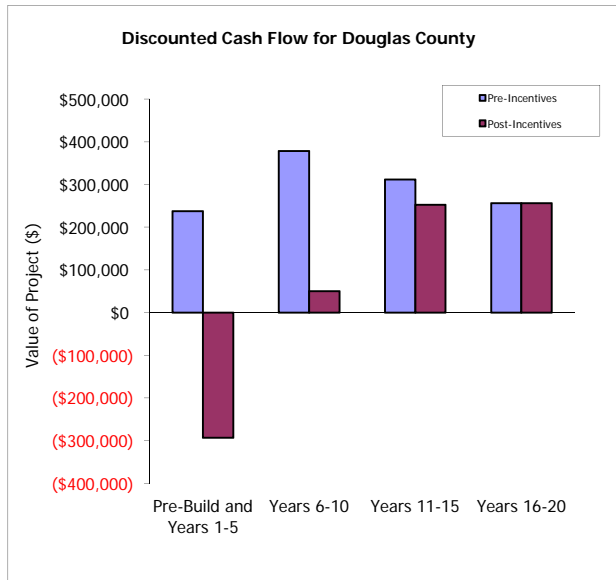
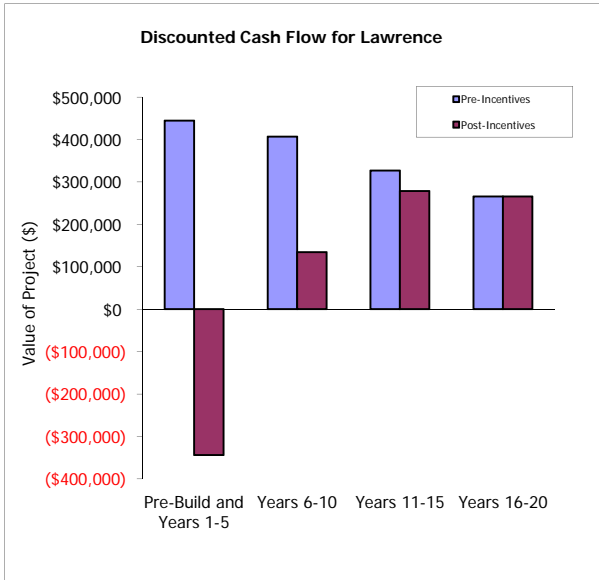
Value of All Incentives Offered:	\$6,476,062
Value of All Incentives per Job per Year:	\$19,047
Value of Incentives in Hourly Pay:	\$9.16
Value of Incentives per Dollar Invested:	\$0.10

Summary of Results				
Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	\$3,799,828	\$2,973,674	\$4,399,162	\$4,030,467
Costs	\$1,091,057	\$600,059	\$122,437	\$0
<i>Revenue Stream, Pre-Incentives</i>	<i>\$2,708,771</i>	<i>\$2,373,615</i>	<i>\$4,276,725</i>	<i>\$4,030,467</i>
Value of Incentives Offered	\$1,417,915	\$1,264,793	\$1,799,518	\$1,993,836
Revenue Stream with Incentives	\$1,290,856	\$1,108,822	\$2,477,206	\$2,036,631
Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.24%			
Discounted Cash Flow, Without Incentives	\$1,444,885	\$1,183,859	\$2,253,569	\$2,981,770
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>2.84</i>	<i>3.68</i>	<i>33.69</i>	<i>#DIV/0!</i>
Discounted Cash Flow, With Incentives	\$335,314	\$265,290	\$991,087	\$1,114,479
Benefit/Cost Ratio, With Incentives	1.43	1.60	15.38	#DIV/0!

Cost-Benefit Model Results: 1101/1115 Indiana Street

Scenario 1: Stand-Alone IRB + 12Y-95% NRA/20Y Evaluation Period

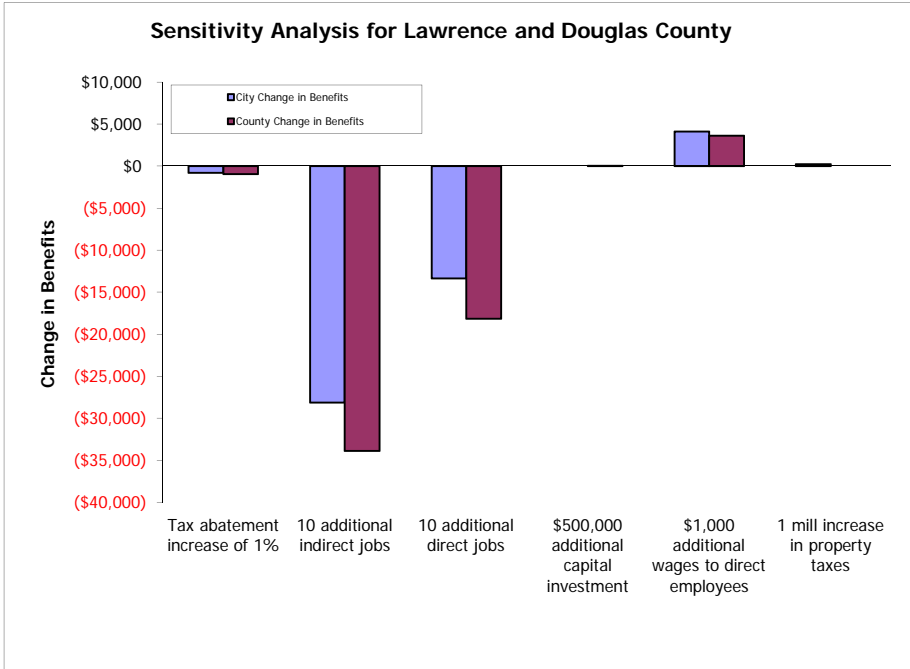
Graphs of Benefits and Costs by Time Period, with and Without Abatement



Cost-Benefit Model Results: 1101/1115 Indiana Street

Scenario 1: Stand-Alone IRB + 12Y-95% NRA/20Y Evaluation Period

Sensitivity Analysis



Cost-Benefit Model Results: 1101/1115 Indiana Street

Scenario 1: Stand-Alone IRB + 12Y-95% NRA/20Y Evaluation Period

APPENDIX 1: Annual Results Not Discounted

Lawrence: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$11,115)	(\$11,115)	(\$11,115)
1	\$549,755	(\$490,674)	(\$553,615)	(\$494,534)	(\$505,648)
2	\$148,890	(\$43,136)	(\$76,407)	\$29,348	(\$476,301)
3	\$151,424	(\$28,410)	(\$78,274)	\$44,740	(\$431,560)
4	\$154,006	(\$28,694)	(\$80,182)	\$45,130	(\$386,430)
5	\$156,637	(\$28,981)	(\$82,132)	\$45,524	(\$340,906)
6	\$159,318	(\$29,270)	(\$84,125)	\$45,923	(\$294,983)
7	\$158,853	(\$29,563)	(\$86,161)	\$43,129	(\$251,854)
8	\$160,529	(\$29,859)	(\$88,241)	\$42,429	(\$209,425)
9	\$163,323	(\$30,157)	(\$90,367)	\$42,799	(\$166,626)
10	\$166,170	(\$30,459)	(\$92,539)	\$43,172	(\$123,454)
11	\$169,072	(\$30,764)	(\$94,758)	\$43,550	(\$79,904)
12	\$172,030	(\$31,071)	\$0	\$140,959	\$61,056
13	\$175,045	(\$31,382)	\$0	\$143,663	\$204,719
14	\$178,118	(\$31,696)	\$0	\$146,422	\$351,142
15	\$181,250	(\$32,013)	\$0	\$149,237	\$500,379
16	\$184,444	(\$32,333)	\$0	\$152,111	\$652,490
17	\$187,699	(\$32,656)	\$0	\$155,043	\$807,533
18	\$191,017	(\$32,983)	\$0	\$158,035	\$965,568
19	\$194,400	(\$33,312)	\$0	\$161,087	\$1,126,655
20	\$197,847	(\$33,646)	\$0	\$164,201	\$1,290,856

Douglas County: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$13,430)	(\$13,430)	(\$13,430)
1	\$166,932	(\$295,523)	(\$220,431)	(\$349,021)	(\$362,451)
2	\$122,435	(\$17,335)	(\$92,325)	\$12,775	(\$349,676)
3	\$124,922	(\$14,642)	(\$94,581)	\$15,699	(\$333,978)
4	\$127,461	(\$14,789)	(\$96,887)	\$15,786	(\$318,192)
5	\$130,054	(\$14,936)	(\$99,243)	\$15,875	(\$302,317)
6	\$132,701	(\$15,086)	(\$101,651)	\$15,965	(\$286,352)
7	\$135,404	(\$15,237)	(\$104,111)	\$16,057	(\$270,295)
8	\$138,164	(\$15,389)	(\$106,624)	\$16,151	(\$254,144)
9	\$140,982	(\$15,543)	(\$109,193)	\$16,246	(\$237,899)
10	\$143,859	(\$15,698)	(\$111,818)	\$16,343	(\$221,556)
11	\$146,796	(\$15,855)	(\$114,500)	\$16,441	(\$205,115)
12	\$149,796	(\$16,014)	\$0	\$133,782	(\$71,333)
13	\$152,858	(\$16,174)	\$0	\$136,684	\$65,351
14	\$155,984	(\$16,336)	\$0	\$139,649	\$205,000
15	\$159,176	(\$16,499)	\$0	\$142,677	\$347,677
16	\$162,435	(\$16,664)	\$0	\$145,771	\$493,448
17	\$165,762	(\$16,831)	\$0	\$148,931	\$642,379
18	\$169,158	(\$16,999)	\$0	\$152,159	\$794,538
19	\$172,626	(\$17,169)	\$0	\$155,457	\$949,995
20	\$176,167	(\$17,341)	\$0	\$158,826	\$1,108,822

Cost-Benefit Model Results: 1101/1115 Indiana Street

Scenario 1: Stand-Alone IRB + 12Y-95% NRA/20Y Evaluation Period

APPENDIX 1: Annual Results Not Discounted (Continued)

USD 497: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$21,303)	(\$21,303)	(\$21,303)
1	\$53,605	(\$6,727)	(\$142,943)	(\$96,065)	(\$117,368)
2	\$189,089	(\$8,133)	(\$146,446)	\$34,510	(\$82,858)
3	\$192,983	(\$5,485)	(\$150,025)	\$37,473	(\$45,385)
4	\$196,959	(\$5,539)	(\$153,683)	\$37,737	(\$7,648)
5	\$201,020	(\$5,595)	(\$157,420)	\$38,005	\$30,357
6	\$205,166	(\$5,651)	(\$161,239)	\$38,276	\$68,633
7	\$209,400	(\$5,707)	(\$165,141)	\$38,552	\$107,185
8	\$213,724	(\$5,764)	(\$169,129)	\$38,831	\$146,015
9	\$218,139	(\$5,822)	(\$173,203)	\$39,114	\$185,129
10	\$222,647	(\$5,880)	(\$177,366)	\$39,401	\$224,530
11	\$227,252	(\$5,939)	(\$181,620)	\$39,692	\$264,223
12	\$231,953	(\$5,998)	\$0	\$225,955	\$490,178
13	\$236,754	(\$6,058)	\$0	\$230,696	\$720,873
14	\$241,656	(\$6,119)	\$0	\$235,537	\$956,410
15	\$246,661	(\$6,180)	\$0	\$240,481	\$1,196,891
16	\$251,772	(\$6,242)	\$0	\$245,530	\$1,442,421
17	\$256,990	(\$6,304)	\$0	\$250,686	\$1,693,107
18	\$262,319	(\$6,367)	\$0	\$255,951	\$1,949,059
19	\$267,759	(\$6,431)	\$0	\$261,328	\$2,210,387
20	\$273,315	(\$6,495)	\$0	\$266,820	\$2,477,206

State of Kansas: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$463)	(\$463)	(\$463)
1	\$2,044,913	\$0	(\$1,957,823)	\$87,089	\$86,626
2	\$94,981	\$0	(\$3,184)	\$91,797	\$178,423
3	\$95,974	\$0	(\$3,261)	\$92,713	\$271,136
4	\$96,978	\$0	(\$3,341)	\$93,637	\$364,773
5	\$97,993	\$0	(\$3,422)	\$94,571	\$459,344
6	\$99,020	\$0	(\$3,505)	\$95,515	\$554,859
7	\$100,057	\$0	(\$3,590)	\$96,467	\$651,326
8	\$101,106	\$0	(\$3,677)	\$97,430	\$748,756
9	\$102,167	\$0	(\$3,765)	\$98,402	\$847,158
10	\$103,239	\$0	(\$3,856)	\$99,384	\$946,542
11	\$104,323	\$0	(\$3,948)	\$100,375	\$1,046,917
12	\$105,419	\$0	\$0	\$105,419	\$1,152,336
13	\$106,528	\$0	\$0	\$106,528	\$1,258,864
14	\$107,648	\$0	\$0	\$107,648	\$1,366,512
15	\$108,781	\$0	\$0	\$108,781	\$1,475,292
16	\$109,926	\$0	\$0	\$109,926	\$1,585,218
17	\$111,084	\$0	\$0	\$111,084	\$1,696,302
18	\$112,255	\$0	\$0	\$112,255	\$1,808,557
19	\$113,439	\$0	\$0	\$113,439	\$1,921,996
20	\$114,636	\$0	\$0	\$114,636	\$2,036,631

Cost-Benefit Model Results: 1101/1115 Indiana Street

Scenario 1: Stand-Alone IRB + 12Y-95% NRA/20Y Evaluation Period

APPENDIX 2: Discounted Annual Results

Lawrence: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$11,115)	(\$11,115)	(\$11,115)
1	\$517,448	(\$461,839)	(\$521,081)	(\$465,472)	(\$476,587)
2	\$131,905	(\$38,215)	(\$67,690)	\$26,000	(\$450,587)
3	\$126,267	(\$23,690)	(\$65,270)	\$37,307	(\$413,280)
4	\$120,873	(\$22,520)	(\$62,932)	\$35,421	(\$377,859)
5	\$115,713	(\$21,409)	(\$60,674)	\$33,630	(\$344,229)
6	\$110,777	(\$20,352)	(\$58,494)	\$31,931	(\$312,298)
7	\$103,964	(\$19,348)	(\$56,389)	\$28,227	(\$284,071)
8	\$98,886	(\$18,393)	(\$54,357)	\$26,136	(\$257,934)
9	\$94,695	(\$17,485)	(\$52,395)	\$24,815	(\$233,120)
10	\$90,684	(\$16,622)	(\$50,501)	\$23,560	(\$209,559)
11	\$86,846	(\$15,802)	(\$48,674)	\$22,370	(\$187,189)
12	\$83,172	(\$15,022)	\$0	\$68,150	(\$119,039)
13	\$79,657	(\$14,281)	\$0	\$65,376	(\$53,663)
14	\$76,292	(\$13,576)	\$0	\$62,716	\$9,053
15	\$73,071	(\$12,906)	\$0	\$60,165	\$69,218
16	\$69,989	(\$12,269)	\$0	\$57,720	\$126,938
17	\$67,039	(\$11,663)	\$0	\$55,375	\$182,314
18	\$64,215	(\$11,088)	\$0	\$53,127	\$235,440
19	\$61,511	(\$10,541)	\$0	\$50,971	\$286,411
20	\$58,923	(\$10,020)	\$0	\$48,903	\$335,314

Douglas County: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$13,430)	(\$13,430)	(\$13,430)
1	\$157,122	(\$278,156)	(\$207,477)	(\$328,511)	(\$341,941)
2	\$108,468	(\$15,358)	(\$81,793)	\$11,318	(\$330,623)
3	\$104,168	(\$12,209)	(\$78,868)	\$13,091	(\$317,533)
4	\$100,039	(\$11,607)	(\$76,043)	\$12,390	(\$305,143)
5	\$96,076	(\$11,034)	(\$73,314)	\$11,727	(\$293,416)
6	\$92,271	(\$10,490)	(\$70,680)	\$11,101	(\$282,315)
7	\$88,617	(\$9,972)	(\$68,137)	\$10,509	(\$271,806)
8	\$85,109	(\$9,480)	(\$65,681)	\$9,949	(\$261,857)
9	\$81,742	(\$9,012)	(\$63,311)	\$9,419	(\$252,438)
10	\$78,508	(\$8,567)	(\$61,022)	\$8,919	(\$243,519)
11	\$75,404	(\$8,144)	(\$58,814)	\$8,445	(\$235,074)
12	\$72,423	(\$7,742)	\$0	\$64,680	(\$170,394)
13	\$69,560	(\$7,360)	\$0	\$62,200	(\$108,194)
14	\$66,811	(\$6,997)	\$0	\$59,815	(\$48,379)
15	\$64,172	(\$6,652)	\$0	\$57,520	\$9,141
16	\$61,637	(\$6,323)	\$0	\$55,314	\$64,455
17	\$59,204	(\$6,011)	\$0	\$53,192	\$117,647
18	\$56,866	(\$5,715)	\$0	\$51,152	\$168,799
19	\$54,622	(\$5,433)	\$0	\$49,189	\$217,988
20	\$52,466	(\$5,164)	\$0	\$47,302	\$265,290

Cost-Benefit Model Results: 1101/1115 Indiana Street

Scenario 1: Stand-Alone IRB + 12Y-95% NRA/20Y Evaluation Period

APPENDIX 2: Discounted Annual Results (Continued)

USD 497: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$21,303)	(\$21,303)	(\$21,303)
1	\$50,455	(\$6,331)	(\$134,543)	(\$90,420)	(\$111,722)
2	\$167,518	(\$7,205)	(\$129,740)	\$30,573	(\$81,149)
3	\$160,921	(\$4,573)	(\$125,100)	\$31,247	(\$49,902)
4	\$154,585	(\$4,348)	(\$120,619)	\$29,618	(\$20,284)
5	\$148,500	(\$4,133)	(\$116,292)	\$28,075	\$7,792
6	\$142,657	(\$3,929)	(\$112,113)	\$26,614	\$34,406
7	\$137,044	(\$3,735)	(\$108,079)	\$25,231	\$59,636
8	\$131,654	(\$3,551)	(\$104,184)	\$23,920	\$83,556
9	\$126,478	(\$3,376)	(\$100,424)	\$22,678	\$106,235
10	\$121,506	(\$3,209)	(\$96,794)	\$21,502	\$127,737
11	\$116,730	(\$3,051)	(\$93,291)	\$20,388	\$148,125
12	\$112,144	(\$2,900)	\$0	\$109,244	\$257,369
13	\$107,738	(\$2,757)	\$0	\$104,981	\$362,350
14	\$103,506	(\$2,621)	\$0	\$100,886	\$463,236
15	\$99,442	(\$2,492)	\$0	\$96,950	\$560,186
16	\$95,537	(\$2,369)	\$0	\$93,169	\$653,355
17	\$91,787	(\$2,252)	\$0	\$89,535	\$742,890
18	\$88,184	(\$2,141)	\$0	\$86,044	\$828,934
19	\$84,724	(\$2,035)	\$0	\$82,689	\$911,622
20	\$81,399	(\$1,934)	\$0	\$79,465	\$991,087

State of Kansas: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$463)	(\$463)	(\$463)
1	\$1,924,742	\$0	(\$1,842,771)	\$81,972	\$81,508
2	\$84,145	\$0	(\$2,820)	\$81,325	\$162,833
3	\$80,029	\$0	(\$2,720)	\$77,309	\$240,143
4	\$76,114	\$0	(\$2,622)	\$73,492	\$313,635
5	\$72,391	\$0	(\$2,528)	\$69,863	\$383,498
6	\$68,851	\$0	(\$2,437)	\$66,414	\$449,912
7	\$65,484	\$0	(\$2,350)	\$63,134	\$513,046
8	\$62,282	\$0	(\$2,265)	\$60,017	\$573,063
9	\$59,237	\$0	(\$2,183)	\$57,054	\$630,117
10	\$56,341	\$0	(\$2,104)	\$54,237	\$684,353
11	\$53,587	\$0	(\$2,028)	\$51,559	\$735,912
12	\$50,968	\$0	\$0	\$50,968	\$786,880
13	\$48,477	\$0	\$0	\$48,477	\$835,357
14	\$46,108	\$0	\$0	\$46,108	\$881,465
15	\$43,855	\$0	\$0	\$43,855	\$925,320
16	\$41,713	\$0	\$0	\$41,713	\$967,032
17	\$39,675	\$0	\$0	\$39,675	\$1,006,707
18	\$37,737	\$0	\$0	\$37,737	\$1,044,444
19	\$35,894	\$0	\$0	\$35,894	\$1,080,338
20	\$34,141	\$0	\$0	\$34,141	\$1,114,479

This analysis utilized the City of Lawrence's Cost-Benefit Model. The City's cost-benefit model provides a framework for estimating the fiscal impacts of a project, assuming it were in existence and in use today, through the examination of costs and benefits to various taxing jurisdictions (City, County, School District, State).

The Cost-Benefit model is one tool that government decision makers can incorporate in their decision-making process. However, as with most models, it does have limitations.

Limitations of model:

- **Does not consider intangible effects**

The model does not speak to the effects of intangible costs or benefits resulting from the project, since intangible effects are difficult, if not impossible to assign a dollar value.

- **Does not consider private effects**

The model only seeks to quantify the cumulative effect on public revenues and expenses and not the effect on private interests that may be affected by the project. Thus, the model only considers public, or governmental, costs and revenues.

Logic would dictate that any development will also have a fiscal impact on the private sector. For example, if one were analyzing a proposal to build a new baseball stadium, the new tax revenue from the building and property – as well as the costs for providing additional public security and emergency services (police, fire, ambulance, etc.) – would factor into the analysis. However, the effect of the stadium on neighboring property values or the impact on business at local restaurants would not be accounted for.

- **The model considers direct effect economic impacts**

Multipliers used within the model are applied to direct effects such as the number of jobs created by the project and associated wages. The model does not attempt to measure all indirect effects such as capturing visitor spending associated with the project, nor the economic effects of that spending as outside dollars circulate through the community over time.

- **Model assumes current effects**

The model is run on assumptions and estimations provided at the time of analysis. The current effects aspect of the model means that the analysis provides a means of estimating the financial impact of a development as if the project were in existence and in use today, given estimated costs and assumptions that are usually defined prior to the project being constructed or operational. Given that it may be difficult to predict future costs and benefits accurately, there is an implicit assumption that future changes affect both revenues and costs.

In addition, the model does not reflect any changes in economic adjustments over time due to macroeconomic conditions, regional industrial structure, public policies, and technological advances.

- **Does not consider fiscal impacts of temporary or part-time employment**

Employment analyzed is for full-time, permanent positions related to the project and does not consider temporary jobs created due to project construction or part-time positions created during project operation.

Other considerations for decision making:

It is important to remember that there could be several important considerations that fall outside of the realm of municipal budgets. For example, fiscal impacts of development on abutters, local businesses and natural resources are not accounted for in the cost-benefit model.

The model also does not consider issues of equity and social responsibility. For instance, while it may be easy to identify the fiscal downsides of low-income housing on municipal and school budgets, municipalities may also bear some level of responsibility for ensuring access to affordable housing, as is dictated by the Fair Housing Act. Finally, communities maintain certain values that cannot be assigned a price tag, such as the intrinsic value of nature, cultural heritage, and aesthetics.

Depending on the project, it may be prudent to employ other analytical models or studies (e.g. economic impact analysis; pro forma/but-for analysis; trade area analysis; tourism impact, market demand and other studies; etc.) in conjunction with the cost-benefit model, as well as non-quantifiable elements, to gain insight into the project's overall value to the community.

June 26, 2014

Mr. David L. Corliss
City Manager
City of Lawrence
6 East 6th Street
Lawrence, KS 66044

Re: **Request for Approval of Neighborhood Revitalization Area Property Tax Abatement and Industrial Revenue Bond Sales Tax Exemption for Redevelopment of 1101 & 1115 Indiana Street**

Dear Dave:

In reviewing our notes from the PIRC meeting that was held on 6-24-14 we made the following conclusions:

- 1) All eight (8) members of the PIRC committee were supportive of the HERE @ Kansas Project.
- 2) Based on the votes cast at the meeting six (6) out of the eight (8) members agreed with the City Staff's recommendation to use of IRBs for the sole purpose of a 100% sales tax abatement on initial construction materials and equipment used for the Project.
- 3) Based on their votes cast at the meeting six (6) out of the eight (8) members agreed with City Staff's recommendation to use the NRA property tax rebate economic tool. They differed on the duration ten (10) vs. twelve (12) years and the percentage of the rebate eighty-five (85%) vs. ninety-five (95%) partial property tax rebate.
- 4) Two (2) members agreed with City Staff's recommendation to use ten (10) years and eighty-five percent (85%) and four (4) members did not agree with City Staff's recommendation and recommended twelve (12) years and a ninety-five percent (95%) property tax rebate.
- 5) As a result, no PIRC majority consensus was produced by these votes.
- 6) The stated rationale of the two (2) members referenced in #4 above who did not recommend the twelve (12) year duration and ninety-five (95%) property tax rebate was that it did not yield a benefit-cost ratio of at least 1.25 as required in the written policy of the City stated in Resolution 6954 governing NRAs. A more rigorous review of the City's Economic Development Goals, Process, and Procedures and Resolution 6964 governing NRA Policy lead us to conclude that the analysis parameters placed upon the benefit-cost model utilized by City Staff for our Project were

inconsistent with the stated policies of the City governing the required Benefit-Cost Analysis for the NRA property tax rebate economic tool (as opposed to the tax abatement tool).

The City of Lawrence's Economic Development Goals Process and Procedures updated on May 18th, 2010 are referred to as the "*Overarching Economic Development Policy*" of the City on the City's website. We made some observations after reading them more closely:

1) The "Overarching" Policy predates the City's adaption of the NRA property tax rebate tool which was adopted on November 25, 2011 and as such did not directly contemplate the use of rebates when it was written but provides for their inclusion in section 1-2104 with the language "*but are not necessarily limited to.*"

2) In section 1-2106 concerning the benefit/cost model it specifically states that "*sales and income tax revenue which may result*" be included. It does not exclude in any way some aspects of the sales tax revenues generated by the subject project (i.e. sales tax dollars generated by commercial retail uses). It was pointed out at the PIRC meeting that the City Staff's benefit-cost analysis did not include this significant economic benefit for both the City and the County.

3) Section 1-2121 Requirements for Consideration of Tax Abatement #5 specifically states: "*the proposed project and tax abatement results in a combined positive cost: benefit ratio of 1:1.25 or greater over a 15 year period as determined by the City adopted benefit-cost model.*" The wording is very specific to tax abatements. NRAs do not utilize tax abatements. They utilize tax rebates as outlined in K.S.A. 12-17-117. The prescribed use of the City adopted benefit-cost model and the 15 year period is not required by the City's "*Overarching*" Policy". It appears more to be a historic custom and or a misread of the Policy.

In addition, we reviewed **Resolution 6954** the City's Policy Relating To Neighborhood Revitalization Areas. We also made some observations:

1) Section Two: Policy Statement states "*In determining the amount of the rebate, the Governing Body may balance the desirability of the project versus the amount and duration of the rebate and the requirements set forth in Section Four*". *It is the policy of the City to only consider the establishment of the Neighborhood Revitalization areas which yield a benefit/cost ratio of 1.25*". The subsequent analysis presented by City staff did indeed show a benefit-cost ratio well in excess of the prescribed 1:25 ratio for all taxing jurisdictions utilizing the duration of twenty (20) years (see attachment). Keep in mind, this result did not include all of the sales tax revenue generated from the Project. Remember "Overarching Economic Development Policy" of the City Section 1-2106 specifically states that a benefit-cost analysis "*will consider various factors including, but not limited to the following: the sales and income tax revenue which may result.*" This equates to **\$733,359** for the City and **\$473,800** for Douglas County in unaccounted for sales tax revenue resulting from the Project in the benefit-cost analysis. (13,137 sq. ft. x \$300 p.s.f. w/ 1% annual growth for the period of 2016 – 2036 discounted at 6.24%. 2016 is calculated as a partial year.)

2) There was some discussion during the PIRC meeting concerning the appropriateness of utilizing the NRA economic tool for this Project. **Section Three: Criteria 2A** was already affirmed by the City Staff recommendation. However, Section 2B which was not contained in the City Staff report seems to eliminate all doubt as to its appropriateness: **B. Other Criteria:**

a. *“the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized”*. The current condition of the subject property indicates that this gateway location into the KU campus as well as being a neighboring property to the Oread Hotel is significantly underutilized. In addition, our infill redevelopment will increase the property taxes generated by the existing two properties utilizing the City’s own property tax analysis by 800%. We believe this qualifies as extreme underutilization.

b. *“the opportunity to attract unique retail/or or mixed use development which will enhance the economic climate of the City and diversify the economic base”*. This provision removes all doubt that sales tax should be incorporated into any benefit-cost analysis involving NRAs. You could not adequately analyze a project’s benefit-cost without including the sales tax revenue derived from its *“unique retail.”* City staff’s benefit-cost analysis was incomplete do to the limitations of the model being utilized. We believe that creating the first MU district in the City would qualify for diversifying the economic base of the City. We also believe HERE @ Kansas to be a very unique mixed-use project.

c. *“the opportunity to enhance the vitality of a neighborhood within the City as supported by the City’s Comprehensive Plan and/or other sector planning documents”*. The Oread Neighborhood Plan specifically identifies this site for a Mixed Use District and an Overlay District 2 (High Density). From the Plan: *“District 2 is generally the area directly adjacent to KU on the west side of the planning area. A. Minimum Parking requirements for uses B. Massing, scale, bulk, and articulation for new development C. Maximum lot coverage D. Height and density maximum increase E. Larger structures located on corners of certain streets, F. Lot size (assembly) G. N/A H. Setbacks.”*

d. *“the opportunity to enhance the community’s sustainability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design”*. HERE Kansas has committed to being LEED Certifiable and Energy Star compliant. Our Project has nine (9) bus routes running directly by it. The Project at its own expense is rebuilding the bus stop on the corner of 11th & Indiana Street to a vastly improved standard supported by both City and KU Transit. Our Project’s residences will be able to walk to both the KU Main Campus and to downtown reducing both pollution and vehicular congestion. Our automated robotic parking solution will bring a new height of technological sustainability to both Lawrence and the state of Kansas.

A collective reading of all the stated NRA criteria makes HERE @ Kansas an exemplary project for NRA utilization.

3) **Section Four: Amount of Rebate** states: *“The City may consider a greater rebate and/or a longer duration if sufficiently justified in the “but for” analysis required by Section Five. The determination of the rebate amount and duration of the NRA is the sole discretion of the Governing Body”*. The City Staff Report’s but/for analysis of the Project has already justified the amount and rebate duration period of: 12 years 95% in conjunction with the use of IRB’s for the sole purpose of a sales tax exemption. The analysis period of the required cost/benefit analysis by inference would logically need to be compatible with the justifiable duration of the rebate. The NRA policy is silent to the benefit cost analysis duration period to allow for the necessitated flexibility required by the wording of the NRA policy itself. In other words, a strict blind adherence to a fifteen (15) year analysis period would be incompatible with the stated flexibility contained in the NRA Policy itself.

4) **Section Five: Process** states *“Staff will perform a benefit/cost analysis on the project”*. No where contained in the policy is what specific benefit-cost model should be used. One would assume that a model appropriate to the project in question should be used. The City adopted benefit-cost model is not specifically mentioned as is the case for the consideration of tax abatements. Its inability to capture retail sales tax benefits makes it ill-suited for NRA application.

It is our opinion that our Project complies with the spirit and intent of the NRA property tax rebate economic tool as outlined in the City’s Policies. We remain hopeful that the governing body will see fit to approve our rezoning, PDP, and requested economic incentive package on the scheduled July 8th City Commission Meeting.

Respectfully,

James W. Heffernan
Its: Manager

Cc: Diane Stoddard
Britt Crum-Cano

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
 CC: Diane Stoddard, Assistant City Manger
 Cynthia Wagner, Assistant City Manger
 FROM: Britt Crum-Cano, Economic Development Coordinator
 DATE: June 27, 2014
 RE: Supplemental material for HERE Kansas NRA request

The following is offered as additional information for the HERE request. Additional analytical results (supplemental to the technical report and which was provided at the PIRC meeting) are also reproduced at the end of this memo.

NRA Eligibility

The Criteria for NRA eligibility as specified in Res 6954, Section 3, paragraph 2A and Section 3, paragraph 2B was covered on pages 3-4 of the technical report.

City policy criteria is reproduced from the report below:

City Policy: NRA Eligibility			
City Policy Criteria	When considering the establishment of a NRA, the City shall consider not only the statutory criteria, but if the project meets a majority of the below criteria:		Eligible
	1	The opportunity to promote redevelopment activities which enhance downtown	N
	2	Provides the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized.	Y
	3	Provides the opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base.	Y
	4	Provides the opportunity to enhance neighborhood vitality as supported by the City's Comprehensive Plan or other sector planning document(s).	Y
	5	Provides the opportunity to enhance community stability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.	Y
	Project must meet or exceed a 1:1.25 cost-benefit ratio.		Y

As indicated above, the proposed redevelopment of 1101/1115 Indiana Street properties by HERE Kansas appears to meet both State and City criteria for NRA eligibility.

Model Evaluation Period

For projects contributing to traditional economic development goals (i.e. primary job creation, high wage jobs, capital investment infusion) the model evaluation period has been 15 years. Keeping the evaluation period consistent allows projects requesting financial assistance to be examined under the same benchmark.

As might be expected, taxing jurisdictions generally bear a larger cost component during incentive years and less after those incentives have expired. In general, with all other application inputs held constant, extending the evaluation period examined has the effect of raising the cost-benefit ratio.

In some projects that do not have traditional economic goals as their primary community contribution or projects that provide substantial intangible benefits (which would not be considered within the model, such as neighborhood revitalization, historic preservation, fulfilling infrastructure gaps, environmental goals, increased safety, etc.), the governing bodies may decide a longer evaluation period is appropriate.

To date, the 15 year evaluation period has been utilized for all projects that have been analyzed and approved under the City's cost-benefit model, including the four approved NRAs.

NRA Amount and Duration

The City's NRA policy (Res. 6954) speaks to the NRA duration and amount as follows:

Section Two: Policy Statement

"In determining the amount of a rebate, the Governing Body may balance the desirability of the project verses the amount and duration of the rebate and the requirements set forth in Section Four. It is the policy of the City to only consider the establishment of Neighborhood Revitalization Areas which yield a benefit/cost ration of at least 1.25."

Section Four: Amount of Rebate

"As a standard practice, the City will not provide a rebate amount in excess of 50% of the incremental property taxes and will not establish an NRA for a period of time longer than 10 years. The City may consider a greater rebate and/or a longer duration if sufficiently justified in the 'but for' analysis required by Section Five. The determination of the rebate amount and duration of the NRA is the sole discretion of the governing body."

For reference, below are previously approved NRAs:

Approved Neighborhood Revitalization Areas (NRA)			
NRA	% Rebate	First NRA Tax Year	Last NRA Tax Year
8th and Pennsylvania District: 720 E 9th Street	95% Annually	2011	Once maximum amount due (\$324,673.18) has been rebated or 12-31-2032, whichever comes first.
1040 Vermont (Treanor Headquarters)	Years 1-4: 95% Annually	2013	2022
	Years 5-6: 85%		
	Year 7: 70%		
	Year 8: 50%		
	Year 9: 30%		
810/812 Pennsylvania (Cider Building)	Years 1-10: 95% Annually	2014	2023

Note: 1001 Massachusetts Street NRA (Masonic Temple) was approved, but has not proceeded due to change in use.

Model Consideration of Sales Tax Revenues:

The model examines sales tax revenues based on the following:

1. *Sales taxes generated from construction materials*
Unless an IRB is requested, the model calculates estimated sales tax revenues generated to each taxing jurisdiction on project construction materials. If an IRB is requested, the model does not include sales tax on construction materials as a benefit to taxing jurisdictions. Sales tax revenues for construction materials are based on project costs, as indicated by the applicant on their application.
2. *Sales taxes generated from company spending.*
The model estimates approximate sales tax revenues generated to each taxing jurisdiction based on project operating expenses, as indicated by the applicant on their application. These expenses are adjusted to account for those subject to sales tax and the percent spent locally (as indicated on application) to determine sales tax revenues generated locally from company spending.
3. *Sales taxes generated from new resident (based on direct and indirect job creation) spending.*
Sales tax revenues generated from residents is based upon both direct and indirect jobs and the household assumptions around those residents fulfilling those jobs. Using the amount of direct jobs estimated to be created from the applicant's application, the model calculates the approximate number of indirect jobs that will also be generated and further calculates new household formation, spending, and resulting sales tax revenues.

Retail sales tax generation is not considered within the model outside of new resident spending based on job creation (direct and indirect jobs). Sales taxes generated from spending by existing residents is assumed to be previously captured (not net new spending) and not examined within the model.

As such the model neither examines the level of sales tax revenues generated by current property residents (residents of the current apartment complex), nor the projected level of sales tax revenues to be generated by the new project. A market study could examine the net sales tax revenues generated by the project and account for any redistribution of retail sales from existing retail businesses. Once net new retail sales are estimated, the cost-benefit model could be manually adjusted to account for additional retail sales tax revenues.

The model does not consider sales taxes generated from visitor spending.

Additional Analysis

The following are results based on supplemental analysis from the cost-benefit model, including the use of HERE Kansas' estimated property tax values and extending the evaluation period from 15 to 20 years.

Cost-Benefit Results: 1101 & 1115 Indiana Street (15Y Evaluation Period)					
Incentive Package	City	County	USD 497	State	10-Years--Total Package Value
10Y-85% NRA, IRB for Sales Tax X (2017-2026)	1.26	1.38	14.67	n/a	\$5,669,571
12Y-85% NRA, IRB for Sales Tax X (2016-2027)	1.19	1.23	12.91	n/a	\$6,064,273
10Y-95% NRA, IRB for Sales Tax X (2017-2026)	1.18	1.20	12.59	n/a	\$6,034,925
12Y-95% NRA, IRB for Sales Tax X (2016-2027)	1.09	1.02	10.62	n/a	\$6,476,062
12Y-95% NRA, IRB for Sales Tax X (2016-2027)	1.15	1.14	11.91	n/a	\$6,265,676

Cost/Benefit Threshold Met

CBA Results using HERE Tax estimates

Cost-Benefit Results: 1101 & 1115 Indiana Street (20 Year Evaluation Period)					
Incentive Package	City	County	USD 497	State	10-Years--Total Package Value
12Y-95% NRA, IRB for Sales Tax X (2016-2027)	1.43	1.60	15.38	n/a	\$6,476,062

CBA Results using a 20 Year Evaluation Period

The below table compares the estimated amount of foregone revenues to taxing jurisdictions given a 12Y-95% NRA as compared to a 10Y-85% NRA. Annually, the total difference represents \$80,649 over a 10 year period or \$67,208 over a 12 year period.

Comparison of Incentive Packages	
12Y-95%	\$6,476,062
10Y-85%	\$5,669,571
Difference (total)	\$806,491

Britt Crum-Cano

From: James Heffernan <jwh@here-llc.com>
Sent: Tuesday, July 01, 2014 1:16 PM
To: Diane Stoddard; Britt Crum-Cano
Cc: David L. Corliss
Subject: HERE Kansas NRA Analysis By Taxing Jurisdiction 2016 (partial) - 2026 (draft)
Attachments: HERE Kansas NRA 20 Year Analysis by Taxing Jurisdiction 7-1-14.pdf

Diane and Britt

Thank you for speaking with me this morning. Attached please find the analysis by taxing jurisdiction over the period of 2016 (partial) – 2036. We have included as an assumption 50% of the retail sales generated by the project to be incremental. The analysis reveals the following:

The City will invest \$796,687 in calculated costs expressed in today's dollars to reap \$1,427,306 in incremental revenue expressed in today's dollars for a benefit/cost ratio of 1.954. \$1,427,306 represents a 1105.8% increase in revenue over the status quo for the City.

The County will invest \$446,397 in calculated costs expressed in today's dollars to reap \$720,935 in incremental revenue expressed in today's dollars for a benefit/cost ratio of 1.972. \$720,935 represents a 452.2% increase in revenue over the status quo for the County.

The School District will invest \$70,799 in calculated costs expressed in today's dollars to reap \$752,395 in incremental revenue expressed in today's dollars for a benefit/cost ratio of 14.128. \$752,395 represents a 303.6% increase in revenue over the status quo for the school district.

In addition, the analysis reveals immediate and significant revenue increases during the rebate period.

Year 2 – 808% increase in revenue for City

Year 2 – 180% increase in revenue for County

Year 2 – 35% increase in revenue for School District

These return levels are commensurate with their respective expense levels. These revenue percentage increases continue to grow for each of the respective taxing jurisdictions throughout the remainder of the rebate period.

Diane and Britt, under separate cover I will send you the backup spreadsheet that produces these numbers with an explanation of the methodology for your ease of review. If the City could opine to soundness of the analysis methodology, we believe it would be an informative tool for all involved. Thank you for your ongoing efforts. They are very much appreciated. We look forward to your feedback following your review.

Jim

James W. Heffernan
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HERE Kansas 12 year 95% NRA Analysis

Status Quo + NRA 95% Rebate + Ancillary Revenue + Sales Tax Revenue	Total	NPV
City of Lawrence	\$3,233,349	\$1,556,377
Status Quo	\$235,902	\$129,070
Increase over Status Quo	\$2,997,448	\$1,427,306
% Increase over Status Quo	1270.6%	1105.8%
Douglas County	\$2,039,441	\$880,375
Status Quo	\$291,408	\$159,440
Increase over Status Quo	\$1,748,033	\$720,935
% Increase over Status Quo	599.9%	452.2%
State of Kansas	\$2,821,084	\$1,482,683
Status Quo	\$11,894	\$6,508
Increase over Status Quo	\$2,809,189	\$1,476,175
% Increase over Status Quo	23618.1%	22683.3%
USD 497	\$2,473,287	\$1,000,232
Status Quo	\$452,971	\$247,837
Increase over Status Quo	\$2,020,316	\$752,395
% Increase over Status Quo	446.0%	303.6%

Costs	Total	NPV
Total City Costs (capital operating & debt)	(\$1,125,039)	(\$796,687)
Total County Costs (capital, operating, & debt)	(\$617,574)	(\$446,397)
Total School District Costs (capital, operating, & debt)	(\$128,997)	(\$70,799)
Total State Costs (capital, operating, & debt)	\$0	\$0

Profit (Loss)	Cost/Benefit
City of Lawrence	1.954
Douglas County	1.972
State of Kansas	N/A
USD 497	14.128

(discounted)

Growth Rate 1.0%

Discount Rate 6.24%

HERE Kansas 12 year 95% NRA Analysis

Status Quo + NRA 95% Rebate + Ancillary Revenue + Sales Tax Revenue	Total	NPV
City of Lawrence	\$3,233,349	\$1,556,377
Status Quo	\$235,902	\$129,070
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Total School District Costs (capital, operating, & debt)	(\$128,997)	(\$70,799)
Total State Costs (capital, operating, & debt)	\$0	\$0

Profit (Loss)	Cost/Benefit
City of Lawrence	1.954
Douglas County	1.972
State of Kansas	N/A
USD 497	14.128

(discounted)

Growth Rate 1.0%

Discount Rate 6.24%

Britt Crum-Cano

From: James Heffernan <jwh@here-llc.com>
Sent: Tuesday, July 01, 2014 1:56 PM
To: Diane Stoddard; Britt Crum-Cano
Cc: David L. Corliss
Subject: HERE Kansas 12 year 95% NRA Analysis (backup)
Attachments: HERE Kansas Tax Calculations 12Y-95% NRA) A.xls

Diane and Britt

Attached please find some inserts into the spreadsheet that Britt had sent me. We broke down the existing taxes by jurisdiction using your numbers for the period 2016 -2036 and called this status quo. We broke down the revenue into component parts: status quo, 5% of the property tax increment, ancillary income, and sales tax generated by or retail.

To calculate ancillary income by year we used the discounted CF tab found in the CBA 12Y 95% NRA.xls spreadsheet sent to me by Britt. In order to not duplicate the property tax or initial sales tax revenue we utilized the following rows to find a total ancillary revenue total:

City- rows 27, 50, 51, 55, 56, 62
County- rows 40, 52, 57, 63
School District – row 64
State – row 53, 58, and 60

For the sales tax generated we used the following assumptions before distributing the sales tax among the City, County, and State taxing jurisdictions:

13,137 sq. ft. x \$300 = \$3,941,100
1% annual growth rate
50% of sales are incremental
2016 represents a partial year (50%)

The Costs by year for the various taxing jurisdictions are taken directly from the discounted CF tab for the period of 2016-2035. We added year 2036 utilizing the 1% increase.

The discount rate utilized is 6.24% to match the City analysis.

As you can see the undiscounted benefit/cost ratio exceeds 2.2 for all taxing jurisdictions from year two and beyond. It grows significantly each year for all taxing jurisdictions for the remainder of the rebate period and takes off like a rocket ship in year 13. The City's model puts an incredible cost burden on the analysis in year 1. We believe it needs to be made more clear that this "cost" is not an out-of-pocket expense for any of the taxing jurisdictions in the City Staff analysis comments.

We are hopeful this spreadsheet will be viewed as an informative tool. Please let me know of any questions. Please review it carefully for any unintentional computational errors. We would like to share the summary with the various commissioners for the respective taxing jurisdictions if you find it to be accurate. Again, we sincerely appreciate your extra effort. Thank you for your assistance.

Jim

Future Tax Projections: Tax Calculations on 1101 & 1115 Indiana

2013 Mill Levy 0.126482
 Mill Levy Escalation (annual) 0.001623
 Inflation Rate 0.02

Base Tax Valuation																							
Year	BASE Year	Construction 2015	Construction 2016 (partial year)	NRA Full Tax Year											Expired NRA								
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Est. Mill Levy	0.126687	0.126893	0.127099	0.127305	0.127512	0.127719	0.127926	0.128134	0.128342	0.128550	0.128759	0.128968	0.129177	0.129387	0.129597	0.129807	0.130018	0.130229	0.130440	0.130652	0.130864	0.131077	0.131289
Appraised	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100	\$3,177,100
Base Assessed (11.5%)	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366
Est Base Tax Due	\$46,287	\$46,362	\$46,438	\$46,513	\$46,589	\$46,664	\$46,740	\$46,816	\$46,892	\$46,968	\$47,044	\$47,120	\$47,197	\$47,274	\$47,350	\$47,427	\$47,504	\$47,581	\$47,658	\$47,736	\$47,813	\$47,891	\$47,969

Incremental Tax Valuation																							
Year	BASE Year	Construction 2015	Construction 2016 (Partial Year Increment)	NRA Full Tax Year											Expired NRA								
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Est. Mill Levy	0.126687	0.126893	0.127099	0.127305	0.127512	0.127719	0.127926	0.128134	0.128342	0.128550	0.128759	0.128968	0.129177	0.129387	0.129596	0.129806	0.130016	0.130226	0.130435	0.130645	0.130855	0.131064	0.131274
Commercial Appraised	--	--	\$1,286,080	\$2,572,160	\$2,623,603	\$2,676,075	\$2,729,596	\$2,784,188	\$2,839,872	\$2,896,669	\$2,954,603	\$3,013,695	\$3,073,969	\$3,135,448	\$3,198,157	\$3,262,120	\$3,327,363	\$3,393,910	\$3,461,788	\$3,531,024	\$3,601,644	\$3,673,677	\$3,747,151
Commercial Assessed (25%)	--	--	\$321,520	\$643,040	\$655,901	\$669,019	\$682,399	\$696,047	\$709,968	\$724,167	\$738,651	\$753,424	\$768,492	\$783,862	\$799,539	\$815,530	\$831,841	\$848,477	\$865,447	\$882,756	\$900,411	\$918,419	\$936,788
Residential Appraised	--	--	\$9,964,146	\$19,928,293	\$20,326,858	\$20,733,396	\$21,148,063	\$21,571,025	\$22,002,445	\$22,442,494	\$22,891,344	\$23,349,171	\$23,816,154	\$24,292,477	\$24,778,327	\$25,273,894	\$25,779,371	\$26,294,959	\$26,820,858	\$27,357,275	\$27,904,421	\$28,462,509	\$29,031,759
Residential Assessed (11.5%)	--	--	\$1,145,877	\$2,291,754	\$2,337,589	\$2,384,340	\$2,432,027	\$2,480,668	\$2,530,281	\$2,580,887	\$2,632,505	\$2,685,155	\$2,738,858	\$2,793,635	\$2,849,508	\$2,906,498	\$2,964,628	\$3,023,920	\$3,084,399	\$3,146,087	\$3,209,008	\$3,273,189	\$3,338,652
Total Incremental Assessed	--	--	\$1,467,397	\$2,934,794	\$2,993,489	\$3,053,359	\$3,114,426	\$3,176,715	\$3,240,249	\$3,305,054	\$3,371,155	\$3,438,578	\$3,507,350	\$3,577,497	\$3,649,047	\$3,722,028	\$3,796,468	\$3,872,398	\$3,949,846	\$4,028,843	\$4,109,419	\$4,191,608	\$4,275,440

Tax Estimations																							
Year	BASE Year	Construction 2015	Construction 2016 (partial year)	NRA Full Tax Year											Expired NRA								
				1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Base Assessed	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	\$365,366	
Net Incremental Assessed	--	--	\$383,544	\$2,569,428	\$2,628,123	\$2,687,993	\$2,749,060	\$2,811,349	\$2,874,883	\$2,939,688	\$3,005,789	\$3,073,212	\$3,141,984	\$3,212,131	\$3,283,681	\$3,356,662	\$3,431,102	\$3,507,032	\$3,584,480	\$3,663,477	\$3,744,053	\$3,826,242	\$3,910,074
Total Assessed	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	\$748,910	
Est. Mill Levy	0.126687	0.126893	0.127099	0.127305	0.127512	0.127719	0.127926	0.128134	0.128342	0.128550	0.128759	0.128968	0.129177	0.129387	0.129596	0.129806	0.130016	0.130226	0.130435	0.130645	0.130855	0.131064	0.131274
Total Tax Due	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	\$95,186	
Increment Tax Amount	--	--	\$48,748	\$327,102	\$335,117	\$343,307	\$351,677	\$360,229	\$368,968	\$377,897	\$387,022	\$396,345	\$405,872	\$415,607	\$425,553	\$435,715	\$446,098	\$456,705	\$467,542	\$478,614	\$489,926	\$501,483	\$513,291
NRA Rebate at 95%	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311	\$46,311
NRA Rebate at 85%	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436	\$41,436

Total over 12 year NRA period

\$4,117,891 Total Tax on Increment
 \$3,911,997 Tax Rebate (95%)

HERE Kansas 12 year 95% NRA Analysis

Status Quo + NRA 95% Rebate + Ancillary Revenue + Sales Tax Revenue	Total	NPV																					
City of Lawrence	\$3,233,349	\$1,556,377	\$72,228	\$100,557	\$101,526	\$102,506	\$103,497	\$104,498	\$105,511	\$106,535	\$107,570	\$108,617	\$109,676	\$110,746	\$208,046	\$211,437	\$214,891	\$218,408	\$221,990	\$225,637	\$229,351	\$233,134	\$236,987
Status Quo	\$235,902	\$129,070	\$11,052	\$11,070	\$11,088	\$11,106	\$11,124	\$11,142	\$11,160	\$11,178	\$11,196	\$11,215	\$11,233	\$11,251	\$11,269	\$11,288	\$11,306	\$11,324	\$11,343	\$11,361	\$11,380	\$11,398	\$11,417
Increase over Status Quo	\$2,997,448	\$1,427,306	\$61,176	\$89,487	\$90,438	\$91,400	\$92,373	\$93,356	\$94,351	\$95,357	\$96,374	\$97,403	\$98,443	\$99,495	\$196,776	\$200,150	\$203,585	\$207,084	\$210,647	\$214,276	\$217,972	\$221,736	\$225,570
% Increase over Status Quo	1270.6%	1105.8%	553.5%	808.4%	815.6%	823.0%	830.4%	837.9%	845.4%	853.0%	860.8%	868.5%	876.4%	884.3%	1746.1%	1773.2%	1800.7%	1828.7%	1857.1%	1886.0%	1915.5%	1945.4%	1975.8%
Douglas County	\$2,039,441	\$880,375	\$24,227	\$38,396	\$38,735	\$39,079	\$39,427	\$39,780	\$40,138	\$40,501	\$40,869	\$41,242	\$41,620	\$42,004	\$161,249	\$164,482	\$167,781	\$171,149	\$174,587	\$178,096	\$181,678	\$185,334	\$189,067
Status Quo	\$291,408	\$159,440	\$13,653	\$13,675	\$13,697	\$13,719	\$13,742	\$13,764	\$13,786	\$13,809	\$13,831	\$13,853	\$13,876	\$13,898	\$13,921	\$13,944	\$13,966	\$13,989	\$14,012	\$14,034	\$14,057	\$14,080	\$14,103
Increase over Status Quo	\$1,748,033	\$720,935	\$10,574	\$24,721	\$25,038	\$25,359	\$25,686	\$26,016	\$26,352	\$26,693	\$27,038	\$27,389	\$27,744	\$28,105	\$147,328	\$150,538	\$153,815	\$157,160	\$160,575	\$164,062	\$167,621	\$171,254	\$174,964
% Increase over Status Quo	599.9%	452.2%	77.5%	180.8%	182.8%	184.8%	186.9%	189.0%	191.1%	193.3%	195.5%	197.7%	199.9%	202.2%	1058.3%	1079.6%	1101.3%	1123.5%	1146.0%	1169.0%	1192.4%	1216.3%	1240.6%
State of Kansas	\$2,821,084	\$1,482,683	\$61,190	\$123,173	\$124,403	\$125,645	\$126,900	\$128,167	\$129,447	\$130,740	\$132,046	\$133,365	\$134,697	\$136,043	\$142,253	\$143,742	\$145,247	\$146,768	\$148,307	\$149,862	\$151,434	\$153,023	\$154,630
Status Quo	\$11,894	\$6,508	\$557	\$558	\$559	\$560	\$561	\$562	\$563	\$564	\$565	\$566	\$567	\$568	\$569	\$570	\$571	\$572	\$573	\$574	\$575	\$576	
Increase over Status Quo	\$2,809,189	\$1,476,175	\$60,633	\$122,615	\$123,844	\$125,085	\$126,339	\$127,605	\$128,885	\$130,177	\$131,482	\$132,800	\$134,131	\$135,476	\$141,685	\$143,173	\$144,677	\$146,198	\$147,735	\$149,289	\$150,860	\$152,449	\$154,055
% Increase over Status Quo	23618.1%	22683.3%	10880.6%	21967.9%	22152.1%	22337.9%	22525.2%	22714.1%	22904.6%	23096.8%	23290.5%	23485.9%	23682.9%	23881.5%	24935.7%	25156.7%	25379.7%	25604.9%	25832.2%	26061.6%	26293.2%	26527.0%	26763.1%
USD 497	\$2,473,287	\$1,000,232	\$22,336	\$28,731	\$28,948	\$29,170	\$29,396	\$29,626	\$29,860	\$30,099	\$30,343	\$30,591	\$30,843	\$31,101	\$216,117	\$220,796	\$225,576	\$230,459	\$235,447	\$240,542	\$245,747	\$251,064	\$256,496
Status Quo	\$452,971	\$247,837	\$21,222	\$21,256	\$21,291	\$21,326	\$21,360	\$21,395	\$21,430	\$21,464	\$21,499	\$21,534	\$21,569	\$21,604	\$21,639	\$21,674	\$21,709	\$21,745	\$21,780	\$21,815	\$21,851	\$21,886	\$21,922
Increase over Status Quo	\$2,020,316	\$752,395	\$1,114	\$7,474	\$7,657	\$7,845	\$8,036	\$8,231	\$8,431	\$8,635	\$8,843	\$9,056	\$9,274	\$9,497	\$194,478	\$199,122	\$203,867	\$208,714	\$213,667	\$218,727	\$223,896	\$229,178	\$234,574
% Increase over Status Quo	446.0%	303.6%	5.2%	35.2%	36.0%	36.8%	37.6%	38.5%	39.3%	40.2%	41.1%	42.1%	43.0%	44.0%	898.7%	918.7%	939.1%	959.8%	981.0%	1002.6%	1024.7%	1047.1%	1070.1%

Costs	Total	NPV																					
Total City Costs (capital operating & debt)	(\$1,125,039)	(\$796,687)	(\$490,674)	(\$43,136)	(\$28,410)	(\$28,694)	(\$28,981)	(\$29,270)	(\$29,563)	(\$29,859)	(\$30,157)	(\$30,459)	(\$30,764)	(\$31,071)	(\$31,382)	(\$31,696)	(\$32,013)	(\$32,333)	(\$32,656)	(\$32,983)	(\$33,312)	(\$33,646)	(\$33,982)
Total County Costs (capital, operating, & debt)	(\$617,574)	(\$446,397)	(\$295,523)	(\$17,335)	(\$14,642)	(\$14,789)	(\$14,936)	(\$15,086)	(\$15,237)	(\$15,389)	(\$15,543)	(\$15,698)	(\$15,855)	(\$16,014)	(\$16,174)	(\$16,336)	(\$16,499)	(\$16,664)	(\$16,831)	(\$16,999)	(\$17,169)	(\$17,341)	(\$17,514)
Total School District Costs (capital, operating, & debt)	(\$128,997)	(\$70,799)	(\$6,727)	(\$8,133)	(\$5,485)	(\$5,539)	(\$5,595)	(\$5,651)	(\$5,707)	(\$5,764)	(\$5,822)	(\$5,880)	(\$5,939)	(\$5,998)	(\$6,058)	(\$6,119)	(\$6,180)	(\$6,242)	(\$6,304)	(\$6,367)	(\$6,431)	(\$6,495)	(\$6,560)
Total State Costs (capital, operating, & debt)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Profit (Loss)																							
	(discounted)	(undiscounted)	Cost/Benefit	Cost/Benefit																			
City of Lawrence	1.954	2.331	0.147	2.331	3.574	3.572	3.571	3.570	3.569	3.568	3.567	3.566	3.565	3.564	6.629	6.671	6.713	6.755	6.798	6.841	6.885	6.929	6.974
Douglas County	1.972	0.082	0.082	2.215	2.645	2.642	2.640	2.637	2.634	2.632	2.629	2.627	2.625	2.623	9.970	10.069	10.169	10.271	10.373	10.477	10.582	10.688	10.795
State of Kansas	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
USD 497	14.128	3.321	3.321	3.533	5.278	5.266	5.254	5.243	5.232	5.222	5.212	5.202	5.193	5.185	35.673	36.084	36.500	36.921	37.347	37.777	38.212	38.653	39.098

Growth Rate 1.0%
Discount Rate 6.24%

Estimated Tax Paid from Developer over NRA period (95% Rebate)														
Year	BASE Year	Under Const.	Const. End July 2016	NRA Full Tax Year										
				1	2	3	4	5	6	7	8	9	10	11
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Base Taxes Due	\$46,287	\$46,362	\$46,438	\$46,513	\$46,589	\$46,664	\$46,740	\$46,816	\$46,892	\$46,968	\$47,044	\$47,120	\$47,197	\$47,274
Increment Taxes Due (95% Rebate)	--	--	\$2,437	\$16,355	\$16,756	\$17,165	\$17,584	\$18,011	\$18,448	\$18,895	\$19,351	\$19,817	\$20,294	\$20,780
Total Taxes Due	\$46,287	\$46,362	\$48,875	\$62,868	\$63,344	\$63,829	\$64,324	\$64,827	\$65,340	\$65,863	\$66,395	\$66,938	\$67,491	\$68,054

Sales Taxes

totals		
10 year NRA period	11 year NRA period	12 year NRA period
\$468,542	\$514,980	\$562,253
\$182,677	\$185,114	\$205,895
\$651,219	\$700,094	\$768,148

Amount due on Base Value
Amount due on Incremental Value
Total taxes paid by developer over NRA period.

Estimated Tax Paid from Developer over NRA period (85% Rebate)														
Year	BASE Year	Under Const.	Const. End July 2016	NRA Full Tax Year										
				1	2	3	4	5	6	7	8	9	10	11
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Base Taxes Due	\$46,287	\$46,362	\$46,438	\$46,513	\$46,589	\$46,664	\$46,740	\$46,816	\$46,892	\$46,968	\$47,044	\$47,120	\$47,197	\$47,274
Increment Taxes Due (95% Rebate)	--	--	\$7,312	\$49,065	\$50,268	\$51,496	\$52,752	\$54,034	\$55,345	\$56,685	\$58,053	\$59,452	\$60,881	\$62,341
Total Taxes Due	\$46,287	\$46,362	\$48,875	\$95,578	\$96,856	\$98,160	\$99,491	\$100,850	\$102,237	\$103,652	\$105,097	\$106,572	\$108,078	\$109,539

totals		
10 year NRA period	11 year NRA period	12 year NRA period
\$468,542	\$514,980	\$562,178
\$548,030	\$555,343	\$617,684
\$1,016,573	\$1,065,448	\$1,126,112

Amount due on Base Value
Amount due on Incremental Value
Total taxes paid by developer over NRA period.

City of Lawrence Neighborhood Revitalization
Plan and Program:
1101/1115 Indiana Street Lawrence, KS

Definition:

Area - used interchangeably with "Property", referring to the property located at 1101/1115 Indiana Street Lawrence, Douglas County, Kansas

Plan:

The site at 1101/1115 N. Indiana Street is located east of the University of Kansas Memorial Stadium. HERE Kansas, LLC has proposed a redevelopment project for a seven story mixed-use student housing project. The project would require demolition of the existing structures on the site and the construction of approximately 237 high-end apartment units, along with a first floor retail component consisting of approximately 13,137 square feet to accommodate multiple retail users. The proposed project will be LEED and Energy Star certifiable. It will also feature an automated robotic parking garage with 577 spaces. This project is consistent with the Oread Neighborhood Plan for high density mixed-use building on this site. HERE Kansas, LLC estimates the costs of redevelopment for 1101/1115 Indiana Street to be \$75.4 million. HERE Kansas, LLC has requested a Neighborhood Revitalization Act (NRA) be placed on the property. The following is the Neighborhood Revitalization Plan ("Plan") for this area.

This Plan is required by the Kansas Neighborhood Revitalization Act (the "Act") (see Appendix 1) in order to create a neighborhood revitalization area intended to encourage both reinvestment and improvements to a specific area or Property of the community. The governing body of the City of Lawrence (the "Governing Body") has determined that a "neighborhood revitalization area" as described in K.S.A. 12-17,115(c) (2) is :

An area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use.

The Governing Body has also determined that the rehabilitation, conservation, and redevelopment of the Property is necessary to protect the public health, safety and welfare of the residents of the City of Lawrence, as required by K.S.A. 12-17,116.

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In accordance with K.S.A. 12-17,117, the components of this Plan include:

1. A general description of the Plan's purpose;
2. A legal description and map of the Property (Area);
3. The existing assessed valuation of the real estate comprising the Property;
4. A list of the name and address of the owner of record within the Property;
5. The existing zoning classifications and Property boundaries and the existing and proposed land uses of the Property;
6. The proposals for improving or expanding municipal services within the Property;
7. The term of the Plan;
8. The criteria used to determine what property is eligible for revitalization, including a statement specifying that property, existing buildings, and new construction is eligible for revitalization;
9. The contents, procedure and standard of review for an application for a rebate of property tax increments;
10. A statement specifying the maximum amount and years of eligibility for a rebate of property tax increments; and
11. A section regarding the establishment of a Neighborhood Revitalization Fund.

Section 1: Purpose

Establish a property revitalization tax rebate program (the "Program" or "Revitalization") to provide incentives for property owners to build public and private infrastructure. The Program is intended to revitalize the property at 1101/1115 Indiana Street.

The Program will provide a valuable incentive to private developers/property owners to redevelop the Area and will accomplish the following city goals including, but not limited to, the following:

- The opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized on site around Lawrence
- The opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base
- The opportunity to enhance the vitality of a neighborhood within the City as supported by the City's Comprehensive Plan and/or other sector planning documents
- The opportunity to enhance the community's sustainability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design

For Purposes of this Plan, the term "improvements" shall include the private and public infrastructure for remodeling and redeveloping the Property to achieve the foregoing goals.

Section 2: Legal Description & Map of Neighborhood Revitalization Property

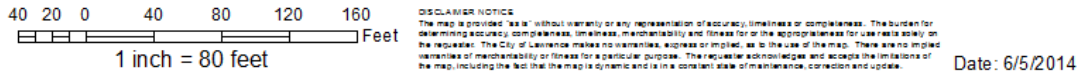
The Property shall include the Area described herein:

Oread Addition, Block 9, South One Half of Lot 2(50' by 150').

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Oread Addition, Block 9 Lot 1 and North One Half Lot 2 and Lot 3,4,9,10,11 and 12. Also Lane's Second Addition, Block 14 Lots 1, 2,3,4,5 and 6(U04602A, 4605A, 4619A, 4880A & 4883A combined 1990).

As depicted below:



Section 3: Value of Real Properties

The appraised value of the real estate in the Area is:

Year	Appraised		
	Land	Improvements	Total
1101 Indiana (2014)	\$737,000	\$2,347,800	\$3,084,800
1115 Indiana (2014)	\$50,070	\$42,230	\$92,300
Total Base Value	\$787,070	\$2,390,030	\$3,177,100

The assessed value of the real estate in the Area is:

Year	Assessed		
	Land	Improvements	Total
1101 Indiana (2014)	\$84,755	\$269,997	\$354,752
1115 Indiana (2014)	\$5,758	\$4,856	\$10,614
Total Base Value	\$90,513	\$274,853	\$365,366

Section 4: Owner of Record of the Lots

Current:
Bell Georgia R
1115 Indiana Street
Lawrence, Kansas 66044

and

Berkeley Flats Apartments LLC
2020 W 89th Street Suite 320
Leawood, Kansas 66206

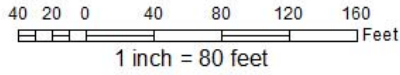
Future owner anticipated to be HERE Kansas, LLC to complete project.

Section 5: Existing Zoning Classifications and Property Boundaries; Existing and Proposed Land Uses

The land use is designated as Multi-Dwelling Residential Unit (RM 32) with 32 dwelling units per acre and Mixed Use District. Changes are being proposed to the existing zoning to a Mixed Use District. Please see the Existing Zoning Map and Existing Land Use Map below.

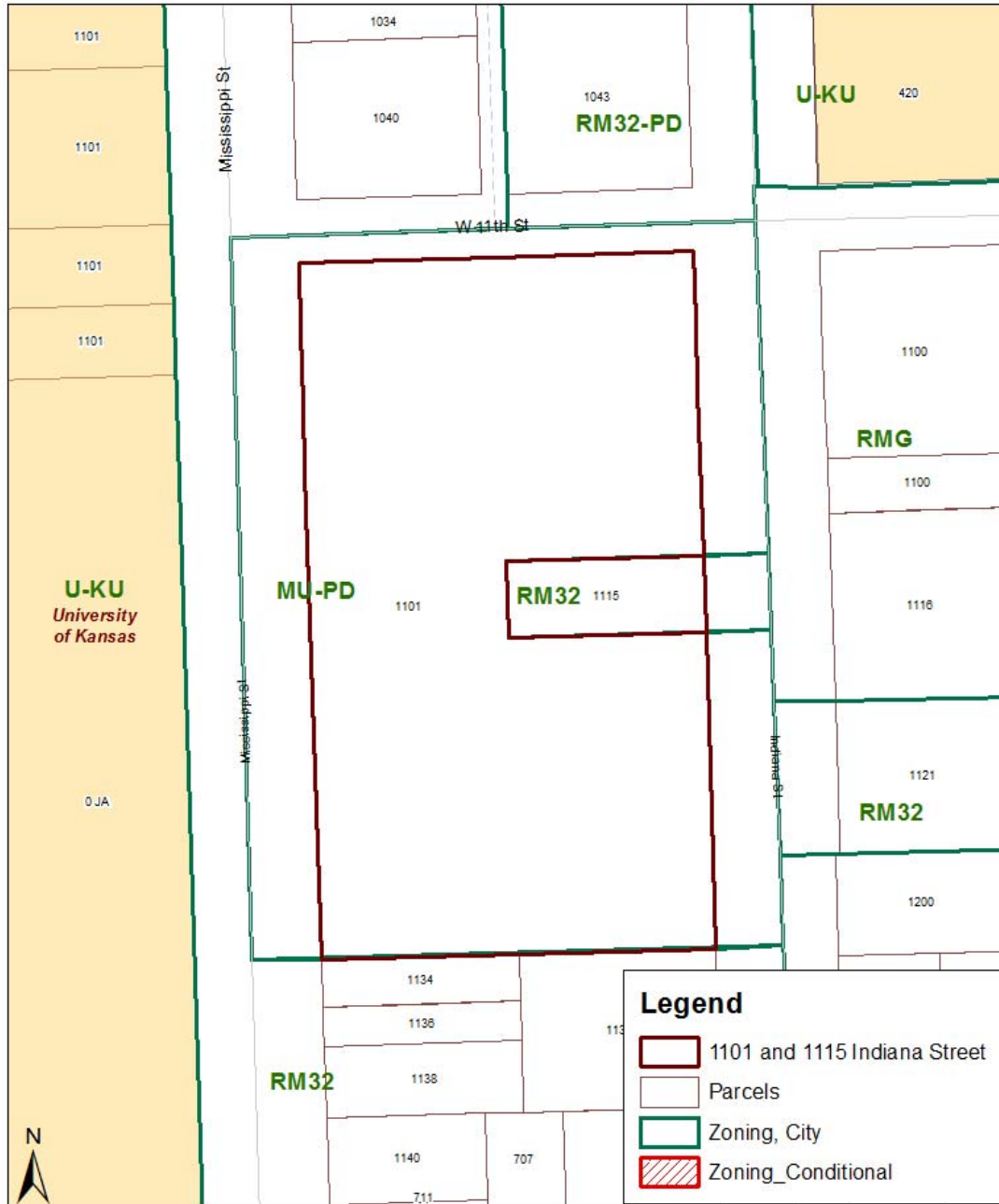
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Existing Zoning Map.



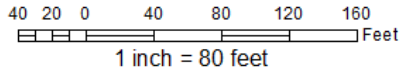
DISCLAIMER NOTICE
The map is provided "as is" without warranty or any representation of accuracy, timeliness or completeness. The burden for determining accuracy, completeness, timeliness, merchantability and fitness for or the appropriateness for use rests solely on the requester. The City of Lawrence makes no warranties, express or implied, as to the use of the map. There are no implied warranties of merchantability or fitness for a particular purpose. The requester acknowledges and accepts the limitations of the map, including the fact that the map is dynamic and is in a constant state of maintenance, correction and update.

Date: 6/5/2014



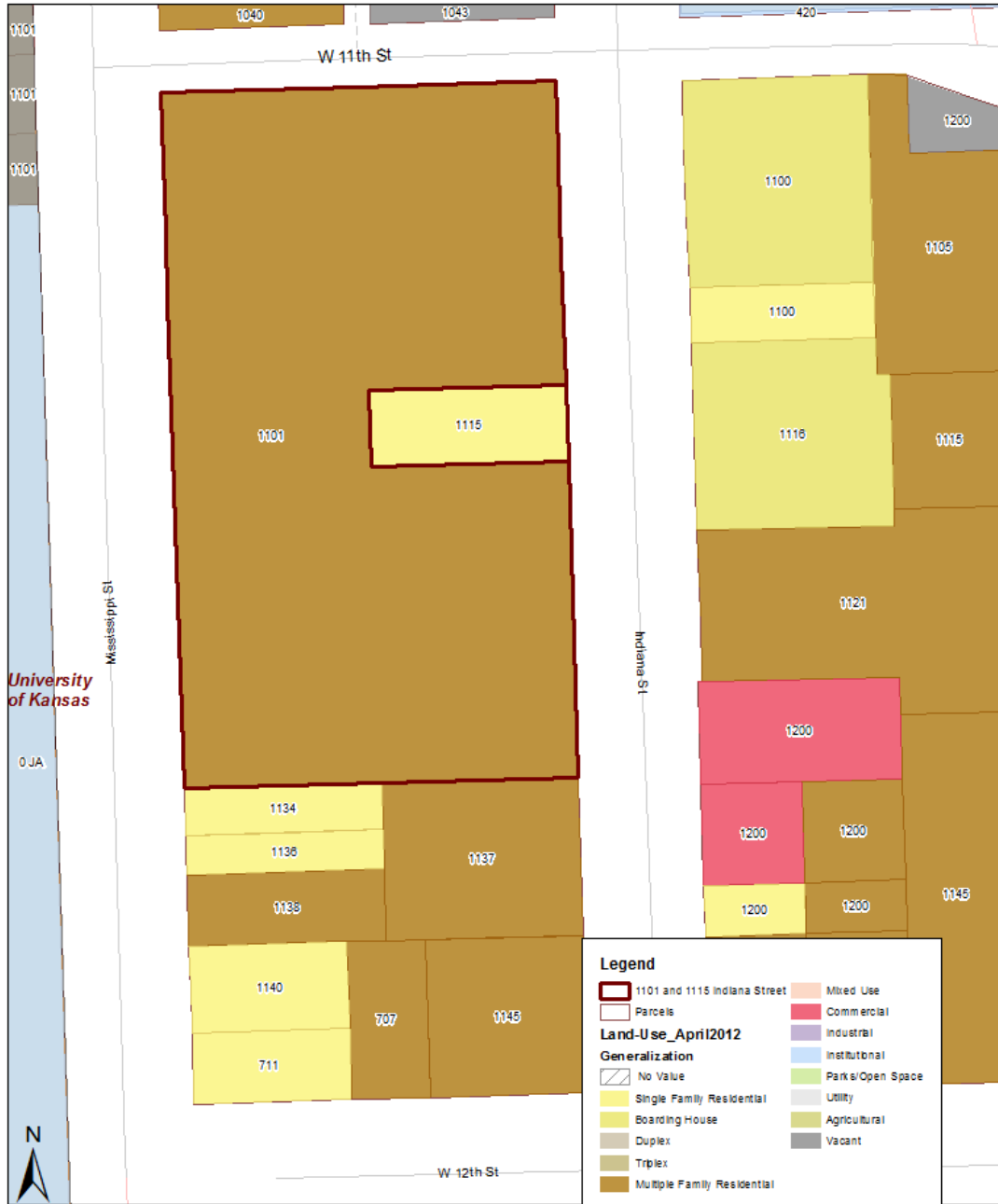
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Existing Land Use Map.

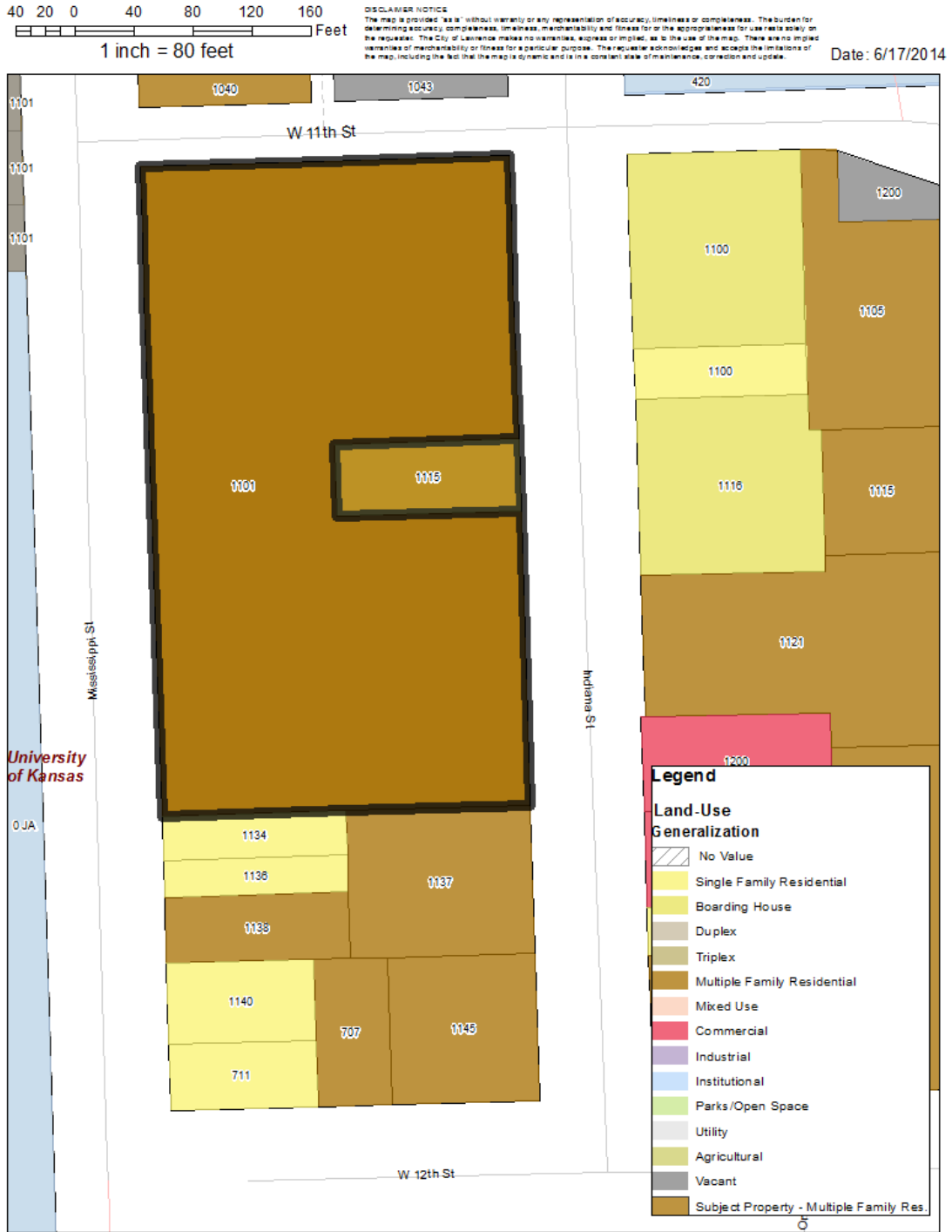


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Date: 6/5/2014



Land Use Map with Project.



Section 6: Proposals for Improving Municipal Services in the Property

There are no proposals currently for improving municipal services or infrastructure in the Area with this Plan. All municipal services currently exist. The project will utilize current infrastructure.

Section 7: Term of the Plan

1. This Plan and tax rebate Program shall be effective upon the adoption of this Plan by ordinance of the Governing Body of the City of Lawrence.
2. This Plan and tax rebate program (the "Term") shall expire after **ten (10) years** from the date of adoption unless extended by the ordinance of the Governing Body prior to its expiration. The Governing Body reserves the right to evaluate the Program at any time.
3. The owner of the property at the time the property taxes are paid will be eligible for a property tax rebate on the incremental taxes associated with improvements to the Property (the "tax increment"). The Tax Increment will equal the property tax assessment against the Property for the first year after the improvements are completed (i.e. determined including the value that such improvements add to the assessed value of the Property) reduced by the property tax assessed against the Property for the base year (the year this Plan is approved) (i.e. determined without the value that the improvements add to the assessed value of the Property). The Tax Increment will then remain constant throughout the Term of the rebate program. The tax rebate will be determined based on the Tax Increment and the following table:

Table 1

NRA Rebate Schedule: 1101/1115 Indiana Street			
NRA Year	Tax Year	Rebate %	Year Rebate Paid to Property Owner
--	2015	n/a	n/a
--	2016	n/a	Project complete July 1, 2016
1	2017	85% of increment	2018 (for 2017 Taxes)
2	2018	85% of increment	2019 (for 2018 Taxes)
3	2019	85% of increment	2020 (for 2019 Taxes)
4	2020	85% of increment	2021 (for 2020 Taxes)
5	2021	85% of increment	2022 (for 2021 Taxes)
6	2022	85% of increment	2023 (for 2022 Taxes)
7	2023	85% of increment	2024 (for 2023 Taxes)
8	2024	85% of increment	2025 (for 2024 Taxes)
9	2025	85% of increment	2026 (for 2025 Taxes)
10	2026	85% of increment	2027 (for 2026 Taxes)

4. This Plan and the Program is subject to approval of each taxing unit, including Douglas County and USD 497 and the City entering into an agreement with such other taxing units relating to the implementation and payment of tax rebates provided for under this plan.

Section 8: Contents of an Application for Rebate, Application Procedures and Standards of Criteria Used to Review an Application

The Letter of Proposal submitted by HERE Kansas, LLC shall serve as the application for the Program under this Plan. **No further applications are anticipated related to the Property. Please refer to Exhibit A.**

1. The improvements must result in an assessed value increase for the Property within twelve months of completing the improvements. Some improvements, regardless of cost, may not result in an increase in assessed value and thus would not make the property eligible for a property tax rebate. Such determinations will be made solely and independently by the Douglas County Appraiser's Office and the County Clerk.
2. General Provisions Applicable to all Rebate Applications on Eligible Property:
 - a) Any otherwise eligible Property with delinquent real property or special assessments shall not be eligible for a rebate until such time as all taxes and assessments have been paid. If delinquency occurs after entry into the Program, the rebate will be suspended until such time as all taxes are paid in full. The County Treasurer will monitor real estate tax delinquencies for Property participating in the Program. The County Treasurer will notify the City if a Property becomes ineligible for the program due to tax or special assessment delinquencies.

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- b) The Property owner shall notify the City when all improvements covered under the application have been completed and the city shall inspect the improvements for compliance with the required building, health and safety codes of the City. The City shall notify the County Appraiser by December 1st that the improvements have been substantially completed.
- c) The County Appraiser shall conduct an on-site appraisal as a part of the normal valuations following completion of the Improvements and determine the increase in the taxable valuation due to the Improvements. On or before December 1st of each calendar year, the City shall notify the County Appraiser, in writing, of each property in the Area for which Improvements have been determined to be substantially completed so that the County Appraiser may conduct on-site inspections as a part of the normal valuations to determine the increase in taxable valuations due to the Improvements. The County Appraiser will notify the City and the County Clerk of the valuation.
- d) A tax rebate will be based on the Tax Increment as provided in Section 7.3.
- e) Upon payment in full of the real estate tax (first and second installments) for the Property for the year following the completion of the improvements provided for in Section 7.3 and within thirty (30) days after the County distributes property tax collections to the City, The City shall pay the owner the amount determined under the Plan. If the owner appeals the appraised value of the Property to the County Appraiser, no payment will be made until the appeal is resolved.
- f) For any improvements that are only partially completed as of December 1st of each year, the Property owner shall file a written document with the City indicating the status of construction as of December 1st. The City shall share that document with the County Appraiser.
- g) If this Plan is repealed or the rebate criteria changed, any approved applications shall be eligible for rebates for the remaining Term of the rebate originally provided in the plan.
- h) Any taxes paid under protest for an eligible property will suspend the rebate until the protest has been resolved.
- i) Construction of an Improvement must begin on or after the date of the designation of the District and be located within the District.

Section 9: Amount of Tax Rebate, Rebate Term, and Maximum Rebate Limit

1. The eligible tax rebate is set forth in Table 1, Section 7. If there is no Tax Increment generated for a specific property due to a diminution of assessed values, no tax rebate shall be provided for the Property.
2. Douglas County will retain an annual administrative fee of \$100 from the Increment of the rebate program. The remaining Increment for any given year shall be distributed to the taxing jurisdictions in accordance with regular property tax distribution procedures.

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3. The maximum rebate shall be the sum of all incremental increases in taxes for the duration of the ten year period as further defined in the Table 1, Section 7.

Section 10: Neighborhood Revitalization Fund

Upon Governing Body approval of the Plan, the property at 1105/1115 Indiana Street Neighborhood Revitalization Fund will be established.

Section 11: Other City Requirements

1. The Improvements must conform to all codes, rules, and regulations that are in effect at the time the improvements are made. Improvements must be authorized by public improvement plans or building permit when applicable.
2. Any otherwise eligible property with delinquent taxes or special assessments shall not be eligible for a rebate until such time as all delinquent taxes and assessments have been paid.
3. The NRA is granted only to the proposed project and is also contingent upon the rezoning of the property to enable to project to proceed.

Appendix 1: Summary of the Kansas Neighborhood Revitalization Act

The Kansas Neighborhood Revitalization Act (NRA) allows the governing body of any municipality to pass an ordinance designating an area within that municipality as a "Neighborhood Revitalization Area" if it finds that "the rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of the residents of the municipality." K.S.A. 12-17,116.

KSA 12-17,115(b) and 12-17,116 provide that all municipalities are authorized to participate in Neighborhood Revitalization Area programs. In addition, KSA 12-17,119, provides that two or more (i.e. all) taxing jurisdictions within a Neighborhood Revitalization Area are specifically authorized to enter into interlocal agreements pursuant to 12-2901 to exercise the powers authorized by the Act (including utilizing all or a part of the other taxing jurisdictions tax increment). The interlocal agreement(s) must be submitted to and approved by the Kansas Attorney General.

The Neighborhood Revitalization Area Act expressly provides for additional home rule provisions which are not in conflict with this act. KSA 12-17,120 permits cities to enact and enforce additional laws and regulations on the same subject of revitalization, provided they are not in conflict with the Act. This would mean, for example, that cities should be able to adopt provisions permitting use of some of the increment which is not returned to taxpayers, to be used instead for other infrastructure improvements within the NRA Property, and conceivably, even for revitalization grants or other incentives that would spur revitalization and rehabilitation in the NRA Property. The ability of cities to go beyond the statutes will depend in a large part upon the scope of their agreement with the other taxing jurisdictions.

Exhibit A: HERE Kansas, LLC Letter of Proposal



909 N. Halsted
Chicago, IL 60642
Here-LLC.com

June 10, 2014

Mr. David L. Corliss
City Manager
City of Lawrence
6 East 6th Street
Lawrence, KS 66044

Re: Request for Approval of Neighborhood Revitalization Area Property Tax Abatement and Industrial Revenue Bond Sales Tax Exemption for Redevelopment of 1101 & 1115 Indiana Street

Dear Dave:

As you are aware, we are currently investigating the redevelopment of the site located at 1101 & 1115 Indiana Street for an upscale mixed-use student housing community. We currently propose the demolition of the existing structures on the site and the construction of approximately 239 high-end apartment units, along with a first floor retail component consisting of approximately 14,051 square feet to accommodate multiple retail users. The project will also feature an automated robotic parking garage, which will be the first of its kind in the State. This unique solution will allow full build-out of the property for its highest and best use.

Upon completion, we anticipate that both the residential and commercial portions of the project will provide convenient, highly desirable amenities for the students, employees, and visitors of the City and the University. We also believe there will be synergistic increases in the overall commercial market in the downtown area by adding to the density of nearby student residents. We feel that the project is consistent with the Oread Neighborhood Plan's vision for the long-term use of the site and serves as an excellent continuation in the City's high development standards.

In conducting financial analysis of the project, it has become clear that the cost of the project – in particular the parking structure and robotic automation – leaves the project on the borderline of acceptable financial risk. We feel, however, that it is critical to the success of the project that it be constructed to the highest standards.

Thus, we would respectfully request from the City: (1) the creation of a Neighborhood Revitalization Area ("NRA") and granting of an associated property tax rebate of 95% that extends for twelve (12) years and (2) the approval of an Industrial Revenue Bond ("IRB") issuance for the purpose of facilitating a sales tax exemption on



908 N. Halsted
Chicago, IL 60642
Here-LLC.com

construction materials, furniture, fixtures, and parking equipment for the project. Without these incentives, our analysis demonstrates that it would be very difficult to undertake the project. But with this relatively low level of public assistance relative to total project costs, we believe that the projected return on the project increases to a level that would be considered standard in the real estate development community.

Community benefits from the project, in addition to those items noted above, would include expanded live-work opportunities and construction of a building consistent with the Oread Neighborhood's Plan for a high density mixed-use building on this site. There would also be an increase in employment opportunities at the businesses within the project and increased sales tax generated for the local taxing jurisdictions. Further, under the NRA structure, the current level of property taxes would continue to be held constant (plus the 5% exclusion from abatement under our 95% request).

We look forward to continuing to work with the City on this important project. We believe the project will be a great asset success for both the KU campus and Oread neighborhood communities.

Attached please find our Economic Incentive Application and our "but for" analysis. Please contact me with any questions.

Sincerely,

HERE Kansas, LLC or its assigns
Applicant



James W. Heffernan
Its Manager

Cc: Diane Stoddard
Britt Crum-Cano

**HERE Project Neighborhood Revitalization Act and IRB Request
CALENDAR OF EVENTS 2014
-DRAFT-**

<u>Date/Location</u>	<u>Event</u>	<u>Parties</u>	<u>Status/Notes</u>
May 2014	Notify USD 497 and Douglas County of NRA item discussions and determine how they wish to process request	City	Complete
June 17, 2014 City Commission Room, City Hall 6:35 pm	City Commission meeting: action to receive staff report, refer to PIRC and set date for public hearing (July 8?) on proposed NRA and Revitalization Plan	City and Applicant	Complete
June 24 and July 1, 2014 and	Publish Notice of Public Hearing (2 consecutive weeks)	City	Complete
Date: June 24, 2014 PIRC City Commission Room, City Hall 4 pm	Public Incentive Review Committee: Discuss proposed NRA project and make recommendation to the City Commission	City and Applicant	Complete Critical for applicant to attend
July 22, 2014	Deadline for School Board packet for July 28 meeting		
Date: July 8, 2014 City Commission Room, City Hall 6:35 pm	City Commission meeting: hold a public hearing on the NRA project, receive PIRC recommendation, adopt first reading of an ordinance establishing the NRA, approve development agreement and NRA agreement; resolution of intent for IRBs	City and Applicant	Critical for applicant to attend
July 25, 2014	Deadline for County Commission packet for July 30 meeting		
Date: July 28, 2014 7 pm School Board Meeting	School Board meeting; consideration of approval of the NRA agreement and School district participation	City, School District, and Applicant	Critical for applicant to attend
Date: July 30, 2014 County Commission County Courthouse 6:35 pm	County Commission meeting; consideration of approval of the NRA agreement and County participation	City, County and Applicant	Critical for applicant to attend
Date: August 5, 2014	City Commission meeting: adopt second reading of an ordinance	City and Applicant	

City Commission Room, City Hall 6:35 pm	establishing the NRA (consent agenda)		
Fall 2014	Construction Commences	Applicant	
City Commission Meetings- Date TBD once all project costs are known	First and second reading of IRB ordinance	City	

DRAFT
City of Lawrence
Public Incentives Review Committee
June 24, 2014 minutes

MEMBERS PRESENT: Mike Amyx, Mike Gaughan (via telephone), Linda Jalenak, Brian Iverson, Brad Burnside, Shannon Kimball, Boog Highberger, Jeremy Farmer

MEMBERS ABSENT: none

STAFF PRESENT: David L. Corliss, Diane Stoddard, Britt Crum-Cano

PUBLIC PRESENT: Jim Heffernan, H.E.R.E. Kansas, and Stan Hernly, Hernly Associates and several members of the general public

Mayor Amyx called the meeting to order. Commissioner Gaughan joined the meeting via telephone. Mr. Iverson made a motion to approve the minutes of May 21, 2014. The motion was seconded by Ms. Jalenak and was approved unanimously.

Ms. Crum-Cano provided an overview of the Neighborhood Revitalization Area (NRA) tool. Mr. Highberger joined the meeting.

H.E.R.E. Project (1101/1115 Indiana) Request:

Mr. Heffernan provided an overview of the project, which would be located south of 11th Street between Mississippi and Indiana Streets. He stated that there is a challenge with the grade change on the site, which has 6 stories of fall between the southeast corner and northwest corner of the project. This does enable the project to hide the parking garage, which would be the first automated robotic parking garage in the State of Kansas. The project would include 624 beds and three commercial spaces. He stated that the University of Kansas represents 33,000 people including students and faculty. He believes that the project will be a benefit to the community due to the proximity of campus. The property would generate sales tax revenue related to the commercial space and this benefit is not included in the analysis.

Vice Mayor Farmer joined the meeting.

Mr. Heffernan also mentioned interior amenities for the residents, including workout areas and study rooms. The building would be a hotel-environment that currently is not represented in the market. He stated that the building would incorporate several environmental features. He stated that the plans are to open the project in the Fall of 2015 with the start of the academic year. He is hopeful that there might be a reconfiguration of Fambrough Drive coordinated with the project. He noted that he was able to reach agreement with the owner of 1115 Indiana and so that home would be razed for that property to be incorporated into the project.

He stated that the investment of the project is unprecedented in size and complexity to any other in the community. He said that there were a number of benefits that were not accounted for in the model and he also said if one looked at the benefit cost analysis over a longer time period, that would affect the numbers in the analysis.

Ms. Crum-Cano reviewed the analysis for the project. She briefly reviewed current NRA projects that had been approved. She stated that the request from the applicant is a 12 year, 95% NRA and industrial revenue bond financing to access a sales tax exemption on the materials used in construction of the project. She stated that there were several NRA policy elements met by the project and that the project met IRB policy criteria. She mentioned that the City's model for benefit-cost analysis does not include intangibles and that the model was primarily developed for industrial projects. She mentioned that the sales tax exemption for construction materials would benefit the project by around \$2.4 to \$2.5 million, depending upon project costs. She ran the model for several different scenarios on a 15-year evaluation period. She also ran the model for a 20 year evaluation period. She stated that the longer the evaluation period, the higher the benefit-cost ratio would be. She ran analysis on return on equity and internal rate of returns and concluded that the project returns were very low without incentives, though there is no set return rate that determines whether a project will proceed or not.

Mr. Heffernan added that there are limitations to the model. He stated that the property tax increase over the existing property taxes would be 800% for each taxing unit. He stated that there are risks with the project due to the magnitude of the project. He stated that adding the sales tax rates back into the project enables it to meet the thresholds.

Mr. Highberger asked whether there was any consideration to provide affordable units. Mr. Heffernan responded that displacing 103 units is unique and that it only makes financial sense given the rents that would be charged. He stated that they understand the market and the economics of the project.

Ms. Kimball asked about the rents. Mr. Heffernan provided the schedule of rents for the project, which is based on bedrooms.

Commissioner Gaughan asked how the development proposed here at KU compared to projects elsewhere. He stated that the Champaign, Illinois project did not require incentives. Mr. Herrernan stated that the rents are higher in the project and it is a 26 story building, so has much greater density.

Mayor Amyx asked whether the only way to make this work is to incentivize the project to cover the debt in the first 12 years. Mr. Heffernan replied that the first 12 years allowed for the project to get through construction to get the permanent financing in place.

Ms. Kimball stated that this is a really neat project but she has a concern that the process for incentives is being treated as an after thought. She stated that she thought it was very important and that this was the first time she has heard this since she has to

take it back to their board. She told Mr. Heffernan that she needed to feel more comfortable with the numbers to take it back to her board. Mr. Heffernan stated that any of the scenarios were greater than 10%. Ms. Kimball stated that the model didn't necessarily reflect the correct return for the school district due to the state funding model.

Mr. Burnside asked about projects in the community with escalated rents in the market. Mr. Heffernan stated that he studied the Varsity House project due to its proximity but he didn't think that the project was directly comparable to the amenities offered with his project. Their project will create an experience.

Ms. Jalenak asked about the concept for the commercial space. Mr. Heffernan stated that restaurants are probable for the space. He stated that accommodations are a major factor in students making determinations of where to attend college. He said that housing was an important factor in attracting students. He stated that he didn't think that the project would hurt any of the taxing jurisdictions and that it had significant upsides and created some synergies for the general economy. He added that public parking on the street would also be a positive benefit.

Mr. Corliss stated that there is no city debt or risk involved in the project. He stated that there is a risk that it would be constructed and not work but that is a risk in the marketplace. He stated that the location adjacent to KU was a good place for student density. He referred to a table in Ms. Crum-Cano's report that demonstrated that even with an 85% rebate, the taxing jurisdictions would double the amount of current taxes being collected on the parcel. He stated that there is a risk in the marketplace and his own financing partners would need to be in place but there would be no city risk with the project. He stated that the community has struggled to find appropriate mixed uses in that neighborhood. He did state that discussion about precedent is important but also the magnitude of the project is the largest project in the community.

Mr. Heffernan asked about whether the evaluation period of 15 years was mandated. Ms. Crum-Cano stated that it was not, but typically this has been the horizon analyzed.

Commission Gaughan asked about prior NRA projects. It was clarified that the Poehler building did not receive an NRA incentive. NRA projects include 720 E. 9th Street, 1040 Vermont (Treanor Headquarters) and the Cider Building on Pennsylvania. The Masonic Temple had been approved, but the project did not proceed so it is inactive.

Mr. Iverson agreed that \$75 million is a huge investment in the community. He asked about whether the difference in increment of \$33,000 per year would make a difference on whether the project will proceed or not. Mr. Heffernan stated that his investors believe there is a difference. He stated that if he didn't need the money, he wouldn't be asking.

Mayor Amyx stated that he thought this was a neat project. However, at no time had any public incentives been discussed. Mr. Heffernan agreed, but he had sent the letter in March.

Ms. Kimball made a motion to recommend a 10 year 85% NRA. The motion was seconded by Commissioner Gaughan. Mayor Amyx asked about this project versus the 9th & New Hampshire project. Ms. Stoddard responded that both were pay as you go projects with no risk to the City. Mr. Heffernan asked about the term of the TIF at 9th & New Hampshire. Ms. Stoddard replied that it is a 20 year TIF.

Mr. Corliss asked about whether the total \$600,000 difference between the 12 year 95% versus the 10 year 85% was accurate. Mr. Heffernan stated this amount was less if discounted back to today's dollars.

Mr. Iverson stated that he thought that without this project, the property would likely sit in the same condition and the same level of taxes would be continued. He stated that he did not personally have an issue with a 95% 12 year abatement and didn't see a risk to the City. He stated that he saw a significant benefit to the City.

Mr. Burnside stated that he saw a large upside to the project for tax revenues. Ms. Jalenak stated that she had some hesitation like Ms. Kimball regarding deviating from the policy but thought that the project was worth it. Mr. Burnside added that the project was outside of the norm. Mr. Highberger stated that he thought the density was good and the location. He stated that he shared some of the same concerns as Ms. Kimball. He said that returning to what he saw as the intent of the NRA, he didn't believe that it was intended to build luxury housing. He stated that he could not support public subsidy for the project given that it did not include an affordable housing project.

Vice Mayor Farmer stated that he agreed with Mr. Iverson's observation about the property. He asked if a \$67,000 investment would be worth it. He asked if the developer could come with some different options if more could be subsidized with public incentives could the rents come down. He stated that he thought the investment was worth it for the project of this size.

Mayor Amyx stated that he thought that the rents that need to be achieved would be a concern, even though that would be decided by the market.

Mayor Amyx recapped the motion, which was to recommend approval of the 10 year 85% abatement. Vice Mayor Farmer stated that this process was important and said that he was supportive of the 12 year 95% level. Motion failed. Vice Mayor Farmer made a motion to recommend a 12 year 95% NRA. The motion was seconded by Mr. Burnside. The motion was tied with Vice Mayor Farmer, Mr. Burnside, Mr. Iverson and Ms. Jalenak voting in favor of the motion and Mayor Amyx, Mr. Highberger, Ms. Kimball, and Mr. Gaughan voting against.

Ms. Kimball made a motion to send the project to the City Commission with a positive recommendation for the project, without the group weighing in on the incentive level due to the policy. The motion was seconded by Jalenak. The motion was approved unanimously.

Ms. Kimball left the meeting.

1106 Rhode Island Project

Mr. Hernly provided background regarding the project. The project was a historic home and it was a junk yard for Packard cars for some period of time. He recapped that the City owns the property due to its deteriorated condition and that the City had sent out a RFP for proposals for the purchase and preservation of the property. The property consists of the house and a barn. The overall plan would have the house be a three bedroom house and there would be a new garage constructed with an apartment above. The barn would be an architecture office for Hernly Associates. He stated that on the design side they have had review by the Historic Resources Commission and he has had discussions with the neighborhood. The property is within the South Rhode Island Historic District. The structures that will maintain are contributing to this historic district and the plan would be to restore these structures to strengthen that contribution.

Ms. Crum-Cano stated that the request included a proposal to purchase the property and also have a development grant and a 10 year 85% NRA. The project does qualify for state and local eligibility for the NRA. She stated that there is great sensitivity in the model related to the amount of the grant and a purchase price for the property. She also added that there are intangibles with this project as it had been blighted for a number of years and it also has a historic component.

Mr. Hernly added that there were costs related to rehabilitating the historic properties versus a greenfield project. He stated that state and federal historic tax credits are planned to be used to the project. These are funds to take as depreciation over the life of the property and the developer has taken that as a credit at the front of the project. Another complicating factor is that the finished value of the property is based upon incomes from the property from rents. He is proposing 85% of the high end of the market for the rental rates. There are some grants that have not been secured yet. He stated that what is being asked in terms of financial assistance from the City totaled \$26,100.

Mr. Iverson asked whether the property was currently on the tax rolls. Ms. Crum-Cano stated that it is currently on the tax rolls even though it is in the name of the City because it isn't being used for a municipal use. Ms. Jalenak asked whether taxes were current. Ms. Crum-Cano stated they were. Mr. Highberger asked about staff's recommendation. Ms. Crum-Cano stated that staff is recommending the NRA, the purchase price and up to a \$26,100 grant for the project. Ms. Crum-Cano stated that the project would not meet the benefit cost threshold if the grant package were higher. Mr. Corliss stated that he thought it was difficult to value the property for any different amount than the court did. Mr. Corliss thought that the property was worth by \$90,000, though the court had required the City to pay \$114,000 for the property. He didn't think it would be fair to penalize the project for this. Mr. Iverson stated that if the cost were factored in if it would be an acceptable ratio. Ms. Crum-Cano stated it was and reminded everyone that it was a 20 year evaluation time horizon.

Mr. Highberger made a recommendation to support the staff recommendation of \$26,100 grant package, the purchase price and a 10 year 85% NRA. Motion was seconded by Ms. Jalenak. Motion was approved unanimously.

It was decided that rather than scheduling a meeting now, a meeting time in August would be determined on the policy issues.

Vice Mayor Farmer made a motion to adjourn. Mr. Iverson seconded the motion. Motion approved unanimously.

ORDINANCE NO. 9021

AN ORDINANCE OF THE CITY OF LAWRENCE, KANSAS, ADOPTING A NEIGHBORHOOD REVITALIZATION PLAN, DESIGNATING A NEIGHBORHOOD REVITALIZATION AREA, AND ESTABLISHING A FUND FOR 1101/1115 INDIANA STREET (HERE KANSAS PROJECT) LAWRENCE, DOUGLAS COUNTY, KANSAS, ALL IN ACCORDANCE WITH THE KANSAS NEIGHBORHOOD REVITALIZATION ACT OF 1994, CODIFIED AS AMENDED AT K.S.A 12-17,114 ET SEQ.

WHEREAS, pursuant to authority granted it by the Kansas Neighborhood Revitalization Act of 1994, codified as amended at K.S.A. 12-17,114 *et seq.* ("the Act"), the Governing Body of the City of Lawrence, Kansas, desires to adopt a plan for the revitalization of 1101/1115 Indiana Street, Lawrence, Douglas County, Kansas, to designate 1101/1115 Indiana Street as a Neighborhood Revitalization Area, and to create a fund to finance the redevelopment of the area and to provide rebates authorized by the Act, all in accordance with the Act;

WHEREAS, at its June 17, 2014 public meeting, in accordance with the Act, the Governing Body scheduled a public hearing for July 8, 2014, for the purpose of considering the Neighborhood Revitalization Plan and Program for 1101/1115 Indiana Street;

WHEREAS, in accordance with the Act, the Governing Body caused notice of such public hearing to be published in *The Lawrence Journal-World*, a newspaper of general circulation within the City, on June 24, 2014 and July 1, 2014; and

WHEREAS, at its July 8, 2014 public meeting, pursuant to said public notice, the Governing Body considered the Neighborhood Revitalization Plan and Program for 1101/1115 Indiana Street.

BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS:

SECTION 1. The above-stated recitals are incorporated herein by reference and shall be as effective as if repeated verbatim.

SECTION 2. The Governing Body hereby adopts the Neighborhood Revitalization Plan and Program for 1101/1115 Indiana Street ("Revitalization Plan"), attached hereto as Exhibit A, and incorporates the same herein by reference.

SECTION 3. The Governing Body finds that real property, legally described as Oread Addition, Block 9, South One Half of Lot 2 (50' by 150') and Oread Addition, Block 9 Lot 1 and North One Half Lot 2 and Lot 3,4,9,10,11 and 12. Also Lane's Second Addition, Block 14 Lots 1, 2,3,4,5 and 6(U04602A, 4605A, 4619A, 4880A & 4883A combined 1990) Lawrence, Douglas County, Kansas, and commonly known as 1101/1115 Indiana Street, Lawrence, Douglas County, Kansas, constitutes an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or

arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use and that such condition is one of the conditions described at K.S.A. 12-17,115(c), and amendments thereto. The Governing Body further finds that the rehabilitation, conservation, or redevelopment of the area is necessary to protect the public health, safety, or welfare of the residents of the City of Lawrence, Kansas. Accordingly, pursuant to the Act, the Governing Body hereby designates that real property, legally described above, as the 1101/1115 Indiana Street HERE Kansas Project Neighborhood Revitalization Area ("the Revitalization Area").

SECTION 4. The Governing Body hereby creates a Neighborhood Revitalization Fund pursuant to K.S.A. 12-17,118 in order to finance the redevelopment of the Revitalization Area and to provide a rebate of property tax increments as scheduled in the Revitalization Plan.

SECTION 5. This ordinance shall take effect and be in force from and after its passage and publication as provided by law.

ADOPTED by the Governing Body of the City of Lawrence, Kansas, this ____ day of _____, 2014.

APPROVED:

Mike Amyx
Mayor

ATTEST:

Diane Trybom
Acting City Clerk

APPROVED AS TO FORM AND LEGALITY:

Toni R. Wheeler
City Attorney

NOTICE TO PUBLISHER

Publish one time and return one Proof of Publication to the City Clerk and one to the City Attorney.

**NEIGHBORHOOD REVITALIZATION ACT
COOPERATIVE AGREEMENT for 1101/1115 Indiana (HERE Project)**

This Agreement (hereinafter "Agreement") is entered into this _____ day of _____, 2014, by and between the City of Lawrence, Kansas (hereinafter "City"); the Board of Commissioners of Douglas County, Kansas (hereinafter "County"); and Unified School District No. 497, Douglas County, State of Kansas (hereinafter "USD 497") (collectively the "Parties"), all of which are municipalities within the meaning of K.S.A. 10-1101 and K.S.A. 12-17,114 *et seq.*; and

WHEREAS, pursuant to K.S.A. 12-2901 *et seq.* and amendments thereto, the Parties have authority to enter into agreements to jointly perform certain functions, including economic development, and this Agreement furthers mutual cooperation and joint action; and

WHEREAS, K.S.A. 12-17,114 *et seq.* and amendments thereto, also referred to as the Kansas Neighborhood Revitalization Act (the "Act"), provides a program for neighborhood revitalization to provide incentives for property owners to improve aging and deteriorating property, or otherwise stimulate new construction, the rehabilitation, conservation or redevelopment of an area in order to protect the public health, safety and welfare; and

WHEREAS, K.S.A. 12-17,119, provides for all taxing jurisdictions within a Neighborhood Revitalization District to enter into agreements as set out in K.S.A. 12-2901 *et seq.* to further neighborhood revitalization; and

WHEREAS, the Parties desire to maximize the economic development opportunities under the Act and the Neighborhood Revitalization Plan (later defined herein) by acting jointly through the use of this agreement; and

WHEREAS, the Parties desire to set out the terms and conditions of participation as described herein, and

WHEREAS, the City and County will have primary responsibility for the procedural aspects of NRA implementation and administration, and therefore desire to set forth the specific rights and responsibilities of the Parties with respect to the procedures associated with the NRA.

NOW, THEREFORE, for the mutual promises and covenants contained herein and other good and valuable consideration, the Parties understand and agree as follows:

1. Purpose. The purpose of this Agreement is to provide a program for neighborhood revitalization and allow the taxing jurisdictions within the designated neighborhood revitalization area ("Area") to work together, through this agreement, to facilitate the rehabilitation, conservation or redevelopment of an area to protect the public health, safety and welfare of the residents of Lawrence.
 - a. After conducting a public hearing and complying with the publication requirements of K.S.A. 12-17,117 as amended, on July 8, 2014 the City approved Ordinance No. _____ adopting a neighborhood revitalization district plan in substantially the same form and content as contained in **Exhibit A** attached hereto and incorporated herein by reference. ("Plan").
 - b. The other Parties to this Agreement have also reviewed and considered the Plan, and by adoption of this Agreement, agree to work cooperatively to implement the Plan.
 - c. The Parties further agree that no separate legal entity shall be created under this Agreement, but rather the City, on behalf of all Parties, shall administer the Plan as adopted by the City or as it may be subsequently amended as provided herein.
 - d. The Parties agree that the Plan shall not be amended by the City or by any of the Parties acting separately and shall only be amended in writing and accompanied by a new Agreement signed by all Parties hereto, which consent and cooperation shall not be unreasonably withheld.
 - e. In the event that the Neighborhood Revitalization Plan, as adopted, is not followed with respect to the aspects set forth in the Plan, the Parties may individually wish to reconsider participation in the Plan at that point.
2. Duration. This Agreement shall commence on _____, 2014 and expire February 20, 2026 or upon payment of the 2025 property taxes and the processing of the rebate for the 2025 tax year. The City reserves the right to evaluate the Program at any time.
3. Termination. The Parties agree that termination of this Agreement by any party prior to February 20, 2026 would adversely impact the Plan, and consequently, this Agreement may only be terminated with ninety (90) days written notice, and further provided such written notice must be received prior to August 1 in the calendar year prior to the tax year the party desires to terminate participation, unless such notice is waived, in writing, by all Parties to this Agreement. The Parties further agree that

any application for tax rebate submitted to the City prior to receipt of the notice of termination shall, if approved, be considered eligible for the duration of the rebate period set forth in the Plan.

4. Financing.

- a. A qualified improvement must meet the requirements set out in the Plan. The tax increment will be calculated as described in Section 7 of the Plan. (The real property taxes and special assessments must be paid, and not paid under protest, and the increment generated before a rebate will be issued.)
- b. The County is authorized to and shall transfer any tax increment received for the Parties to the Neighborhood Revitalization Fund (NRA Fund) a separate fund created and maintained by the City under the authority of K.S.A. 12-17,118 and amendments thereto.
- c. The County shall retain an annual administrative fee in an amount of \$100 from the increment of the rebate program. The County shall deduct this fee from the tax increment prior to rebating the tax increment to the City for disbursement to the property owner as provided in the Plan.
- d. Within thirty (30) days of distribution of the tax increment from the County, the City will disburse the rebate(s) in the appropriate percentage to each eligible taxpayer in accordance with the Plan. All funds transferred to the NRA Fund by the County and not required to be rebated to taxpayers shall be refunded by the City to the County Treasurer for distribution to all participating taxing jurisdictions in their proportionate share based on their tax rate at the time of disbursement.

5. Additional City Responsibilities.

- a. The property owner will be subject to a performance agreement with the City, which will require the property owner to adhere to the terms of the NRA Plan and this agreement, as well as the requirements listed in paragraphs b. – .d. below.
- b. It is the responsibility of the property owner to notify City staff and the County Appraiser prior to commencing the improvements. The property owner shall provide any project information that may be helpful to the County Appraiser in the valuation process. In addition, the property owner must confirm that the County Appraiser's Office has completed a review of the real property prior to commencing the improvements.

- c. The property owner shall notify City staff and the County Appraiser in written form upon completion of the improvements utilizing the 'Certificate of Project Completion'.
 - d. The property owner shall notify both City staff and the County Appraiser in written form within 30 days should any substantial change occur to the planned improvements.
 - e. The Property owner shall notify the City when all improvements covered under the application have been completed and the City shall inspect the improvements for compliance with the required building, health and safety codes of the City. On or before December 1st of each calendar year, the City shall notify the County Appraiser, in writing, of each property in the Area for which Improvements have been substantially completed so that the County Appraiser may conduct on-site inspections as part of the normal valuations to determine the increase in taxable valuations due to the Improvements.
 - f. Within thirty (30) days of distribution of the tax increment from the County Treasurer, the City will disburse the rebate to the eligible taxpayer in accordance with the Plan unless the tax is paid in semi-annual payments, in which case the rebate will be made after payment of the second and final installment. Within thirty (30) days after the County transfers any tax increment received by the taxpayer to the City, the City will disburse the rebate to the eligible taxpayer in accordance with the Plan.
6. Additional County Responsibilities.
- a. The County Appraiser shall conduct an on-site appraisal as part of the normal valuations following completion of the Improvements and determine the increase in the taxable valuation due to the improvements.
 - b. The County Appraiser will notify the City and the County Clerk of the valuation.
 - c. The County Treasurer will monitor real estate tax delinquencies for Property participating in the Program. The County Treasurer will notify the City if a Property becomes ineligible for the program due to tax or special assessment delinquencies.
8. Execution. For purposes of executing this Agreement, this document if signed and transmitted by facsimile machine or telecopier, is to be treated

as an original document. This Agreement may be executed in one or more counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.

9. Liberal Construction. This Agreement shall be liberally construed to achieve the economic development objectives and purposes of both this Agreement and the Plan. Should any provision of this Agreement be determined to be void, invalid, unenforceable or illegal, such provision(s) shall be null and void, but the remaining provisions shall be unaffected thereby and shall continue to be valid and enforceable.
10. Entire Agreement. This Agreement constitutes the entire agreement between the Parties on this subject and may not be modified or amended except in writing executed by all Parties in the same manner as the original.
11. Governing Law. This Agreement and the Plan and the rights of all the Parties hereto shall be governed by and construed according to the laws of the State of Kansas.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective, appropriate representatives with authority to bind their respective entity.

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CITY OF LAWRENCE, KANSAS

[SEAL]

By: _____

Attest:

David L. Corliss, City Manager

Diane Trybom, Acting City Clerk

(Rest of Signature Page Left Intentionally Blank)

Draft

BOARD OF COMMISSIONERS
OF DOUGLAS COUNTY, KANSAS

[Seal]

By: _____

Attest:

_____, Clerk of the Board

Approved As To Form:

County Counselor

(Rest of Signature Page Left Intentionally Blank)

DRAFT

UNIFIED SCHOOL DISTRICT NO. 497,
DOUGLAS COUNTY, STATE OF
KANSAS

[Seal]

By: _____

President, Board of Education

Attest:

Clerk of the Board

Approved As To Form:

Attorney for the Board

(Rest of Signature Page Left Intentionally Blank)

Exhibit A

Neighborhood Revitalization Plan
As adopted by Governing Body of the City of Lawrence

On _____, 201____
through Ordinance No. _____

[See Attached]

Draft

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
CC: Diane Stoddard, Assistant City Manger
Cynthia Wagner, Assistant City Manger
FROM: Britt Crum-Cano, Economic Development Coordinator
DATE: July 21, 2014
RE: Hernly Associates request for 1106 Rhode Island Street

*Please see **List of Attachments** at the end of this memo.*

Overview

The City has received a request letter and application from Hernly Associates, Inc., which includes a suggested purchase price and incentives request for the property at 1106 Rhode Island Street, Lawrence, Kansas. Specifically, the company is requesting:

- Property purchase price of \$90,000
- 10-year, 85% NRA rebate of the incremental real property tax revenues generated by the property. The company is requesting NRA participation of the City of Lawrence, Douglas County and School District USD 497.
- Development Grant totaling up to \$26,100

Located at the southeast corner of 11th St. and Rhode Island St., two blocks east of Lawrence's historic downtown district, the property occupies two lots with built structures including a house, a barn, a garage and shed. Currently the property is vacant, dilapidated, and blighted, presenting safety, health, environmental, and economic concerns. However, the existing house, large barn, and garage are contributing structures to the North Rhode Island Street Historic Residential District, National Register of Historic Places and the Historic Resources Commission (HRC) determined these three structures maintain sufficient integrity and should be rehabilitated.

The company intends to rehab the three historic structures and redevelop the property to productive use as office and rental residential space.

This request was received by the City Commission at its June 17, 2014 meeting and was considered by the Public Incentives Review Committee for review and recommendation on June 24, 2014.

The City, County, and School District individually decide their participation in the NRA and each will conduct a public meeting to consider this request. The City Commission considered the request and NRA participation at their July 8, 2014 meeting. At this meeting, the City Commission authorized participating in a 10-year, 85% NRA as well as support for the additional requests.

Policy & Eligibility

The City of Lawrence adopted an updated NRA policy in the fall of 2011. The establishment of a revitalization area enables a property owner to receive a rebate on a portion of the incremental increase of property taxes associated with an improvement project within the area.

Staff's technical memo summarizes the policy issues as it relates to this request. It appears that the request would meet the parameters of the NRA policy.

Analysis

City Staff has completed a cost-benefit and "but for" analysis of the proposal, in accordance with City policy. Analysis indicates that the project could meet required thresholds for all of the taxing jurisdictions with a 10-year, 85% NRA rebate.

Draft Neighborhood Revitalization Plan

Staff has prepared a draft Neighborhood Revitalization Plan, which is required by State statute, which mirrors the applicant's request. This plan should be reviewed by the City Commission, the Public Incentive Review Committee, and the taxing jurisdictions. The plan includes the rebate schedule referenced earlier in this memo. The plan also includes provisions for Douglas County to retain \$100 annually as an administrative fee for the duration of the rebate program.

Next Steps/Calendar

A draft calendar has been prepared to consider items related to this request. The City Commission conducted a public hearing to consider the request at their July 8, 2014 meeting. The School Board and County Commission will also consider their participation regarding the NRA for the project. The meeting with the School Board is scheduled for July 28th and the meeting with the County is scheduled for July 30th. The City Commission would take final action once School District and County participation is known (tentatively scheduled for the August 5th City Commission meeting).

Staff Recommendation

As per the Technical Report and Analysis prepared for this request, Staff recommended a property purchase price of \$90,000, up to \$21,600 in development grant assistance, and approval of a 10-Year, 85% NRA.

PIRC Recommendation

At the 6-24-2014 PIRC meeting, the committee voted unanimously to recommend:

- A purchase price of \$90,000
- The establishment of a 10-Year, 85% NRA
- To provide up to \$26,100 in development grant assistance

Draft minutes of the June 24, 2014 PIRC meeting are attached.

City Commission Actions

At the 7-8-2014 City Commission meeting, the Commission considered the request and authorized:

- Purchase price of \$90,000
- The establishment of a 10-Year, 85% NRA
- Providing up to \$26,100 in City development grant assistance

Requested County and School District Action

Consider County/School District participation in the NRA, including the percentage rebate amount and duration, if appropriate.

If NRA participation is authorized, authorize County Administrator to execute cooperative agreement between the City, County and School District on NRA administration.

List of Attachments: 1106 Rhode Island Street NRA

1. Staff Technical Report and Analysis
 - a. Hernly Associates Proposal Submission
 - b. Request Letter and Incentives Application
 - c. City NRA Policy (Resolution 6954)
 - d. City Appraisal Price
 - e. Model Results and Limitations
2. Draft Neighborhood Revitalization Plan
3. Draft NRA Calendar
4. Draft PIRC Minutes
5. City, County, School District Cooperative Agreement: 1106 Rhode Island Street NRA

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
CC: Diane Stoddard, Assistant City Manager
FROM: Britt Crum-Cano, Economic Development Coordinator
DATE: June 24, 2014
RE: Technical Report for PIRC Review: 1106 Rhode Island Street and Hernly Associates request for public assistance on proposed property purchase and rehabilitation.

Introduction

On January 22, 2014, through the process of eminent domain, the City of Lawrence, Kansas in accordance with K.S.A. 2012 Supp. 26-507 paid into the District Court of Douglas County, Kansas the amount of \$114,500 for the purchase of the property at 1106 Rhode Island Street in Lawrence, Kansas. This action was the result of a long standing code violation case against the property that eventually resulted in the condemnation of the property.

Located at the southeast corner of 11th St. and Rhode Island St., two blocks east of Lawrence's historic downtown district, the property occupies two lots (100' x 117' or 11,700 s.f.) with built structures including a house (built ~1872), a barn (built ~1890s), a garage and shed. Currently the property is vacant, dilapidated, and blighted, presenting safety, health, environmental, and economic concerns. However, the existing house, large barn, and garage are contributing structures to the North Rhode Island Street Historic Residential District, National Register of Historic Places and the Historic Resources Commission (HRC) determined these three structures maintain sufficient integrity and should be rehabilitated.

Due to historic contributions these structures provide to the community, the City desires the property rehabilitated to productive use. After the City's ownership of the property was finalized, the City distributed an RFP seeking proposals from firms and individuals interested in purchasing the property and rehabilitating the existing house, large barn and garage located on the property. In response to that RFP, the City received one proposal, submitted by Hernly Associates, Inc.

The following presents details and analysis of that proposal.

Proposal Overview

The **Hernly Associates submission** proposes retaining the buildings on site that are considered “Contributing” to the North Rhode Island Street Historic Residential District and adding new space that enhances the usefulness of the property. A preliminary site plan and concept drawings were provided by the developer within the proposal. The redevelopment plan includes the following.

Proposed Uses	
House	S.F.
Finished Area:	1,547 (1,162 rehab + 385 new)
Basement (existing unfinished):	315
Garage:	228
Apartment	S.F.
New Finished Area: (1 bedroom, 1 bath)	718
Garage:	228
Professional Office in Warehouse/Garage	S.F.
Rehab Areas:	2,170
Existing Open Space	S.F.
Existing open area of NWC of lot	To remain open space

Total project costs are estimated at \$896,585, including approximately \$660,000 in construction costs, \$146,600 in development costs, and a property purchase price of \$90,000. Sources of funding highlighted within the proposal include:

Initial Funding Sources		
Source	Amount	% of Total
Investor's Equity - cash	\$150,000	16.7%
Federal Tax Credits	\$73,000	8.1%
Kansas Tax Credits	\$86,500	9.6%
Preservation Grants	\$32,000	3.6%
City Development Grant	\$26,100	2.9%
Development Fee Loan	\$70,000	7.8%
Mortgage (not to exceed 80% of appraised)	\$459,000	51.2%
Total Project Funding	\$896,600	100%

Request for Support

A **Request Letter and Incentives Application** was received on May 30, 2014 from Hernly Associates, requesting a 10-year, 85% NRA and a development grant totaling \$26,100 to aid project rehabilitations and development.

- **Economic Development Support:** Hernly Associates is proposing use of a NRA to help the project make positive cash flow during the first 10 years. Kansas Law enables cities to establish neighborhood revitalization areas in order to encourage redevelopment under the Neighborhood Revitalization Act (NRA). The establishment of a revitalization area enables a property owner to receive a rebate on a portion of the incremental increase of property taxes associated with an improvement project within the area.
- **Development Grant:** A development grant estimated at \$26,100 is proposed to cover City related fees and permit expenses. Most items covered through this request are suggested as fee rebates.

Development Grant: Proposed Rebate of Project Fees	
Replat submittal/review fee rebate	\$200
Rezoning submittal/review fee rebate	\$200
Site Plan submittal/review fee rebate	\$200
BZA submittal/review fee rebate	\$200
Demolition Permit for out buildings and rear porch on house rebate	\$50
Building Permit fee rebate	\$3,950
Dumpster during construction rebate	\$3,450
Water service connections house/apartment and office--rebate from utility funds for installation of new water service lines	\$7,350
Sanitary sewer service connections house/apartment and office--rebate from East Lawrence sanitary sewer system upgrade program	\$10,500
Total Estimated Grant Assistance from City	\$26,100

Review of Neighborhood Revitalization Area (NRA) and City Policy

Description of NRA and Purpose

The NRA (or Neighborhood Revitalization Area) is one of several economic development tools utilized by municipalities to promote economic growth through neighborhood enhancement. Authorized by the state, NRAs are intended to encourage the reinvestment and revitalization of properties which in turn have a positive economic effect upon a neighborhood and the City in general. The use of an NRA is particularly applicable for use in areas where rehabilitation, conservation, or redevelopment is necessary to protect the public health, safety or welfare of the residents of the City.

Resolution 6954 outlines the City's policy for establishing an NRA. Typically, a percentage of the incremental increased value in property taxes (due to improvements) is rebated back to the developer/applicant over a period of time to help offset redevelopment costs and make the project financially feasible.

Typical Rebate Amounts & Duration

As per NRA policy, the City typically follows the below standard practice:

- Does not provide more than 50% rebate on incremental property taxes
- Does not establish an NRA for a period of time longer than 10 years

However, there is an exception provision within the policy which allows the City to *"consider a greater rebate and/or a longer duration if sufficiently justified in the "but for" analysis."*¹

¹ Resolution 6954, Section 4: Amount of Rebate

Project Eligibility

Project eligibility for NRA consideration is governed by both State (KSA 12-17,114 et seq.) and City (Resolution 6954) criteria.

State Requirements

Statutory Criteria	Governing Body determines that rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of residents and the proposed project meets at least one of the below criteria:	
	1	An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation , light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare.
	2	An area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land uses relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions deterioration of site or other improvements, diversity of ownership, tax, or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes or a combination of such factions substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations, or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use.
	3	An area in which there is a predominance of buildings or improvements that should be preserved or restored to productive use because of age, history, architecture or significance should be preserved or restored to productive use.

Health & Safety Need

Economic Need

*Preservations of
Community/Historical
Asset*

City Requirements

City Policy Criteria	When considering the establishment of a NRA, the City shall consider not only the statutory criteria, but if the project meets a majority of the below criteria:	
	1	The opportunity to promote redevelopment activities which enhance downtown
	2	Provides the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized.
	3	Provides the opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base.
	4	Provides the opportunity to enhance neighborhood vitality as supported by the City's Comprehensive Plan or other sector planning document(s).
	5	Provides the opportunity to enhance community stability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.
	Project must meet or exceed a 1:1.25 cost-benefit ratio.	

Analysis

Estimated fiscal impacts to taxing jurisdictions is examined through a cost-benefit analysis and project financial feasibility is examined through a "But For" analysis (pro forma), both of which are required by current NRA policy.

Cost-Benefit Analysis

Although the 1106 Rhode Island Street rehabilitation project is primarily considered a historic preservation and neighborhood improvement project, the use of the NRA tool requires a cost-benefit comparison. Based on information received through the incentives application, staff conducted analysis of the costs and benefits associated with the project utilizing the City's economic development cost-benefit model. This model measures estimated fiscal impacts to four taxing jurisdictions: City, County, School District, and State. Furthermore, the model outputs a ratio reflecting the comparison of estimated costs to estimated benefits returned to the jurisdictions as a result of the project.

According to the incentives application received, approximately \$896,585 will be invested in purchasing and rehabilitating the property. Project completion is anticipated in July 2015. Once redeveloped, the development team estimates new job creation at two, full-time positions over the 10-year NRA time period with annual salaries averaging \$35,000 and \$50,000.

In addition to the NRA, a \$26,100 grant package has also been requested to cover City related fees and permit expenses. It should also be noted that the development team's proposed property purchase price (\$90,000) is \$5,000 less than the **City Appraised** price (\$95,000) and \$24,500 less than the City paid price for the property through the condemnation process (\$114,500). Below are grant assumptions based on property purchase price shortages.

Grant Assumptions		
Property Valuation	City Paid Amount	City Appraisal Amount
City Price	\$114,500	\$95,000
Hernly Proposed Price	\$90,000	\$90,000
Price Difference	\$24,500	\$5,000
Grant Valuation		
\$26,100 Dev. Expenses (Hernly estimates)	\$50,600	\$31,100
\$18,930 Dev. Expenses (City estimates)	\$43,430	\$23,930

As neighborhood improvements are expected to extend the life of the property for at least a 20 year period (as estimated by the development team), below are ratio results for various public support packages given a 20-year evaluation period.

1106 Rhode Island Street: 10-Year, 85 % NRA					
Incentive Package	City	County	USD 497	State	Total Package Value
\$0 Grant (NRA only)	2.75	3.87	N/A	N/A	\$90,151
\$23,930 Grant	1.42	3.87	N/A	N/A	\$114,081
\$31,100 Grant	1.03	3.87	N/A	N/A	\$121,251
\$43,430 Grant	0.35	3.87	N/A	N/A	\$133,581
\$50,600 Grant	(0.05)	3.87	N/A	N/A	\$140,751

Approx. break even for City

Note that the School District and State do not have a cost-benefit ratio as there are no costs involved.

Detailed model results are provided for development grants valued at \$23,930 and \$31,100.

Project Type and Model Considerations:

All improvements typically add some level of benefit or value to the community. Benefits can be tangible, such as when new money is infused into the economy (e.g. new primary jobs created), or intangible in the sense that quality of life is increased (senior housing provided, increased cultural amenities) or a service gap is filled (new roads constructed, new fiber installed).

The City's economic development cost-benefit model measures tangible costs and benefits for four taxing jurisdictions: City, County, School District, and State. Primary drivers of the model are job creation, wages, and capital investment. Other variables are also included and, depending on level, may have a greater or lesser impact on model results. As might be expected, the economic development model is best geared toward commercial projects that directly create permanent, full-time jobs which bring outside dollars into the community (i.e. primary jobs).

Given the model does not address intangible costs or benefits, projects that primarily impact the quality of life or address a service gap do not typically fit well within the model. That being said, certain economic development tools require the use of the cost-benefit model (NRA as per city policy, tax abatements as per state statute), regardless if the project produces primarily tangible or intangible impacts.

Furthermore, City policy prefers projects meet a cost benefit threshold of 1:1.25 for receiving economic development incentives (e.g. Every \$1 of incentive money invested returns \$1.25 in benefit.) A project that primarily benefits the community by saving and rehabilitating historic assets may not produce model cost-benefit ratios that would be preferred for commercial projects bringing new primary jobs and substantial capital investment to the area.

For further consideration, intangible benefits of the project that would not be measured within the cost-benefit model may include:

- Preservation of community historic structures
- Neighborhood revitalization
- Improvement of area health and safety conditions
- Improvement of environmental conditions
- Returning a blighted, neglected property to productive use

Property Tax Implications:

In its present condition, the property generates approximately \$1,200 per year in real property taxes. Under the NRA program, these “base” property taxes are shielded from rebates and would continue to be paid by the property owner. Only a percentage of the incremental increase in property value resulting from project improvements is subject to NRA rebates and then only during the 10-year NRA period. After the NRA period, no reimbursements are made on property taxes and the property returns fully to the tax rolls.

Tax History: 1106 Rhode Island Street							
Year	Appraised			Assessed			Total Tax
	Land	Improvements	Total	Land	Improvements	Total	
2014*	\$40,000	\$43,900	\$83,900	\$4,600	\$5,049	\$9,649	\$1,220.42
2013	\$41,190	\$45,110	\$86,300	\$4,737	\$5,188	\$9,925	\$1,209.34
2012	\$41,190	\$41,400	\$82,590	\$4,737	\$4,761	\$9,925	\$1,139.44
2011	\$41,190	\$39,990	\$81,180	\$4,737	\$4,599	\$9,336	\$1,124.02
2010	\$41,190	\$37,010	\$78,200	\$4,737	\$4,761	\$8,993	\$1,065.46

Source: Douglas County Appraiser's Office, * Estimated tax amount for 2014

Assuming a 10 year NRA period, with the first rebate applied to the 2016 tax year, the project is estimated to bring in approximately \$12,700 in base property taxes.² Depending on the NRA, taxing jurisdictions would also collect property taxes on the percentage of NRA not granted. Below is a summary of the estimated base and incremental tax amounts the developer would be responsible for over the NRA period given an 85% NRA rebate.

Estimated Tax Paid by Developer over 10-Year NRA period											
	NRA Tax Year										<i>Total</i>
	1	2	3	4	5	6	7	8	9	10	
Base Taxes Due	\$1,258	\$1,260	\$1,262	\$1,265	\$1,267	\$1,269	\$1,271	\$1,273	\$1,275	\$1,277	<i>\$12,676</i>
Increment Taxes Due	\$1,426	\$1,460	\$1,496	\$1,532	\$1,569	\$1,607	\$1,645	\$1,685	\$1,725	\$1,766	<i>\$15,909</i>
Total Taxes Due	\$2,684	\$2,721	\$2,758	\$2,796	\$2,835	\$2,875	\$2,916	\$2,957	\$3,000	\$3,043	<i>\$28,585</i>

² Assumes a 2% inflation factor and an annual average mill levy increase of 0.0016232.

“But For” Analysis

In order for the City to agree to provide an NRA rebate, it must be determined that the need for public assistance is necessary for the project to proceed. In other words, the City must be convinced that without public assistance, the project will not be financially feasible. Commonly referred to as the “But For” test, the developer’s project pro forma and supporting financial documents are examined to compare cash flow and developer returns with and without public assistance.

The “But For” test for the Hernly proposal for rehabilitating the 1106 Rhode Island Street property utilized estimated project program information, annualized cash flow and pro forma data. Taxes were estimated using property information from Douglas County Appraiser’s Office. Pro forma analysis provided the below estimated returns (incentives assumed an 85% NRA and City Development grant of \$26,100).

Return Rates (est.)					
Holding Period	Investment Threshold ³	1106 Rhode Island			
		ROE-No Incentives	ROE-With Incentives	IRR-No Incentives	IRR-With Incentive
10 Years	8.10%	1.53%	7.34%	-13.71%	-3.36%
20 Years	8.28%	6.75%	9.65%	1.85%	5.16%

Analysis shows the project’s return on investment equity (ROE)⁴ without City assistance is far below estimated investment thresholds. Without incentives, project returns for a 10-year holding period average 1.53% as compared to an 8.10% investment threshold and 6.75% as compared to an 8.28% investment threshold for a 20-year holding period. Internal Rates of Return (IRR)⁵ over a 10-year holding period are negative at -13.71% and very low at 1.85% over a 20-year holding period.

With the addition of City incentives, analysis shows the project’s return on investment equity increases to more acceptable levels. With incentives, project returns for a 10-year holding period average 7.34% as compared to an 8.10% investment threshold. Project returns for a 20-year holding period exceed investment thresholds (9.65% ROE as compared to an 8.28% investment threshold) when incentives are included. Although still low, Internal Rates of Return (IRR) are higher with incentives, improving to -3.36% for a 10-year holding period and increasing to 5.16% over a 20-year holding period.

Given these results, it is reasonable to assume that without incentives, the return rates for the project are too low to proceed.

³ Investment threshold proxy = 2 * 10-Year average Treasury Bill rate

⁴ Return on Equity: ROE = Cash Flow/Equity

⁵ Internal Rate of Return: IRR = Discount rate that makes the net present value of all cash flows from a particular project equal to zero. (IRR can be used to rank several prospective projects. Assuming all other factors are equal among the various projects, the project with the highest IRR would be considered the best and undertaken first.)

Performance Agreement

Per City policy, the property owner/development team would be required to enter into a performance agreement with the City in order to receive NRA rebates. The most significant reason for this is to make sure the developer coordinates with the City and County at the beginning of the establishment of the district and to ensure that there are no delinquent property taxes during any of the years of the NRA plan.

Other performance requirements could be provided in the agreement. For example, a recapture provision can be implemented in case the current developer sells to another entity, unless approved by the governing bodies. (i.e. Specifying a second mortgage on the gap amount from what the City paid for the property and what the developer purchases the property: $\$114,500 - \$90,000 = \$24,500$ gap.)

Conclusion

Given the City's policy guidelines as outlined in Resolution 6954, including eligibility requirements, cost-benefit thresholds, and "but for" provisions, the project is qualified for a 10 year, 85% NRA.

Eligibility Summary:

In its present state, the building is vacant and severely dilapidated, which is arguably a detriment and risk to public health and safety. In addition, the building is part of the North Rhode Island Street Historic Residential District, National Register of Historic Places ⁶ with documented historical significance, further meeting statutory eligibility requirements.

For an NRA to be established, the project must not only meet statutory requirements, but also a majority of City criteria.

Eligibility	City Criteria
Yes	Provides the opportunity to promote redevelopment activities which enhance downtown
Yes	Provides the opportunity to promote redevelopment activities for vacant or significantly underutilized properties
Yes	Provides the opportunity to attract unique retail or mixed use development which will enhance the economic climate of the City and diversify the economy
Yes	Provides the opportunity to enhance neighborhood vitality as supported by the City's Comprehensive Plan or other sector planning document
n/a	Provides the opportunity to enhance community stability by supporting projects embracing energy efficiency, multi-modal transportation, or other elements of sustainable design

⁶ National Register of Historic Places, United States Department of the Interior, National Park Service

CBA Summary:

City eligibility criteria prefers the project meet a cost-benefit threshold of 1:1.25 (e.g. for every \$1 of cost incurred as a result of the project, \$1.25 is received as benefit) for economic development projects. As this project is not a traditional economic development project, but more a community improvement/asset/preservation project, this preferred ratio may not be applicable. That said, the preferred cost-benefit ratio is met assuming a grant package valued at \$23,930. Analysis shows a relative balance between costs and benefits, assuming a grant package valued at \$31,300 (break-even scenario for the City).

"But For" Summary:

Examination of estimated cash flows with and without public assistance (i.e. NRA rebate) indicates the "but for" test has been met for the project. Returns without assistance are not likely to support proceeding with the project.

Recommendation

Based on the unique nature of the project, non-quantifiable benefits, analysis results, and the following considerations, Staff recommends approval of an 85% NRA, up to \$21,600 in development grant rebates, and a property purchase price of \$90,000.

Property's Contribution to Historic District and the City's Overall Desire for Historic Preservation:

- The existing house, large barn, and garage are contributing structures to the North Rhode Island Street Historic Residential District, National Register of Historic Places and the Historic Resources Commission (HRC) determined these three structures maintain sufficient integrity and should be rehabilitated.
- The City desires historic preservation and to return the 1106 Rhode Island Street property to productive use.

Property Market Value:

What the City paid for the property through the condemnation process may not reflect market value. A purchase price of \$90,000 seems better aligned with the City's recent property appraisal and the County's valuation.

City price paid via condemnation process:	\$114,500
City appraised value (9-26-2013):	\$95,000
County 2014 appraised value:	\$83,900

Minimal Cash Expense:

- The NRA program calls for the property owner to pay property taxes in full and get a rebate on those payments. These forgone dollars, along with the rebated fees and services provided by the City, allows for little upfront cash placed in the project.
- The City's purchase of the property was made previously, and did not relate to any specific redevelopment project at that time.

No reduction in tax base:

The NRA shields base property value from rebates, along with any percentage not granted by the NRA. The project as proposed would pay, at a minimum, at least the same amount of property taxes the property would generate if not developed. The 15% that is not covered by the NRA rebate adds additional dollars to the tax rolls. Equally important, after the 10-year NRA rebate period, the improved property would go fully back on the tax rolls.

Intangible benefits:

The project is anticipated to bring many non-quantifiable benefits to the community, including preservation of community historic assets, neighborhood revitalization, improved area health and safety, and return of a blighted, neglected property to productive use

Requested Action

Public Incentives Review Committee to consider applicant's request and make a recommendation to the City Commission regarding Hernly Associates proposal and request for support, including:

- Property purchase price of \$90,000
- Establishment of a 10-year, 85% NRA
 - If establishing an NRA for the property is recommended, PIRC to discuss and provide recommendations to the City Commission and Staff regarding the inclusion of a "recapture provision" in a performance agreement to be executed between the City and the developer/development team.
- Development Grant totaling up to \$26,100

Hernly
ASSOCIATES, Inc.

ARCHITECTS
ENVIRONMENTAL CONSULTANTS
GRANT ADMINISTRATORS

920 Massachusetts, Suite 2
Lawrence, KS 66044

RFP – 1106 RHODE ISLAND PROJECT

LAWRENCE, KANSAS

March 28, 2014



March 28, 2014

Britt Cum-Cano
Economic Development Coordinator
Lawrence City Hall
P.O. Box 708, 6 E 6th Street
Lawrence, KS 66044-0708

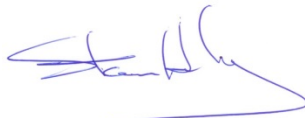
Re: RFP – 1106 Rhode Island Project

The Lawrence City Commissioners, through use of the eminent domain process, have taken a positive step in the rehabilitation of 1106 Rhode Island Street. This provides an opportunity to bring a derelict property into a good and profitable use and eliminate a 30+ year eyesore from downtown Lawrence.

Stan Hernly and Mike Myers of Hernly Associates, Inc., have assembled a development group and have been working to find a way to bring the rehabilitation to fruition, but it is not easy. We attempted to purchase the property from the previous owners, but were not able to arrive at a mutually agreeable price. We are still interested in purchasing the property and rehabilitating the house, warehouse (large barn), and garage.

Our vision for the property is outlined on the following pages. The information is in the sequence requested in the RFP. We look forward to your review of our proposal and can answer questions you may have regarding the project.

Sincerely,



Stan Hernly

1. PROJECT SCOPE

The overall rehabilitation project as proposed by the Hernly/Myers Group is very comprehensive in scope. Our vision is to rehabilitate the historic structures for uses that are compatible with the surrounding neighborhood. We want the casual observer to be surprised and impressed with the rehabilitation work!

PROPERTY DESCRIPTION:

1106 Rhode Island consists of two 50'x117' lots at the southeast corner of 11th Street and Rhode Island Street. The north lot abuts 11th Street, and the historic Warehouse and Garage sit close to the alley on that lot; the front half of the lot is undeveloped and remains open landscaped area in our redevelopment plan. The historic house sits on the front portion of the south lot, and our plan includes a new addition behind the house.

PROPOSED REHABILITATION:

Our plan is to retain the buildings on the site that are considered "Contributing" to the North Rhode Island Street Historic Residential District, and to add new space that enhances the usefulness of the property. In general our redevelopment plan includes:

- Demolish sheds and outhouse
- Repair house foundation
- Rehabilitate and add space to house, including garage with apartment above
- Repair house siding, roof, and windows
- Rehabilitate warehouse and garage for office use
- Repair warehouse and garage roof, siding, and windows
- Replace electrical, water and sewer services
- Paint warehouse and house
- Remove some smaller site trees
- Trim and thin bushes
- Add some new landscaping
- Remove privacy fence
- Add new parking areas
- Replace existing gravel drives with concrete
- Grade and seed lot as needed

PROPOSED USES:

Our redevelopment plan includes residential and office uses. The residential use is permitted with the current RM12 zoning. The office use requires rezoning of the property to RSO or RMO. We have discussed this potential rezoning with planning staff and East Lawrence Neighborhood representatives and the consensus is that this would not be an inappropriate rezoning. The RM12 zoning allows for three residential units on the two lots (100'x117'/43,560x12=3.22units), and with RMO or RSO zoning one office unit and two residential units would be permitted. This would be essentially no change in the density permitted on the property, just a change from three residential units to three mixed use units. Specifically our redevelopment plan includes:

- House: 3-Bedroom, 2 Bath rental,
1,547 s.f. total finished (1,162 s.f. rehab + 385 s.f. new)
315 s.f. basement (unfinished exist.)
228 s.f. garage
- Apartment: 1-bedroom, 1 bath
718 s.f. new
228 s.f. garage
- Professional office in warehouse/garage
2,170 s.f. rehab
- Existing open area of lot at NW corner remains open space

REQUIRED ADMINISTRATIVE PROCESSES:

There are several administrative approval steps necessary for a project like this to move forward. Some are typical for any project, but several are unique to historic preservation rehabilitation projects.

- City Of Lawrence:
 - Rezone from RM-12 to RMO or RSO
 - Board of Zoning Appeals for setback variances (necessary due to proximity of existing historic buildings to property lines)
 - Historic Resources Commission review
 - Minor Subdivision Re-Plat (required because existing buildings cross lot lines)
 - Standard Site Plan
 - City Commission approval for economic development incentives
 - Demolition Permit for out buildings and rear porch addition on house
 - Building Permit
- Kansas Historical Society:
 - Parts 1, 2, And 3 of Historic Preservation Tax Credit Applications
- National Parks Service:
 - Parts 1, 2, And 3 of Historic Preservation Tax Credit Applications

PROJECT COSTS:

Three basic components make up the project cost. These are Construction Cost, Development Cost, and Purchase Price of the property. We project the total project cost to be approximately \$896,600.

- CONSTRUCTION COST: We have prepared a detailed construction cost projection for the project (see attached spreadsheet). The current probable construction cost is approximately \$660,000, which is equivalent to \$127 per gross square foot of space, or \$149 per net square foot of finished space.
- DEVELOPMENT COSTS: These include architecture/engineering/consultant fees, permit fees, application fees, financing interest, and a developer's fee. The current total development costs are approximately \$146,600.
- PURCHASE PRICE: The cost to purchase the property is the third component of the project cost. This amount will be discussed later in our proposal.

PROJECT FUNDING:

Three components also make up the project funding. These are Developer Investment, Bank Financing, and Development Incentives.

- DEVELOPER INVESTMENT: Our development group consists of five individuals who are willing to invest a total of \$150,000 of capital toward the project.
- BANK FINANCING: Two banks are interested in providing mortgage financing for the project; both are able to loan up to 80% of the "as-completed as-stabilized" appraised value. The appraised value will be based on the income the property can produce, not what it costs to rehabilitate the property. The amount of bank financing available for the project is approximately \$459,000.
- DEVELOPMENT INCENTIVES: The remainder of initial funding for the project will come from various incentives. These are anticipated to include Historic Preservation Tax Credits, various state and local grants, and "gap" bank financing. In addition to initial development incentives, a Neighborhood Revitalization Act (NRA) property tax rebate is needed for the project to maintain a

positive cash flow for the first 10 years. These amount of these items is discussed in more detail later.

PROJECT PRO FORMA:

In business, *pro forma* financial statements are prepared in advance of a planned transaction to model the anticipated results of the transaction. Particular emphasis is placed on the projected cash flows, net revenues and taxes. We have prepared a detailed *pro forma* spreadsheet, which calculates probable return on investment for our development group. This information determines whether the project is viable from an investment standpoint. It answers the question of whether the rehabilitated property will provide a reasonable return to the investors. What the spreadsheet reveals is that the cost of rehabilitation is too high to make it viable without economic development incentives.

ECONOMIC DEVELOPMENT INCENTIVES:

As part of our investigation of the financial viability of this project we have researched the potential rental income for the property. Market rental rates for the proposed residential and office uses do not by themselves support the cost of the redevelopment. For the redeveloped property to maintain a positive cash flow, financial incentives are required. These incentives take several forms:

- Property Tax Rebate (Neighborhood Revitalization Act)
- Preservation Tax Credits (State and Federal)
- Preservation Grants (State and local)
- Development Rebates (local)

The current *pro forma* includes economic incentives to assist with initial project costs and incentives to assist with cash flow in the early years after completion of the rehabilitation. The following table shows the anticipated initial funding sources included in the current *pro forma* for the project. Amounts are tentative, and depend on actual development costs and securing funding levels from the various sources.

Investor's Equity - cash	16.85%	\$150,000
Fed Tax Credits	7.42%	\$73,000
KS Tax Credits	8.76%	\$86,500
Preservation Grants	5.62%	\$32,000
Development Grants (City)	3.09%	\$26,100
Development Fee Loan	7.69%	\$70,000
Mortgage (not to exceed 80% of appraised)	50.56%	\$459,000
TOTAL PROJECT FUNDING	100%	\$896,600

After the project is completed, our *pro forma* shows that the monthly rental amounts that can be charged for the rehabilitated property are not high enough to sufficiently cover the monthly expenses projected to be incurred. The *pro forma* uses residential rental amounts equivalent to the 85th percentile lease rates, and uses an office rental rate equivalent to 133% of a typical office rental rate for the first three years and 116% for years 4 and 5. The office space will be rented and occupied by Hernly Associates, and we are willing to pay this premium rate in order for the project to have a break-even cash flow for the first five years. The *pro forma* also uses a Neighborhood Revitalization Act economic development incentive rebate equivalent to 90% of the increased property tax for ten years.

Even with these economic development incentives the return to investors for the first 5 years is less than 1% per year, and for the second 5 years is just over 10% per year. In years 10-20, after the NRA tax rebate expires, the return to investors is approximately 4.25% per year. Over the expected 20 year mortgage life of the project the anticipated return on investment averages less than 5% per year.

2. TIMELINE

At this time our development group is ready to move forward with the next steps of the project as soon as we are able to reach a purchase agreement with the City. The next steps will be:

- Execute a purchase agreement
- Submit a rezoning application (Since our redevelopment plan is dependent on rezoning to RMO or RSO our proposal is contingent on rezoning to either of those two zoning districts)
- Submit concept plans to Kansas Historical Society and National Park Service for preliminary review of proposed work (Our project funding is dependent on state and federal preservation tax credits, and the proposed uses are dependent on the proposed design changes to the buildings. Our proposal is contingent on approval of the design concepts by KSHS and NPS.)
- Organize the redevelopment group as a Limited Liability Company (LLC)
- Final approval of rezoning
- Preliminary approval by KSHS and NPS of our proposed design for the project.
- Purchase the property
- Submit a Site Plan for review and approval by City
- Submit design plans for review by Historic Resources Commission
- Submit Board of Zoning Appeals application for setback variances
- Submit demolition application for out-buildings and interior work
- Prepare Construction Drawings
- Obtain contractor bids
- Submit Historic Preservation Tax Credit Applications
- Submit preservation grant applications
- Negotiate NRA tax rebate agreement
- Negotiate development grant agreement with City
- Rehabilitate the existing buildings, construct the new additions, and complete the site improvements

TIMEFRAME:

As you can see there are a number of steps that need to happen before the full vision of a redeveloped project is complete. Our intent is to move forward as soon as we can and to keep moving forward at a good pace. We anticipate a 15 to 18 month timeline for the steps outlined.

3. HISTORIC PRESERVATION STATEMENT

Our vision for 1106 Rhode Island Street will be a high water mark for preservation in Lawrence. This is a property that many people believe is beyond saving, and it will take a determined effort to make the project happen. We are willing to put forth the effort, and we'll need some assistance from the City and Lawrence's preservation community. We will be taking a derelict property and rehabilitating it for first class residential and office use. We will specifically be supporting the following purposes of the "Conservation of Historic Resources Code":

- (1) *Providing a mechanism to identify and conserve the distinctive historic and architectural characteristics and other historic resources of the city which represent elements of the city's cultural, social, economic, political, and architectural history.*

From 1871 to 1963 1106 Rhode Island was the home of the Delahunty Transport Company. As part of the rehabilitation of this property, the Hernly/Myers redevelopment group intends to highlight the historic role of the property in the development of Lawrence. We will promote the historic use of the property as a transport company responsible for delivery of many goods and products throughout the town via horse-drawn wagon in its early years, and with one of the first large delivery trucks in later years.

- (2) *Fostering civic pride in the beauty and noble accomplishments of the past as represented in the City's landmarks, historic districts, and historic resources.*

Since 1985 this property has been an eyesore directly adjacent to downtown. The proposed rehabilitation project will transform the property from a derelict condition to a place of pride and an attractive presence in the city. It will rehabilitate a property that many people think cannot be rehabilitated.

- (3) *Conserving and improving the value of property in and around designated landmarks, historic districts, and within the community.*

Not only is this property a contributing historic property within the North Rhode Island Historic District, it is adjacent to the historic listed Douglas County Court House and the English Lutheran Church. This property is a keystone property at the entrance to East Lawrence from downtown Lawrence on 11th Street. The anticipated value of the property when the project is completed is estimated to be approximately \$580,000, more than six times its current appraised value.

- (4) *Enhancing the attractiveness of the city to residents, current and prospective home owners, visitors, and shoppers, and thereby supporting and promoting business, commerce, industry, and providing economic benefit to the City.*

This property has visually detracted from downtown Lawrence for more than 30 years. While those of us who live here have long since relegated its appearance to our visual background, visitors to downtown notice it as they drive past on 11th Street. The improvement of this property will greatly benefit the economic value of downtown Lawrence and the neighboring properties.

- (5) *Fostering and encouraging preservation, restoration, and rehabilitation of structures, areas, and neighborhoods.*

Rehabilitating a property that appears to be lost to neglect makes a strong statement for preservation. It shows that through creative approaches our cultural heritage can be highlighted in a positive way. This is another project, like the East Lawrence Historic Industrial District, which honors East Lawrence as the city's historic manufacturing and distribution center. Hernly Associates has worked on many preservation projects in East Lawrence; Mike Myers has resided in the neighborhood for twenty years and has been active in ELNA the entire time.

4. STATEMENT OF ABILITY

Stan Hernly and Mike Myers are both architects with Hernly Associates, Inc., and they will head up the development team. They have designed many historic preservation projects in and around downtown Lawrence, including:

- Eldridge Hotel - 1986
- 721 Massachusetts Street (Buffalo Bob's)
- 729-731 Massachusetts Street (House Building)
- 800 Massachusetts Street (Lawrence Building and Loan Trust Company Building)
- 814 Massachusetts Street
- 825-827 Massachusetts Street (Montgomery Ward Building)
- 920-922 Massachusetts Street (C.H. Hunsinger Garage Building)
- 936-938 Massachusetts Street (Eriksen Building)
- Douglas County Court House
- St. Luke A.M.E. Church – Roof & Sanctuary Ceiling Rehabilitation
- Santa Fe Station – CD's for Rehabilitation
- Plymouth Congregational Church

- 804-806 Pennsylvania Street (Poehler Fireworks and Explosives Storage Building)
- 830-832 Pennsylvania Street (Lawrence Poultry Company Building)
- 1312 New Hampshire Street (Myers Residence)
- 1007 Tennessee Street (former Hernly Residence)

Stan and Mike have rehabilitated their own private residences, both of which are in historic districts (Oread Historic District, and South Rhode Island and New Hampshire Street Historic Residential District), acting as general contractors for those projects. For this project they will act as the general contractor, obtaining a Class B Contractor License from the City of Lawrence.

List of Similar Projects Completed in Last Three Years

Historic preservation projects that Stan Hernly and Mike Myers have designed in the past three years include:

- 720-722 Main Street – Historic Structure Report, Eudora, KS
- 814 Massachusetts Street – Restaurant and Apartment Rehabilitation, Lawrence, KS
- 920 Massachusetts Street – The Roost Restaurant Rehabilitation, Lawrence, KS
- 1031 Massachusetts Street – Harbour Lights Rehabilitation, Lawrence, KS
- 1145 Indiana Street – Apartment House Rehabilitation, Lawrence, KS
- Douglas County Court House – Phase 1 Exterior Stone Restoration, Lawrence, KS
- First Presbyterian Church – Electrical Rehabilitation, Leavenworth, KS
- Robert Hall Pearson Farmhouse – Preservation Project, Baldwin City, KS
- Santa Fe Station – CD’s for Rehabilitation, Lawrence, KS
- Shaft House – Historic Structure Report & CD’s for Framing/Waterproofing, Chase Co., KS
- St. Martha’s A.M.E. Church – Roof Structure Rehabilitation, Highland, KS
- Wellsville Bank – Existing Conditions Assessment, Wellsville, KS
- White School House – Rehabilitation, Lawrence, KS

5. CONCEPT DESIGN

Attached are Site Plan, Floor Plans, and 3-D Model Images for the proposed rehabilitation of 1106 Rhode Island Street.

6. PUBLIC SPACE IMPROVEMENTS

Public space improvements for the project are fairly small compared to the overall project. They consist of two entrance drives, which replace two existing entrance drives, one off of 10th Street into a proposed new parking lot and one off of Rhode Island Street to two existing parking spaces. There will also be some general maintenance of existing brick sidewalks within the public R.O.W. We are proposing to provide these improvements as part of our development plan, and are not asking for the City to complete these improvements.

The project however is in need of some financial assistance to help make the project financially viable. We anticipate requesting a rebate of some fees associated with the project, or some financial assistance with specific things. These include the following items and their estimated costs:

Replat submittal/review fee rebate	\$200
Rezoning submittal/review fee rebate	\$200
Site Plan submittal/review fee rebate	\$200
BZA submittal/review fee rebate	\$200
Demolition Permit for out buildings and rear porch on house rebate	\$50
Building Permit fee rebate	\$3,950

Dumpster during construction rebate	\$3,450
Water service connections house/apartment and office – rebate from utility funds for installation of new water service lines	\$7,350
Sanitary sewer service connections house/apartment and office – rebate from East Lawrence sanitary sewer system upgrade program	\$10,500
TOTAL ESTIMATED FINANCIAL ASSISTANCE FROM CITY	\$26,100

7. PURCHASE PROPSAL

Rehabilitation of 1106 Rhode Island Street provides an opportunity to bring a derelict property into a good and profitable use and our development group is working to find a way to bring the project to fruition, but it is not easy. The “improvements” (ie. the buildings) on the property have been allowed to languish for so long that they actually subtract from the value of the property rather than add to the value. The property would be worth more if the buildings were demolished and removed rather than left in place.

In March of 2013 Keller and Associates prepared a property appraisal of 1106 RI as part of our discussion with Douglas County Bank for financing the possible purchase and rehabilitation. The appraisal was very comprehensive and helpful in our determination of a value for the property. The appraisal gives a value of the property as vacant land ready to be developed as \$105,000. It indicates the “improvements” (the buildings) subtract from the value of the property. Since it is not vacant land, we have calculated what it would cost to get it to a “vacant” condition. The following table shows our calculations.

Value of 1106 Rhode Island as vacant land (Keller appraisal)	\$105,000
Cost to demolish all structures (bid from subcontractor)	\$9,500
Cost to disconnect all utilities (estimate)	\$500
Cost to obtain demolition approval through City processes (estimate)	\$5,000
Value of 1106 RI with buildings in place as-is	\$90,000

Our development group believes that a fair price for 1106 Rhode Island Street, in it's as-is condition, is **\$90,000.00** (ninety thousand dollars).

Our rehabilitation plan is dependent on two key issues:

- Rezoning the property to RSO or RMO
- Approval by KSHS and NPS of an addition to the house and interior space reconfiguration of the warehouse.

We propose that we move forward with a rezoning application to the city and a preliminary design submittal to KSHS and NPS. Payment for purchase of the property will be a lump sum amount of \$90,000.00 from our development group to the City upon final approval of rezoning to either RSO or RMO, and preliminary approval from KSHS and NPS for our design concept for an addition to the house and reconfiguration of the interior warehouse space.

Please let me know if you have any questions regarding the proposed project or the information provided.

Sincerely,



Stan Hernly

May 30, 2014

City of Lawrence
Mayor and City Commissioners
6 E 6th Street
Lawrence, KS 66044

Re: 1106 Rhode Island Street Property

Hernly Associates and our development group are very excited about the potential rehabilitation of 1106 Rhode Island Street. This project provides an opportunity to bring a derelict property into a good and profitable use and eliminate a 30+ year old eyesore from downtown Lawrence. We are working hard to find a way to bring the rehabilitation to fruition, but it is not easy. The "improvements" (ie. the buildings) on the property have been allowed to languish for so long that they actually subtract from the value rather than add to the value. The property would be worth more if the buildings were demolished and removed rather than left in place.

We have prepared detailed construction cost projections for the rehabilitation work and we have prepared detailed pro forma spreadsheets for the entire project, which calculates probable return on investment for our development group. We have prepared pro forma scenarios with and without economic development incentives. In order to make the project feasible we are requesting a development rebate grant of up to \$26,100 and a Neighborhood Revitalization Area designation for 85% property tax rebate of the incremental increase of property taxes over ten years.

What our pro forma spreadsheets reveal is that the cost of rehabilitation is too high to make it viable without economic development incentives. There are two sticking points in this regard. One is the amount of financing available for the project and one is the potential cash flow after rehabilitation.

PROJECT FUNDING:

Three components make up the project funding. These are Developer Investment, Bank Financing, and Development Incentives.

- **DEVELOPER INVESTMENT:** Our development group consists of five individuals who are willing to invest a total of \$150,000 of capital toward the project.
- **BANK FINANCING:** Two banks are interested in providing mortgage financing for the project; both are able to loan up to 80% of the "as-completed as-stabilized" appraised value. The appraised value will be based on the income the property can produce, not what it costs to rehabilitate the property. The amount of bank financing available for the project is approximately \$459,000.
- **DEVELOPMENT INCENTIVES:** The remainder of initial funding for the project will come from various incentives. These are anticipated to include Historic Preservation Tax Credits, various state and local grants, and "gap" bank financing.

The following table shows the anticipated initial funding sources included in the *pro forma* with a city grant. Amounts are tentative, and depend on actual development costs and securing funding levels from the various sources.

Investor's Equity - cash	16.85%	\$150,000
Fed Tax Credits	7.42%	\$73,000
KS Tax Credits	8.76%	\$86,500
Preservation Grants	5.62%	\$32,000
Development Grants (City)	3.09%	\$26,100
Development Fee Loan	7.69%	\$70,000
Mortgage (not to exceed 80% of appraised)	50.56%	\$459,000
TOTAL PROJECT FUNDING	100%	\$896,600

We are using state and federal historic preservation tax credits to help close some of the funding gap. These use a portion of the depreciation typically spread over the depreciable life of the property as “upfront development cash” in lieu of depreciation. We will use secondary bank funding to convert the federal tax credit to “development cash”, and also to cover a portion of non-construction development costs.

The last funding piece is grants, and both pro formas show that approximately \$58,000 in grant funds is needed to fully fund the project. We will apply for local and state historic preservation grants, but these are very competitive, especially for an entity that is not a non-profit organization. The pro forma with a City grant of \$26,100 reduces the historic preservation grant level required to \$32,000, which seems more possible. The city grant request is for fees that would be paid to the city as part of the development, or items which the city has potential in-house funding sources to cover the cost of the work. We have estimated the construction amounts using Means Cost Estimating Manuals and have used City fee schedules for others. The amounts are as shown in the following table:

Replat submittal/review fee rebate	\$200
Rezoning submittal/review fee rebate	\$200
Site Plan submittal/review fee rebate	\$200
BZA submittal/review fee rebate	\$200
Demolition Permit for out buildings and rear porch on house rebate	\$50
Building Permit fee rebate	\$3,950
Dumpster during construction rebate	\$3,450
Water service connections house/apartment and office – rebate from utility funds for installation of new water service lines	\$7,350
Sanitary sewer service connections house/apartment and office – rebate from East Lawrence sanitary sewer system upgrade program	\$10,500
TOTAL ESTIMATED FINANCIAL ASSISTANCE FROM CITY	\$26,100

CASH FLOW:

The second, and most significant sticking point, is that the monthly rental amounts that can be charged for the rehabilitated property are not high enough to sufficiently cover the monthly expenses projected to be incurred. Our pro formas use residential rental amounts equivalent to the 85th percentile lease rates for the residential portion of the property. For the office portion, the portion that will be occupied by Hernly Associates, the pro forma with NRA and City Grant uses a premium lease rate for the first five years to maintain a positive cash flow; the pro forma without NRA or City Grant uses a super-premium lease rate, which is not realistic or sustainable.

The NRA property tax rebate requested is 85% of the tax increment increase on the property improvements for 10 years. Our pro formas show that a Neighborhood Revitalization Area economic development incentive that rebates 85% of the projected property tax increase for ten years makes the difference between a viable development project and one that investors would not support.

The two comparative pro forma spreadsheets, one with and one without economic development incentives, provide a “but-for” comparison for you to consider. The comparison between the two over a 10-year and 20-year time period are shown in the following table:

	With ED Incentives	Without ED Incentives
10 Year Ave. Annual Return on Investment	7.13%	1.60%
20 Year Ave. Annual Return on Investment	9.72%	6.82%

Without economic development incentives no investor can justify investing in this project. Without incentives the residential and office lease rates can't support the necessary cash flow needed for the project. Without economic development incentives this project is not viable.

The requested Development Grant from the City and the requested NRA tax rebate aren't just incentives, they are the funds that make it possible to reach the long term goal of rehabilitating this historic property. With the incentives this project becomes viable for our investors.

Please let me know if you have any questions regarding the proposed project or the information provided.

Sincerely,



Stan Hernly

City of Lawrence, Kansas Application for Economic Development Support/Incentives



The information on this form will be used by the City to consider your request for economic development support and may also be used to prepare a cost-benefit or other analysis of the project. Information provided on this form will be available for public viewing and will be part of compliance benchmarks, if approved for economic development support. Prior to submission, applicant may wish to seek technical assistance from City Staff, the Chamber of Commerce, the Small Business Development Center, or others to address questions and ensure the application is complete.

Please provide data in the cells below. Applicant is encouraged to attach additional pages as necessary to fully explain and support the answers to each question. Note anything additional you wish the City to take into consideration for your request and provide supporting documentation.

Applicant Contact Information	
Name:	Stan Hernly
Title:	Managing Partner
Organization:	1106 Rhode Island Street Investors, LLC
Address 1:	920 Massachusetts Street
Address 2:	Lawrence, KS 66044
Phone:	785-749-5806
Email:	stan@hernly.com
Fax:	785-749-1515

Application Tips:

Enter contact information for the company representative completing this application.

Economic Development Support Requested		
City Incentives	Amount	Term (in years)
Tax Increment Financing District (TIF)		
Transportation Development District (TDD)		
Neighborhood Revitalization Area (NRA)	85%	10 years
Tax Abatement (TA)		
Industrial Revenue Bonds (IRBs)		
Community Improvement District (CID)		
Other (Please Describe):		

Application Tips:

Applicable Terms:

- TIF: Up to 20 years
- TDD: Up to 22 years
- TA: Up to 10 years
- CID: Up to 22 years

IRBs: If applying for IRBs, please enter the amount that will cover all construction costs for the project. Enter "n/a" for term.

Examples: City provided water main along ABC Street from 1st Street to 2nd Street, employee training grant for 5 years at \$500/new employee, etc.

Project Information		
Name of Company Seeking Incentive(s):	1106 Rhode Island Street Investors, LLC	
Project Type (check one):	Expansion:	
	New Facility:	X
Company Type (check one):	Existing Local Company:	X (New local comp.)
	Out-of-Area Company Locating Locally:	
Current Company Address:	920 Massachusetts Street	
Location of Proposed New Facility/Expansion Project:	1106 Rhode Island Street	
Describe the Company's Plans to Develop or Expand in the Community: 1106 RI Investors plans to construct an addition to the house and to rehabilitate the existing contributing historic buildings at 1106 RI. This will convert the vacant buildings into useable leasable residential and office structures.		
Operations Start Date at the Expansion or New Facility:	July 2015	
Industry NAICS # for the New or Expanded Facility (6-digit code):	541310 531110	
Describe the Primary Industry the New or Expanded Facility Will Support: The 1106 RI property will consist of two residential rental units, a 3-Bedroom, 2-Bath unit, and a 1-Bedroom, 1-Bath unit. It will also provide 2,170 s.f. of professional office space, which will be occupied by Hernly Associates, Inc., an existing local architecture firm.		

Application Tips:

Company's Plans: e.g. ABC manufacturing is the nation's largest processors of wind turbine components. The company plans to construct a new 250,000 sf manufacturing plant in Commerce Park, initially employing 150 with an average annual salary of \$35,000 each. Another 50 employees will be hired in Year 5 and 40 in year 7. The firm expects to initially invest \$5 million in land and buildings and anticipates a 50,000 sf, \$2 million expansion in Year 5 and another 50,000 sf expansion in Year 7.

Link for NAICS code lookup:

<http://www.naics.com/search.htm>

Capital Investment Information for New Facility or Expansion			
Estimated Size of New Facility (square feet):	4,978 s.f.		
Estimated Size of Land for New Facility (acres):	.269 acres		
For the new or expanded facility, enter the amount the company anticipates spending for initial and subsequent investments in land, buildings and improvements (do not include machinery or equipment):			
Year	Buildings & Other Real Property Improvements	Land	Total
1	\$806,585	\$90,000	\$896,585
2			
3			
4			
5			
6			
7			
8			
9			
10			
Total	\$806,585	\$90,000	\$896,585
Will land be leased from the City or County (Y/N):	N		
If yes, Monthly Lease Rate for Land:			

Application Tips:

If expansion, only include information on size and values of the new facility, not existing facility.

If land is currently owned, enter current land value from Douglas County property tax records. Otherwise, enter the market value amount the company will pay for land.

Local Utility Expenses		
Utility	Current Local Monthly Expenses	Projected Local Monthly Expenses at New Facility
Gas		\$50(Off) \$75(House) \$40(Apt)
Electricity		\$250(Off) \$125(Hs) \$75(Apt)
Phone		\$875(Off) \$50(Hs) \$50(Apt)
Cable		\$60 (Off) \$100(Hs) \$100(Apt)
Operating Expenditures		
For Expansion Projects, Current Annual Operating Expenses at Existing Facility:		\$580,000 (Off) \$0 (House/Apt)
Annual Operating Expenses after Expansion/Relocation:		\$620,000(Off) \$42,300(Hs/Apt)
% of Additional Operating Expenses Anticipated to be Spent Locally:		100%
Exports		
% of Revenues at the new Lawrence Facility Anticipated to Come from Non-Local Sources.		90%

Application Tips:

Current Local Monthly Expenses: Enter 0 for an out-of-area relocation or if project involves a separate, new facility.

Projected Local Monthly Expenses: Enter expense amounts anticipated at the new facility.

Existing Facility Annual Operating Expenses: Enter 0 if project is being relocated from out-of-area or if project involves a separate, new facility.

% Additional Operating Expenses Spent Locally: Enter % of operating expenses anticipated to be spent in Lawrence/Douglas County as a result of the project.

Exports: Enter % of revenues (from the sale of goods or services) anticipated to be generated from sources outside of Lawrence/Douglas County.

IRB and Tax Abatement Request Information	
If you are seeking an IRB, please list the firm that will be receiving the IRB:	
Will your firm be leasing the building or the land in your expansion or newly constructed facility? (Y/N)	
If you are leasing the building or land, and you are seeking a tax abatement <u>without</u> an IRB, please list the tenant and owner and the financial relationship between tenant and owner.	
Total Cost of <u>Initial</u> Construction for the Project:	
Estimated Cost of Construction Materials for <u>Initial</u> Construction:	
Anticipated Annual Gross Profits:	

Application Tips:

Anticipated Annual Gross Profits: If you are seeking a tax abatement or an IRB, please provide an estimate of anticipated Annual Gross Profits (\$). Note: For expansions, please enter anticipated gross annual profits from expansion.

This question helps estimate the impact of your incentive request on the State of Kansas, which is required for all tax abatements and IRBs.

Environmental Information	
Will the new facility meet Energy STAR criteria? (Y/N)	N
Will the project seek or be designed to LEED certification standards? (Y/N)	N
<i>If yes, please indicate level:</i>	Certification
	Silver
	Gold
	Platinum
Please describe environmentally friendly features of the project:	
<p>Rehabilitating existing historic structures rather than demolishing and constructing all new buildings. Maintaining open green space on portion of lot nearest the intersection of 11th & Rhode Island Streets. Maintaining existing brick sidewalks along 11th & Rhode Island Streets. High-efficiency heating/cooling, low-energy lighting (T-5 fluorescent and led).</p>	
Please describe anticipated positive environmental impacts resulting from the project:	
<p>Rehabilitating dilapidated historic buildings that are an eyesore directly across the street from a major public facility (Douglas County Judicial Center) and that are very visible from a collector street (11th) feeding into downtown Lawrence. Maintaining as much open green space as possible.</p>	
Please describe anticipated negative environmental impacts and planned remediation efforts:	
<p>Eleven parking spaces are required for the proposed project and a single parking lot for that many cars would take up all the open green space on the property. The proposed parking is dispersed into three separate areas on the site so open green space can be maintained at the northwest corner, nearest to the intersection of 11th & Rhode Island.</p>	

Application Tips:

Environmentally Friendly Features: e.g. Low-energy, led lighting used throughout, pedestrian friendly elements including green space, bike paths, water saving native plantings used in landscapes, etc.

Additional Community Benefits

Describe Other Local Economic Benefits Resulting From Project:

The proposed office use will bring clients to downtown area; many clients will go for breakfast/lunch/dinner before or after a meeting at the office.

Two new apartments will bring new residents closer to downtown shops and restaurants.

Application Tips:

Local Economic Benefits: Include additional benefits not directly related to project capital investment and direct employment (e.g. Project attracting overnight visitors that will spend on lodging, entertainment, food and beverages, shopping, etc.)

Describe Other Quality of Life Benefits Resulting From Project:

Buildings that have been a visual detriment to the downtown area for at least thirty years will become a visual attraction for the downtown area. The rehabilitation of these buildings will show that historically significant structures can be saved with cooperation between public and private sectors. Local organizations that support historic preservation will be given an opportunity to financially participate in a significant rehabilitation project of a property that many thought could not be saved.

Quality of Life Benefits: Include tangible and intangible benefits; such as how company is/will be a good corporate citizen, community involvement, local philanthropy efforts, and how project /company will contribute to local well being of citizens.

Employment Information									
Construction Employment for New Facility or Expansion									
# Full-Time, Construction Jobs:							9		
Average Annual Salary for Full-Time, Construction Workers (during construction period):							\$38,688		
Construction Period (months):							12		
For Expansion, # of Full-Time Employees Currently Working in Lawrence: 4									
New Employment Resulting from Project									
Net New Jobs (full-time, permanent)	Year	Hernly Assoc.							
		# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary
	1								
	2	1	35,000						
	3	1	50,000						
	4								
	5								
	6								
	7								
	8								
	9								
10									
	Total								
Anticipated # of Employees to Be Relocated Locally as a Result of the Project									
# of Net New Full-Time Employees Anticipated to be Relocated From Outside of Kansas:									
# of Net New Full-Time Employees Anticipated to be Relocated from Outside of Lawrence/Douglas County:									
# of Local, Full-Time Jobs Anticipated At End of Incentives Period: 6									

Application Tips:

Enter 0 if project is new or relocation.

Enter information by major job category (e.g. administrative, support, professional, executive, production, etc.)

For a local expansion, Net New Jobs = number of additional employees to be hired each year, excluding employees that are already employed in Lawrence.)

Average Annual Salary: Only provide wage information. Do not include the value of non-wage benefits such as insurance and time off.

Jobs at End of Incentives Period: Enter total number of full-time employees (existing & new) anticipated to be employed at the new facility over the term of incentives (e.g. If applying for a 10-year tax abatement, this would be the total number of local Existing (if expanding) + Net New full-time jobs anticipated at the end of that 10-year period.)

Employee Benefits	
Description	After Expansion or Relocation
% of Employees with Company Provided Health Care Insurance	100%
% of Health Care Premium Covered by Company	90%
% of Employees with Company Provided Retirement Program	100%
Will You Provide Job Training for Employees? (Y/N)	Y
<i>If Yes, Please Describe:</i> Depending on prior work experience, job training may include training in specific areas related to general architecture and to historic preservation architecture.	
What is the Lowest Hourly Wage Offered to New Employees?	\$15
What Percentage of Your New Employees Will Receive this Wage?	0%
Will You Provide Additional Benefits to Employees? (Y/N)	
<i>If Yes, Please Describe:</i>	

Disclosures	
Company Form of Organization: Limited Liability Corporation	
Company Principals: Stanley C. Hernly, Managing Partner	
List all subsidiaries or affiliates and details of ownership:	
Subsidiary :	
Principals:	
Has Company or any of its Directors/Officers been involved in or is the Company presently involved in any type of litigation?	No
Has the Company, developer or any affiliated party declared bankruptcy?	No
Has the Company, developer or any affiliated party defaulted on a real estate obligation?	No
Has the Company, developer or any affiliated party been the defendant in any legal suit or action?	No
Has the Company, developer or any affiliated party had judgments recorded against them?	No
<i>If the answer to any of the above question is yes, please explain:</i>	

Note: Applicant may be required to provide additional financial information for the project and company.

When you have completed this form to your satisfaction, please sign and send, along with applicable application fee(s) to:

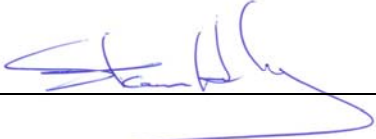
City of Lawrence
Attn: Economic Development Coordinator
6 East 6th Street
Lawrence, KS 66044
Fax: 785-832-3405
Email: bcano@lawrenceks.org

Application Fees	
Tax Abatement	\$500
Industrial Revenue Bonds (IRB)	\$1,000
Community improvement District (CID)	\$2,500
Neighborhood Revitalization Area (NRA)	n/a
Transportation Development District (TDD)	n/a
Tax Increment Financing (TIF)	n/a
Other	n/a

I hereby certify that the foregoing and attached information contained is true and correct, to the best of my knowledge:

Applicant/Representative: Stanley C. Hernly

(Please Print)

Signature: 

Date: May 30, 2014

RESOLUTION NO. 6954

A RESOLUTION ESTABLISHING A POLICY OF THE CITY OF LAWRENCE, KANSAS RELATING TO NEIGHBORHOOD REVITALIZATION AREAS.

WHEREAS, the City of Lawrence, Kansas (the "City") is committed to the high quality and balanced growth and development of the community while preserving the City's unique character and broadening and diversifying the tax base; and

WHEREAS, the economic development goals of the City include the expansion of existing businesses, development of new businesses, economic development activities which are environmentally sound, diversification of the economy, quality in-fill development, historic preservation, and the creation of quality jobs; and

WHEREAS, neighborhood revitalization areas are an economic development tool established by K.S.A. 12-17,114 et seq. (the "Neighborhood Revitalization Act") which can assist with spurring reinvestment and revitalization of properties which can benefit a neighborhood and the general public; and

WHEREAS, the City finds it in the best interest of the public to establish certain policies and guidelines for the consideration of requests to utilize the Neighborhood Revitalization Act ("NRA") within the City of Lawrence.

NOW, THEREFORE, THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS DOES HEREBY RESOLVE;

SECTION ONE: This policy shall be entitled the Neighborhood Revitalization Act Policy of the City of Lawrence.

SECTION TWO: POLICY STATEMENT: It is the policy of the City to consider the establishment of Neighborhood Revitalization areas in order to promote reinvestment and revitalization of properties which in turn have a positive economic effect upon a neighborhood and the City in general. An applicant may request the City consider the establishment of a Neighborhood Revitalization area under the NRA either for a specific property, group of properties or neighborhood area. In considering the establishment of an NRA, the Governing Body shall consider the criteria outlined in Section Three. In determining the amount of a rebate, the Governing Body may balance the desirability of the project versus the amount and duration of the rebate and the requirements set forth in Section Four. It is the policy of the City to only consider the establishment of Neighborhood Revitalization areas which yield a benefit/cost ratio of at least 1.25.

SECTION THREE: CRITERIA:

1. ELIGIBLE AREAS: Eligible areas may include a defined geographic area which encompasses more than one property, or it may be a single property/lot.

2. STATUTORY FINDINGS AND OTHER CRITERIA:

A. STATUTORY CRITERIA. It shall be the policy of the City to create a Neighborhood Revitalization area, if, in the opinion of the Governing Body, the rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of the residents of the City of Lawrence, it is in the best interest of the City to do so, and if, in the opinion of the Governing Body, one of the following findings, set forth in K.S.A. 12-17,115 can be made:

1. An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation, light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare;
2. an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use; or
3. an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use.

B. OTHER CRITERIA. Additionally, the Governing Body will consider whether a project meets the Policy Statement outlined in Section Two, and the project meets a majority of the following criteria when considering the establishment of a Neighborhood Revitalization area:

1. the opportunity to promote redevelopment activities which enhance Downtown Lawrence;
2. the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized;
3. the opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base;
4. the opportunity to enhance the vitality of a neighborhood within the City as supported by the City's Comprehensive Plan and/or other sector planning documents;
5. the opportunity to enhance the community's sustainability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.

SECTION FOUR: AMOUNT OF REBATE:

As a standard practice, the City will not provide a rebate amount in excess of 50% of the incremental property taxes and will not establish an NRA for a period of time longer than 10 years. The City may consider a greater rebate and/or a longer duration if sufficiently justified in the “but for” analysis required by Section Five. The determination of the rebate amount and duration of the NRA is the sole discretion of the Governing Body.

SECTION FIVE: PROCESS:

1. An applicant wishing to request that the City to create a Neighborhood Revitalization Area in the City of Lawrence shall submit a request to the City. The request shall include information that would be required for a revitalization plan. Such requirements are set forth in K.S.A. 12-17,117. The applicant shall also submit a “but for” analysis to the City demonstrating the need for the NRA and the purpose for which the NRA revenue will be used. The analysis should support that “but for” the NRA, the project will be unable to proceed. The applicant shall provide City Staff with pro forma cash flow analysis and sources and uses of funds in sufficient detail to demonstrate that reasonably available conventional debt and equity financing sources will not fund the entire cost of the project and still provide the applicant a reasonable market rate of return on investment.

The applicant shall furnish such additional information as requested by the City in order to clarify the request or to assist staff or the Governing Body with the evaluation of the request.

2. The Governing Body shall receive the request and determine whether to consider the request or deny the request. If the Governing Body wishes to consider the request, the request shall be referred to the City’s Public Incentive Review Committee for review and a recommendation. Staff will perform a benefit/cost analysis on the project. The Governing Body may also set a date for a public hearing to consider the establishment of a revitalization area and a revitalization plan.

3. Douglas County and USD 497 are also important parties related to a NRA request. When an NRA is considered, the City and the applicant will work with Douglas County and USD 497 to seek concurrence from these entities regarding the establishment of an NRA.

4. The Governing Body will determine whether one of the findings set forth in Section Three can be made regarding the request. Additionally, the Governing Body shall consider the other criteria outlined in Section Three.

5. The Governing Body shall hold a public hearing, after the required statutory notice is provided, and consider adoption of the revitalization plan to establish the revitalization area.

6. The City will require a performance agreement with the property owner to require adherence to the adopted Neighborhood Revitalization Plan.

7. The merits of the proposal under this policy shall guide the decision on the application without regard to the applicant.

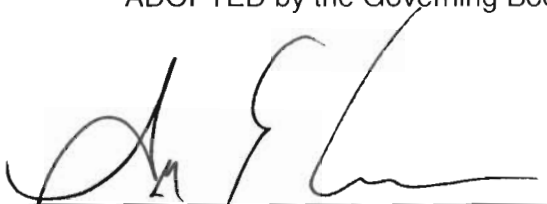
SECTION SIX: PUBLIC INCENTIVES REVIEW COMMITTEE AND GOVERNING BODY ANNUAL REVIEW OF THIS POLICY: Annually, the Public Incentives Review Committee and the Governing Body shall review this policy.

SECTION SEVEN: AUTHORITY OF GOVERNING BODY: The Governing Body reserves the right to deviate from any policy, but not any procedure set forth in state law, when it considers such action to be of exceptional benefit to the City or extraordinary circumstances prevail that are in the best interests of the City. Additionally, the Governing Body, by its inherent authority, reserves the right to reject any proposal or petition for creation of a NRA at any time in the review process when it considers such action to be in the best interests of the City.

SECTION EIGHT: REPEAL OF RESOLUTION 6921. Resolution 6921 is hereby repealed.


SECTION NINE: EFFECTIVE DATE: This Resolution shall take effect immediately.

ADOPTED by the Governing Body this 25th day of October, 2011.



Aron E. Cromwell, Mayor

ATTEST:



Jonathan M. Douglass, City Clerk

**REAL PROPERTY APPRAISAL
SUMMARY REPORT**

**BARLAND PROPERTY
1106 RHODE ISLAND
LAWRENCE, KANSAS 66044**

*Effective Date of Valuation
September 26, 2013*

*Date of the Report
September 30, 2013*

Prepared for

*Mr. R. Scott Wagner
City of Lawrence*

Prepared by

KELLER AND ASSOCIATES

File Number 13-729

September 30, 2013

Mr. R. Scott Wagner
City of Lawrence
Management Analyst
6 E. 6th Street
Lawrence, KS 66044

Re: Summary Appraisal Report - Market Value of the Fee Simple Estate in the Single Family Home known as the Barland Property, located at 1106 Rhode Island in Lawrence, Douglas County, Kansas 66044.

Dear Mr. Wagner,

In accordance with your authorization, we have conducted the investigation necessary to form an opinion of Market Value of the Fee Simple Estate in the above captioned subject property.

The Summary appraisal report that follows sets forth the identification of the property, the assumptions and limiting conditions, pertinent facts about the area and the subject property, comparable market data, the results of the investigation, and the reasoning leading to the conclusions set forth. Please pay particular attention to the Extraordinary Assumptions and Hypothetical Conditions regarding lack of environmental and engineering report.

The report that follows is a Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop our opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in our file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated in the report. We are not responsible for unauthorized use of this report. The property was inspected by and the report was prepared by Matt Speer. The report was reviewed by Timothy J. Keller, MAI who also made a personal inspection of the subject property.

**KELLER &
ASSOCIATES**

**REAL ESTATE
APPRAISERS AND
CONSULTANTS**

120 E. NINTH ST., SUITE 201
LAWRENCE, KANSAS 66044
PHONE (785) 841-0110
FAX (785) 841-0148

Per conversations with the client and the intended use of the report, the scope of work in this report is intended to be consistent with industry standards and has been performed so as to develop a credible report.

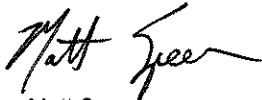
Current Market Value As Is

Based on the inspection of the property and the investigation and the analysis undertaken, we have formed the opinion that as of September 26, 2013, the Market Value As Is of the Fee Simple Estate, in the subject property was:

**NINETY FIVE THOUSAND DOLLARS
(\$95,000)**

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits and Addenda.

Sincerely,
Keller & Associates, Inc.




Matt Speer
State Certified General Appraiser, Kansas No. G-2925
mspeer@kellerappraisal.com



Timothy J. Keller, MAI
State Certified General Appraiser, Kansas No. G-911
tkeller@kellerappraisal.com

CERTIFICATION

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Matt Speer has personally inspected the subject property.
- No one provided significant professional assistance to the person(s) signing this report.
- I have appraised this property in the previous three years for a different client.



Matt Speer

State Certified General Appraiser, Kansas No. G-2925

CERTIFICATION

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Timothy J. Keller, MAI has personally inspected the subject property.
- No one provided significant professional assistance to the person(s) signing this report.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Timothy J. Keller, MAI has completed the continuing education program of the Appraisal Institute.
- I have appraised this property in the previous three years for a different client.



Timothy J. Keller, MAI

State Certified General Appraiser, Kansas No. G-911

EXECUTIVE SUMMARY



PROPERTY ID	609018
PROPERTY NAME	Barland Property
LOCATION	1106 Rhode Island Lawrence, Kansas 66044
PROPERTY TYPE	Multifamily
EFFECTIVE DATE OF VALUE	September 26, 2013
OWNER OF RECORD	Emma Deane Barland (Pursuant to the Last Will & Testament of Raymond F. Barland admitted to probate)
LAND AREA	
LAND ACRES	0.27
LAND SQUARE FEET	11,700
BUILDING AREA	
SF HOUSE	1,163 Square Feet
OTHER IMPROVEMENTS	1,702 Square Feet (First Floor Only)
YEAR CONSTRUCTED	1871
CURRENT OCCUPANCY	.0%
ZONING CODE	RM12, Multifamily, 12 units per acre
HIGHEST AND BEST USE	Hold for Future Redevelopment
VALUE INDICATIONS	
LAND VALUE	\$100,000
SALES COMPARISON APPROACH	\$90,000
FINAL VALUE ESTIMATE	\$95,000

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

This appraisal is subject to the following assumptions and limiting conditions that are specific to the subject property or to this report.

1. The appraisers were not provided with a property condition report or an environmental site assessment. Had these been provided our estimate of value may be impacted.
2. The appraisers did not make an interior inspection of the property for this report. The appraisers are making an extraordinary assumption that the interior is in similar condition to the prior inspection on March 16, 2013. If this is not the case, our opinion of value may be impacted.

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is also subject to the following general assumptions and limiting conditions.

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. All sketches in this report are intended to be visual aids and should not be construed as surveys of engineering reports.
4. All information in this report has been obtained from reliable sources. We cannot, however, guarantee or be responsible for the accuracy of information furnished by others.
5. This opinion of value applies to land and improvements only. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.
6. Possession of this report or a copy thereof does not imply the right of publication or use for any purpose by any other than the addressee, without the written consent of the appraiser.
7. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless prior agreements have been made in writing.
8. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
9. The land, and particularly the soil, of the area under appraisal appears firm and solid. Subsidence in the area is unknown or uncommon, but we do not warrant against this condition or occurrence.
10. Subsurface rights (minerals and oil) were not considered in making this appraisal.
11. We inspected the buildings involved, if any, in this appraisal report and damage, if any, by termites, dry rot, wet rot, or other infestations was reported as a matter of information, and no guarantee of the amount or degree of damage, if any, is implied.
12. The comparable sales data relied upon in this appraisal is believed to be from reliable sources; however, it was not possible to inspect the comparables completely, and it was necessary to rely upon information furnished by others as to said data, therefore, the value conclusions are subject to the correctness and verification of said data.
13. We inspected, as far as possible, by observation the land and the improvements thereon; however, it was not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made herein as to these matters and unless specifically considered in the report, the value estimate is subject to any such conditions that could cause a loss in

value. Condition of heating, cooling, ventilating electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.

14. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to our attention nor did we become aware of such during our inspection. We have no knowledge of the existence of such materials on or in the property unless otherwise stated. However, we are not qualified to test such substances or conditions. If the presence of substances such as asbestos, urea formaldehyde foam insulation, radon gas or other hazardous substances or environmental conditions may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field or environmental impacts upon real estate if so desired.
15. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. Unless otherwise noted within the appraisal report, we have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.
16. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser or firm with which he is connected, or any reference to the Appraisal Institute.

INTRODUCTION

Identification of the Property

The subject property is a 1.5-story Single Family Residential property located at 1106 Rhode Island, Lawrence, Douglas County, Kansas. Constructed in 1871, the building is of Wood Frame construction and contains approximately 1,163 square feet of gross building area. There are other site improvements including a barn/garage, shed, and outhouse that combined measure roughly 1,702 square feet. All of the improvements are in poor condition. The subject property has been vacant for a prolonged amount of time. The improvements are situated on a 0.27 acre (11,700 square foot) site.

The subject is a contributing property to the North Rhode Island Historic District, which is the same as being on the National Historic Register. In order to receive a permit for demolition or construction it would need to go through the Historic Resources Commission.

Ownership and Sales History

The owner of record is Emma Deane Barland (Pursuant to the Last Will & Testament of Raymond F. Barland admitted to probate). There have been no sales in the past three years. In addition, the subject is currently listed for sale by owner. It is the appraisers understanding that the owner has in negotiations with a local architecture firm for the property, but the parties were not able to agree to terms. Stan Hernly indicated that his final offer for the property was \$90,000. Mr. Hernly indicated that the owner's final offer was \$110,000.

However, due to the current physical condition of the property, the City of Lawrence is contemplating condemnation proceedings on the property.

Identification of the Appraisal Problem

Purpose and Property Rights Appraised

The purpose of the appraisal is to estimate Market Value of the Fee Simple Estate in the subject property.

Effective Date

The effective date of this appraisal is September 26, 2013. The appraisers made an exterior inspection of the property on September 26, 2013. As part of a previous assignment the appraisers performed a full inspection of the property on March 16, 2013 with a representative of the owner, Brian Barland, and Stan Hernly who was attempting to purchase the property.

Date of Report

The date of this report is September 30, 2013. A comparison of the date of the report to the effective date of the appraisal indicates that our conclusions are reflective of Current market conditions.

Client and Intended Use

This appraisal was prepared for use by City of Lawrence to document the market value for possible condemnation proceedings.

Appraiser Competency

No steps were necessary to meet the competency provisions established under USPAP. Please refer to the Appraiser Qualifications at the end of our report.

Scope of Work

Based on conversations with the client and the intended use of the report, a Summary report applying the Sales Comparison Approach to value to estimate the underlying land value was considered appropriate to produce a credible report. There is not considered to be any contributory value from the improvements given their condition. As support for our conclusion, the appraisers have cross checked our analysis by reviewed sales of residences in similar condition to the subject.

As part of this appraisal, we completed a thorough investigation and analysis of the data considered pertinent to valuing the subject property. This report was prepared to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) as well as the guidelines set forth in the Financial Institutions Reform Recovery Enforcement Act (FIRREA). The investigation included:

- an inspection of the exterior of the improvements. The interior of the improvements were inspected on a previous occasion;
- discussion with Lynne Braddock Zollner with the City of Lawrence Planning Department;
- disclosure, analysis, reconciliation of all sales, agreements of sale, offers, options or listings of the subject property within three (3) years prior to the effective date of the appraisal report;
- analysis of the highest and best use;
- disclosure of tax assessments information, current and forecasted property taxes;
- the gathering of information on local market conditions and trends, comparable land and improved sales, and depreciation;
- confirmation and analysis of the data, including the application of the Sales Comparison Approach.

This Summary Appraisal Report is a brief recapitulation of our data, analyses, and conclusions. Supporting documentation is retained in our file.

Definitions

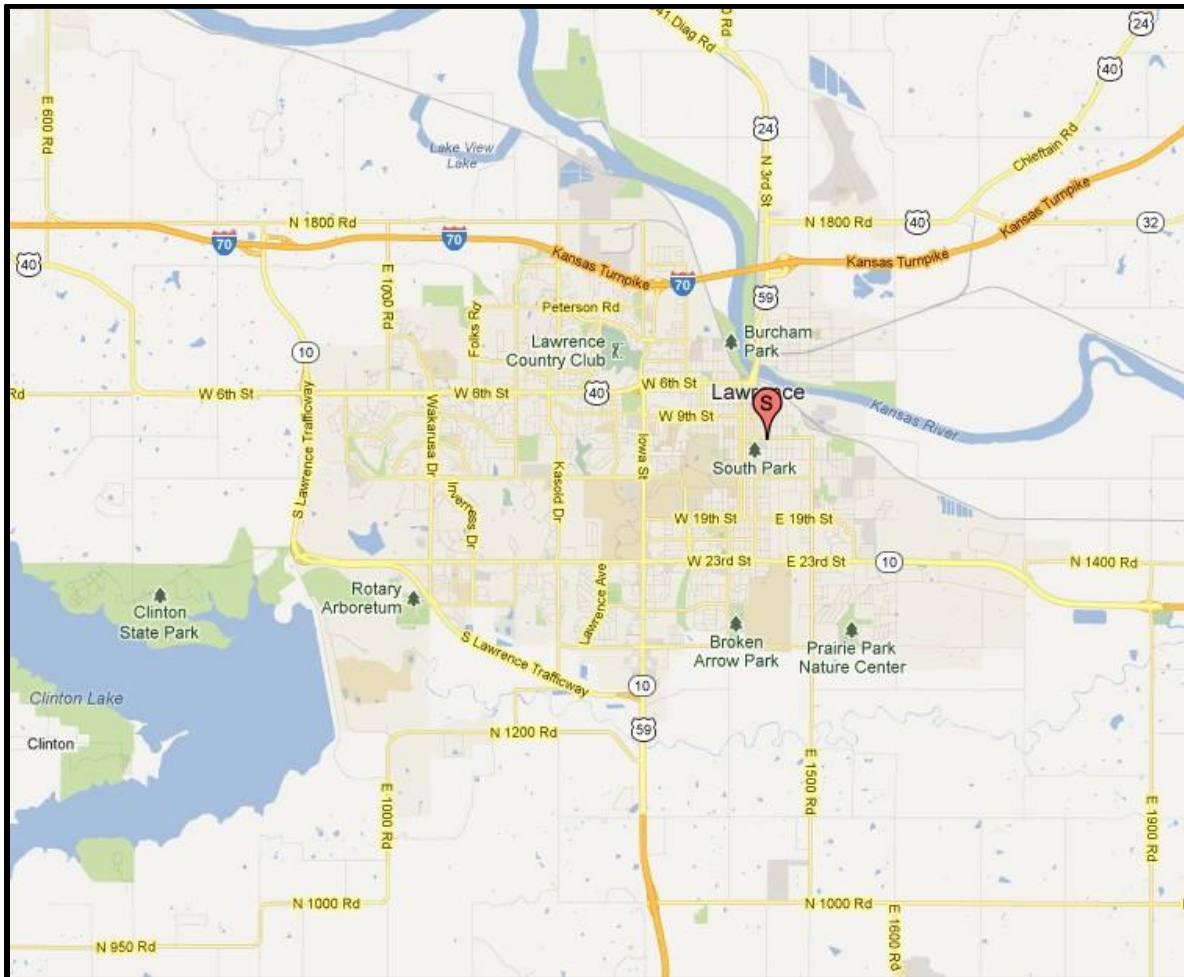
Pertinent definitions, including the definition of market value, are included in the Glossary, located in the Addenda to this report.

AREA AND NEIGHBORHOOD

Area Overview

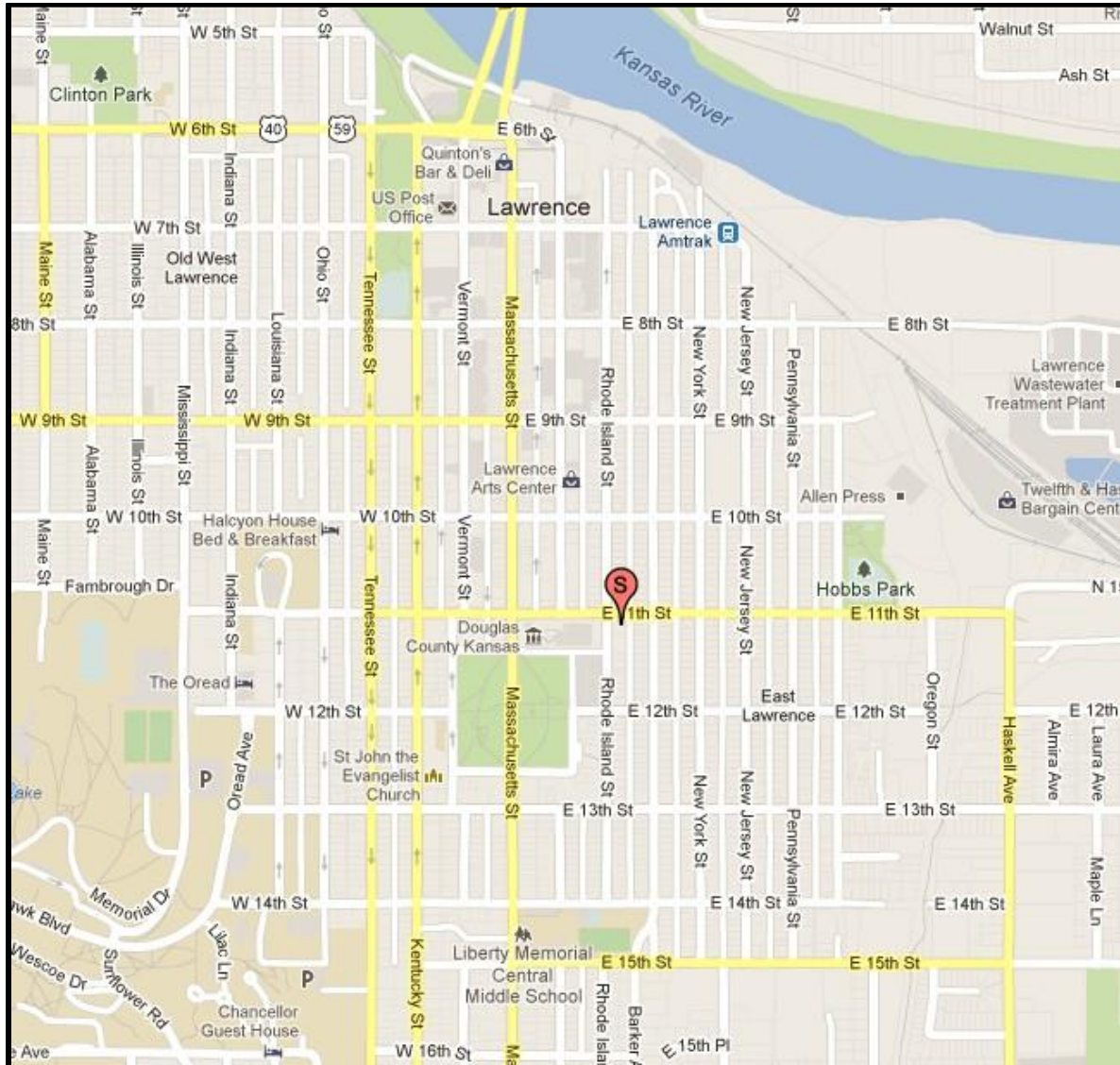
The subject is located in Lawrence, Kansas. The City of Lawrence is roughly half the distance between Topeka and Kansas City. It is also the main campus of the University of Kansas.

Area Map



Additional information about Lawrence can be found in the addenda to this report.

Neighborhood Overview



For purposes of this report, the neighborhood boundaries are best described as follows:

- North** 6th Street (Kansas River)
- South** 19th Street
- East** Connecticut Street
- West** Tennessee Street

The neighborhood is primarily influenced by retail shops and offices located in the CBD and its proximity to the main campus of the University of Kansas. The buildings in the CBD can be characterized as historic in style and nature.

Modifications to exteriors of these buildings must be presented to an historic commission for approval before the city will issue a building permit. This area is considered the core-shopping district for the city and efforts have been concentrated to insure that this continues to be a viable and thriving area.

Neighborhood land use includes a mix of retail, office, restaurant and residential. Most of the commercial use is located on Massachusetts, New Hampshire, and Vermont Streets. The surrounding areas are primarily residential. The residential stock is primarily older, pre-World War II era, but some newer stock is noted. There are some smaller multifamily developments noted on Kentucky and Tennessee. The county court house and Judicial Center together with South Park are also in the immediate area. However, it is of note that the city has recently begun looking for a new site for a new police station.

Access to the area is provided by Massachusetts Street. Massachusetts Street is a major north/south arterial traveling through the center of the CBD. It is two lanes with diagonal parking on both sides. Massachusetts Street connects with Sixth Street (US Highway 40), 1-½ blocks north, which is a major east/west arterial traveling through the north part of the city. After Massachusetts Street crosses the Kansas River at Sixth Street, the street becomes North 2nd Street. Approximately one mile north of the subject, North 2nd Street intersects with Interstate 70, an interstate highway that crosses through Kansas connecting Kansas City with Topeka.

Properties immediately adjacent to the subject property are summarized below:

Direction	Zoning	Use
North	RM12	Apartment
South	RM12	Single Family
East	RS7	Single-Family
West	GPI	Lawrence Law Enforcement Center

While downtown underwent substantial redevelopment in the late 1990s and early part of this decade, the pace of redevelopment has slowed in the mid to late part of the decade but has since picked back up. Currently, there are several projects worthy of note:

- Former Palace Cards- This building at the corner of 8th and Massachusetts was converted to a noodle shop restaurant. Both the sales price and rental rate set new highs for the downtown corridor.
- Standard Mutual Life Building-This historic office building containing 15,000 square feet of rental space was purchased by members of the Fritzel family and was renovated and expanded.
- Former Arensberg Shoes- This former Montgomery Ward Department store building has been converted in to a multi-tenant building. Two gift shops have opened on the main floor of this building with apartments on the upper level.

- Public Library- In November 2010, a mill levy proposal on the public library was passed by voters and a \$18,000,000 renovation is planned. Construction has recently began on the library and an adjacent structured parking garage.
- Construction of the 901 New Hampshire Building at the southwest corner of 9th and New Hampshire has been completed. The first floor contains a gym, the second floor is office space, and the third through sixth floors contain a total of 55 apartment units. The project asking rents are some of the highest found in the market ranging from \$1.20 to \$1.30 per month.
- Treanor Architects recently completed renovations and additions to a building on the 1000 block of Vermont Street, which they have consolidated their offices to a downtown headquarters..
- Dillon's recently opened a new store just north of 19th & Massachusetts. Additionally, there are plans to demolish and rebuild the Kwik Shop convenience store at the northeast corner of 19th and Massachusetts. Though the timeline for the Kwik Shop is not currently known.

Finally, the City of Lawrence has recently established a redevelopment district which runs along the east side of New Hampshire from 8th Street to 10th Street. The developers of 901 New Hampshire are proposing a seven-story building on the northeast corner of 9th and New Hampshire. The proposed development would include 90 to 120 apartment units on upper floors, while the ground-level would have room for a 6,000 SF bank, a 6,000 SF clubhouse for the apartments, and 5,000 SF of retail space. The project also proposes two levels of below-ground parking. The same developer is also proposing an extended stay hotel with additional apartments at the southeast corner of 9th and New Hampshire. The redevelopment area will also include a proposed project related to the Lawrence Arts Venter, an Arts common space. This space would be located on the Salvation Army tract located at the corner of 10th & New Hampshire which is directly south of the Arts Center. This area is intended to serve as a public arts space, managed and curated by the Arts Center, featuring a park-like setting and perhaps a built structure. The building would be paid for and constructed by the Arts Center through a future capital campaign.

Finally, the building at 8th & New Hampshire is currently under renovation and will be occupied by Peoples Bank and Sandbar Subs.

The appraisers have performed a 3-ring analysis, which shows demographic information in 1, 3, and 5 miles rings surrounding the subject. The supporting data is included in the appraisers work file.

Demographic Analysis			
Current Year	2012		
Forecast Year	2017		
Trade Ring (miles)	1	3	5
Current Population	14,527	64,341	90,157
Forecast Population	14,781	66,082	94,063
Annual Percent Change	0.35%	0.54%	0.85%
Current No. Households	5,916	25,517	35,982
Forecasted No. of Households	6,052	26,361	37,745
Annual Percent Change	0.46%	0.65%	0.96%
Median Household Income	\$28,219	\$38,373	\$43,836
Forecasted Median Household Income	\$31,516	\$45,963	\$54,335
Annual Percent Change	2.24%	3.68%	4.39%
Current Median U.S. Household Income		\$50,157	

As can be seen in the above table, the population is fairly stable with a projected growth of under 1% per year. The median household income is well below the median household income for the US as a whole. This can at least partially be attributed to the large student population from the University of Kansas.

The neighborhood appears to be in the mature to redevelopment stage of its life cycle. Recent development activity has been in the form of buildings going through a transformation from one use to the next or to an upgrade in general condition. The trend in redevelopment slowed in the middle of this decade but has recently picked up. Given the history of the neighborhood and the growth trends noted in the area analysis, it is our opinion the outlook for the neighborhood is positive. However, the trend away from traditional retailing to restaurants and bars continue as local retailers lose market share to national tenants. Several national tenants located downtown have closed their operations or have gone bankrupt, these include Talbot, Eddie Bauer and Abercrombie & Fitch, and American Eagle Outfitters. However, other tenants such as Urban Outfitters, and The Gap remain open as of this writing and a Joseph Banks, an outlet retailer has leased the former Talbot's Space. Along with the evolution is the trend towards more residential units in the central business district as more and more residents are attracted to the urban feel of living downtown.

MARKET OVERVIEW

The subject is zoned for multifamily, so the appraisers have included a multifamily market overview.

The Lawrence apartment market can be divided into four quadrants using Iowa Street and 15th Streets as the dividing lines. The northeast quadrant includes the campus of the University of Kansas and the Central Business District. This area is characterized by older small apartment projects. There are few vacant sites available for new apartment construction in this area. The southeast quadrant is characterized by large two-story and two and one-half story apartment projects constructed in the 1960's and 1970's. Some large sites are available at the edges of the city. However, the Wakarusa River flood plain restricts development to the southeast. The southwest quadrant has seen considerable apartment development in the past ten years especially along Clinton Parkway. The northwest quadrant has also seen considerable apartment development in the past ten years along west 6th Street including a recently completed retirement living project at the corner of Folks Rd and Overland Drive.

Supply

In 2012, the Lawrence Apartment market contained over 11,000 units in complexes of ten units or more. In addition there are a large number of smaller complexes and duplexes in this market, which are not included in this total. The market has a limited number of large apartment complexes as shown below:

Project Size in Units	# Projects	Total Units
400-500	1	500
300-399	3	999
200-299	5	1104
100-199	29	3,526
10*-99	118	5,141
Total	156	11,270

Source: Keller and Associates, (*)-after 2003 only 16+ unit buildings are included

Construction

The following chart shows the number of building permits issued for single family residences, multi-family units and total units on a per year basis.

New Multi Family Permits												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	Total	Average
2-4 units	220	161	82	94	31	32	20	8	6	14	668	67
5+ Units	102	112	87	147	550	172	220	355	184	374	2303	230
Total Units	322	273	169	241	581	204	240	363	190	388	2971	297
	*Through August 2013											

Source: City of Lawrence Planning Department

The pace of new multi-family construction has varied over the time period shown. In 2009, the only multi-family permits issued were an apartment complex at Inverness and 24th Place called The Grove. In 2010, the only permits issued were for the Boardwalk Apartments and senior citizen apartments at Overland Drive and Folks. In 2011, an increase was noted in multi-family units built, 300 of the 355 units constructed are located in Hunter's Ridge at 550 Stoneridge Drive. However, the overall number of new multi-family units has been below average since 2008. As of June 2012, permits for 184 units of 5 or more unit properties had been issued for the year with plans for many more.

Demand

The populations of both the City of Lawrence and Douglas County increased at a strong pace for many years. However, this trend has slowed. For example, the 2000 census population for Lawrence was 80,098, a 21.5% increase over the 1990 census population. Current estimates put Douglas County's population in 2010 at 110,826 people, a 10.9% increase since 2000, and Lawrence's population at 87,643 people, a 9.4% increase. 2011 estimates report Lawrence with a population of 88,927.

While there has been up and down swings, KU enrollment overall trend at Lawrence is flat. A cause for concern is the dip in enrollment in the last few years. Historical enrollment for the Lawrence campus is highlighted below.

Year	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
On Campus Enrollment	25,024	23,948	23,891	24,499	25,009	25,437	25,420	25,270	24,819	25,490	26,826	26,266	25,448	24,577

Source: KU Office of Institutional Research and Planning, represents Lawrence on-campus enrollment only

Absorption

In the past, new apartment complexes and new units have typically been absorbed in the fall as students move back to school. Most new apartment complexes try to be completed and ready for occupancy by August 1st of each year.

During the 1990's absorption was approximately 250 units per year. This pace has continued in the last decade from 2000 to 2011.

Rental Rates

Rental rates vary widely depending upon age, condition, and size of unit and location. From the third to the fourth quarter of 2012, Keller and Associates surveyed 46 apartment complexes with 2,374 units throughout Lawrence. Management or owners surveyed report the following:

2012 Rental Rates						
	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$0.69	\$0.57	\$0.54	\$0.68	\$0.62	\$0.61
Maximum	\$1.22	\$1.14	\$1.05	\$0.96	\$1.05	\$1.19
Average	\$0.89	\$0.80	\$0.78	\$0.74	\$0.72	\$0.82

2011 Rental Rates						
	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$0.66	\$0.52	\$0.54	\$0.66	\$0.57	\$0.61
Maximum	\$1.53	\$1.10	\$1.05	\$0.96	\$1.08	\$1.19
Average	\$0.89	\$0.77	\$0.75	\$0.77	\$0.75	\$0.83

The minimum rental rates per square foot have not changed much since 2011. Average rates have only varied by a maximum of \$0.03 per square foot while some averages have remained unchanged. If the data is analyzed on a monthly rate basis it is apparent that minimum rents lowered for some units and increased for others. This can be attributed in part to the difference in unit sizes surveyed this year compared to the previous year.

2012 Monthly Rental Rates

	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$440	\$530	\$645	\$630	\$725	\$855
Maximum	\$680	\$788	\$1,049	\$995	\$1,150	\$1,149
Average	\$544	\$637	\$802	\$734	\$860	\$985

2011 Monthly Rental Rates

	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$448	\$415	\$595	\$605	\$675	\$825
Maximum	\$743	\$900	\$1,049	\$1,013	\$995	\$1,820
Average	\$552	\$627	\$769	\$769	\$850	\$1,118

Rental rates have shown mixed trends. Average rates for one bed one bath and two bed two bath units have experienced slight declines, while two bed one bath and three bed two bath units are showing slight increases over 2011.

Vacancy

The overall vacancy rate has improved by a little less than 1% in the last year in Lawrence. This statement can be misleading due to the fact a large majority of complexes have lowered asking rents, included utilities with rent, reduced security deposits, and offered rent concessions in order to gain occupancy. Conversations with property managers and owners prove that the one bedroom apartments seem to be in the highest demand while three and four bedroom demand has dwindled. Some complexes have been closing off bedrooms in 2, 3, and 4 bedroom apartments and leasing them as a one bedroom in order to gain occupancy.

Year	Vacancy
2008	6.1%
2009	7.1%
2010	6.0%
2011	8.0%
2012	7.3%

There is a substantial variance in vacancy by quadrant. The northeast and northwest quadrants have more students living in them because they are located closer to the University of Kansas. However, the KU bus system has seemed to increase the appeal of newer units located further from campus. The vacancy rate in these areas has declined likely due to decreased rental rates and concessions offered across the board.

A comparison of the vacancy rate by region for 2011 and 2011 is provided below:

Quadrant	2012 Units	2012 Avg # of Units	2012 Vacancy	2011 Vacancy
Northeast	731	39	5.2%	5.3%
Northwest	674	67	5.2%	7.3%
Southeast	333	48	6.0%	10.1%
Southwest	560	70	13.0%	12.7%

The vacancy rate decreased in every quadrant in Lawrence with the exception of the southwest quadrant. The most notable decrease has been in the southeast quadrant with a decrease of 4.1% in the one year time frame. This decrease could be the variation in the properties included in our most recent survey. Many of the apartments surveyed in the southeast quadrant were just south of 15th Street and are considered very near KU campus.

Though not included in our survey, there is also a fairly substantial rent by the room market in Lawrence. There are approximately 1,000 units. These units are fully furnished, with the price built into the rent. The proposed Aspen Heights Cottages appears to have been put on hold.

Sales Activity

The market has not been very active, as information tracked by Keller & Associates shows there have only been two apartment sales since January 1, 2012. The sales averaged \$39,167 per unit. The sales include a six plex at 1145 Indiana and a 12 unit apartment building located at 711 Rockledge.

Recent Construction –

The following apartments (16+ units) have been built since 2000:

YOC	PROJECT	LOCATION	NO. UNITS	COMMENTS
2001	Aberdeen South	SW	128	
2001	Parkway Commons	SW	124	
2001	Country Club	NW	24	
2002	Antioch Place	NW	16	
2002	Briarwood	NE	48	
2000-02	Chase Court	SE	168	Three phase project started in 2000
2002	Crosswind	SE	54	
2002	Canyon court	NW	71	
2003	Tuckaway II	NW	16	Addition to 132-unit project
2003	The Legends	SW	200	632 bedroom student oriented "rent by bedroom"
2003-04	Hutton Farm	NW	212	Single-family, duplex and townhouse rentals
2004	Ironwood	SW	108	
2004	Crossgate Village	SW	54	Tax credit senior apartments
2006	Meadowbrook	NW	130	Part of existing property

2006	Saddlebrook	NW	52	Part of new PUD with office and SF
2007	Park West Apartments	NW	71	
2008	Camson Villas	NW	36	All 1 bedroom units
2008	Windgate	NE	38	All 1 bedroom units
2008	Alvadora	NW	108	In lease up
2008	Grand Townhomes	SE	18	Townhome units in complex
2009	Remington Square	SW	224	All studios
2009	The Grove	SW	172	Student Oriented Project
2009	The Exchange	SE	326	Up to 888 units in total
2011	Boardwalk (552 Frontier)	NW	192	Replaced former complex which burnt down in 2005.
2011	Meadowlark Estates	NW	124	Retirement Living
2011	Northwind Expansion	NE	16	1 bedroom units North Michigan
2011	Crossgate Drive Casitas	SW	46	5 - 6-unit and 2 - 8-unit TH's and 1 office
2011	SWC of 9 th & New Hampshire	NE	55	7-story downtown structure with top five floors for apartment use.
2012	Poehler Building- 619 E 8 th Street	SE	49	Former warehouse being converted to retail, office and loft living spaces

Current Construction –

PROJECT	LOCATION	NO. UNITS	COMMENTS
Varsity House	1043 Indiana	51	Multi-story apartment with structured parking
Hunter's Ridge	NE Stoneridge & 6 th St	522	Phase I under construction
Westfield Place Apartments	204 Eisenhower	131	One and Two Bedroom Units
Camson South	Congressional and Overland Drive	88	Two-bedroom Units
One Bedroom Apartments	6 th Street and Congressional (545 Congressional)	286	All One-Bedroom Units

Planned Construction -

The following apartment projects are planned:

PROJECT	LOCATION	NO. UNITS	COMMENTS
The Links	251 Queens Road	630	This project is also set to include a 9-hole golf course.

Aspen Heights	1900 West 31 st Street	304	Mobile Home park to be demolished for future 350 unit complex. This student oriented project has been cancelled.
9 th and NH Apartments	NEC of 9 th and New Hampshire	121	7-Story Apartment building with retail on the first floor. Plans are for construction to begin in March 2013.
Langston Heights	West of George Williams, south of 6 th Street	82	20 4-plex units, 62 row home units

Conclusions

Apartment market trends are summarized as follows:

- Lawrence remains a student oriented apartment market.
- Most apartment leases expire in either July or August.
- Student population is stable to declining in the last two years.
- A bright spot is the incoming class of freshman for 2012 increased in size for the first time since 2008.
- The population continues to increase but at a slower pace.
- Construction of multi-family units continues at an average of 227 units per year.
- 2012 could see the largest number of units being permitted this decade, all of which are in the northwest quadrant.

Single Family Market Overview

The appraisers have also shown a market overview for the single family properties. Shown below is the amount of new single family building permits issued per year over the last ten years. As can be seen, there was a large slowdown in new construction starting in 2007. New construction appears to have bottomed out in 2011, and there is a large increase noted in 2013. The annualized total for single family permits would be 161, which would be the highest amount of new permits since 2007.

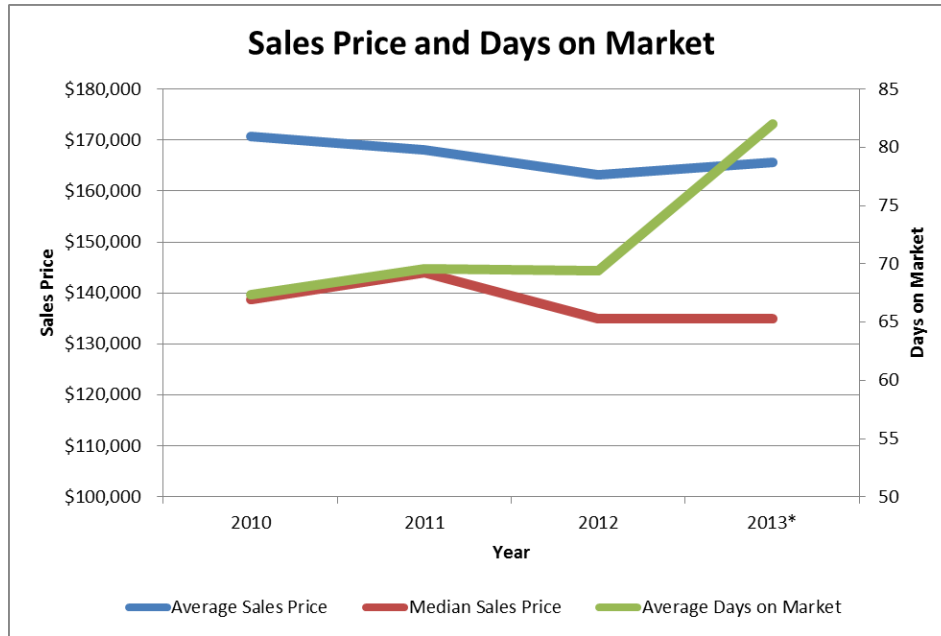
New Single Family Permits												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	Total	Average
Single Family	313	232	247	166	102	110	146	95	123	114	1534	170
*Through August 2013 - Annualized would be 171												

For the following data, the appraisers have relied on the local Lawrence MLS. The appraisers have shown a summary of activity in the LA2 submarket, which generally consists of properties north of 15th Street and east of Iowa.

All City Single Family Sales in LA2 MLS Market									
	Number of Sales	Average Size	Min	Max	Average Price	Median Price	Average Price per SF	Median Price per SF	Days on Market
2010	120	1,582	\$35,000	\$675,000	\$170,797	\$138,700	\$107.13	\$107.38	67
2011	63	1,474	\$39,500	\$541,000	\$168,078	\$144,000	\$111.31	\$110.53	70
2012	124	1,673	\$38,000	\$813,000	\$163,195	\$135,000	\$97.62	\$97.92	69
2013*	94	1,601	\$32,000	\$665,000	\$165,548	\$134,900	\$103.29	\$104.24	82

*Current Through September 27, 2013

As can be seen there has generally been a downward trend in sales prices over the past four years, though 2013 appears to be stabilizing to improving. The days on market have increased in 2013 however. The number of sales has been fairly stable with the exception of 2011. For comparison purposes, the annualized number of sales for 2013 would be 125.

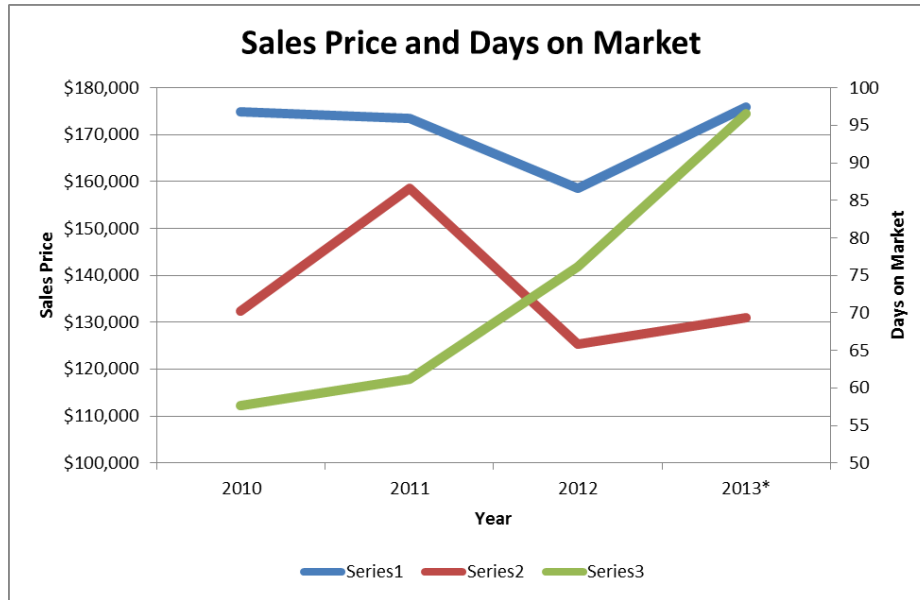


Next the appraisers reviewed sales in the submarket that were older than 61 years old, which is the age category that would describe the subject.

Sales of Homes 61 Years or Older									
	Number of Sales	Average Size	Min	Max	Average Price	Median Price	Average Price per SF	Median Price per SF	Days on Market
2010	64	1,593	\$35,000	\$485,000	\$174,909	\$132,450	\$109.76	\$111.06	58
2011	33	1,387	\$39,500	\$541,000	\$173,547	\$158,500	\$115.45	\$115.66	61
2012	64	1,729	\$38,000	\$475,000	\$158,525	\$125,400	\$100.87	\$99.14	76
2013*	49	1,575	\$32,000	\$665,000	\$175,821	\$131,000	\$108.25	\$105.56	97

*Current Through September 27, 2013

As can be seen, similar trends are noted.

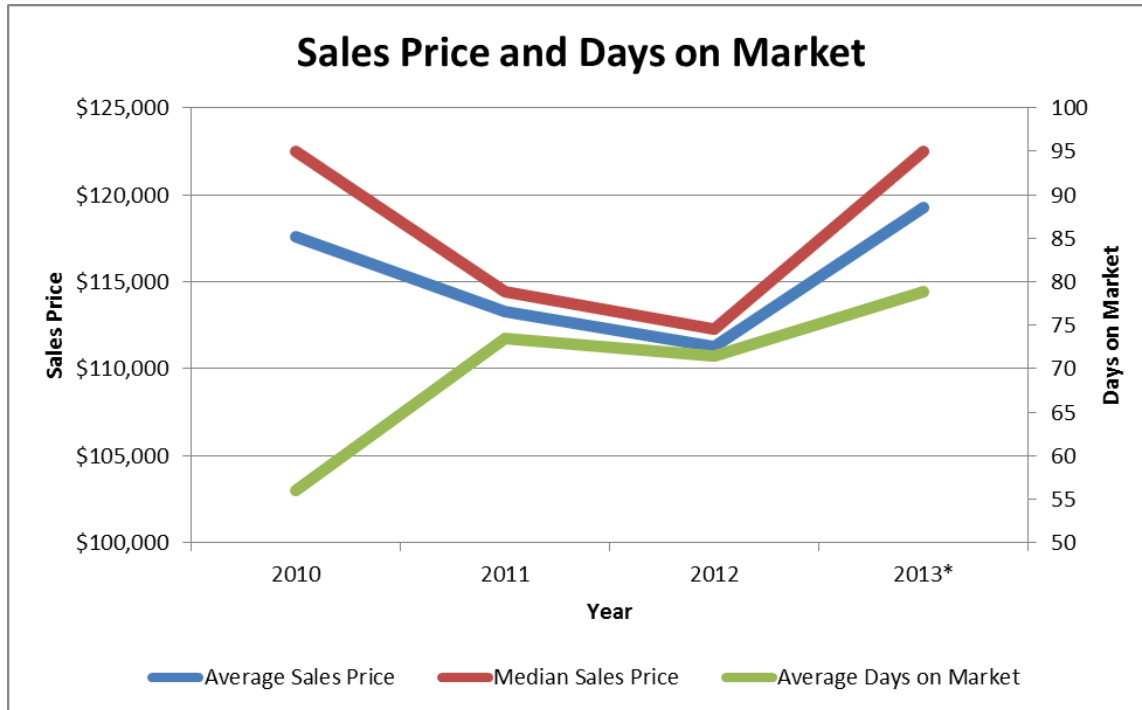


Finally, the appraisers have narrowed the data down to houses that sold for \$200,000 or less.

Sales of Homes 61 Years or Older that Sold for \$200,000 or Less									
	Number of Sales	Average Size	Min	Max	Average Price	Median Price	Average Price per SF	Median Price per SF	Days on Market
2010	48	1,622	\$35,000	\$190,000	\$117,558	\$122,500	\$98.41	\$104.18	56
2011	22	1,475	\$39,500	\$192,500	\$113,273	\$114,450	\$103.96	\$95.85	73
2012	48	1,782	\$38,000	\$200,000	\$111,294	\$112,250	\$94.79	\$92.65	71
2013*	38	1,560	\$32,000	\$192,650	\$119,275	\$122,500	\$100.03	\$102.63	79

*Current Through September 27, 2013

A larger improvement in average and median sales prices is noted in the houses less than \$200,000. The number of sales has remained fairly consistent except for a large drop in 2011. The annualized sales for 2013 would be roughly 51 sales. The days on market has increased in 2013, and is well above 2010 averages.



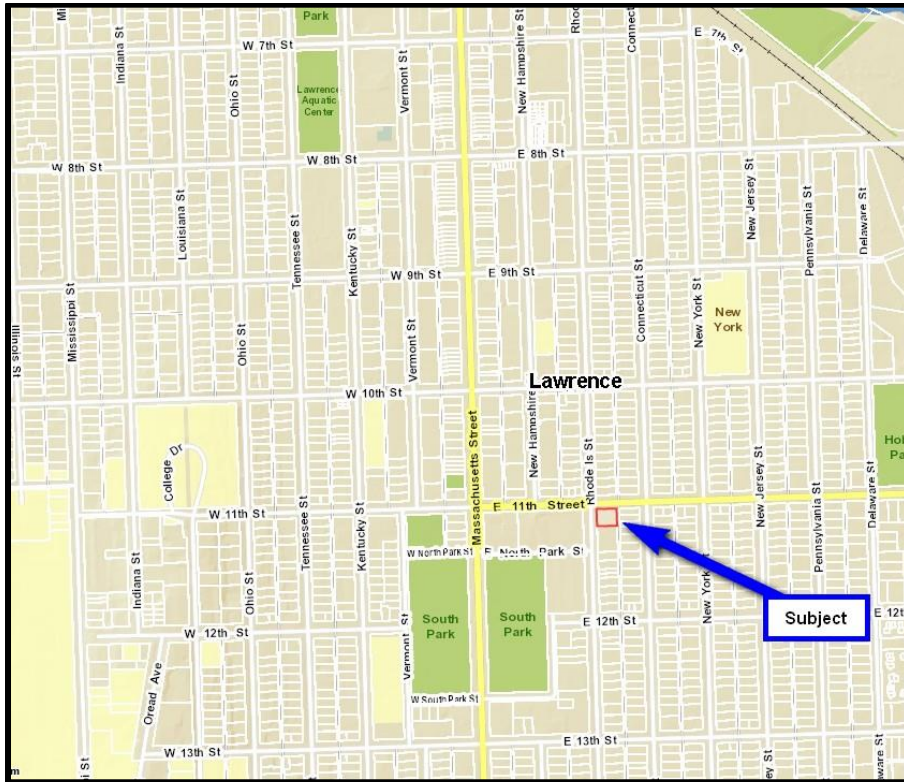
Therefore, new construction in the market appears to be increasing. The majority of the new construction is occurring in west Lawrence. More locally, in the subject's submarket, the market appears to have stabilized, with sales prices stable to slightly increasing over 2012. The properties are being marketed on average for a little longer than in previous years.

PROPERTY DATA

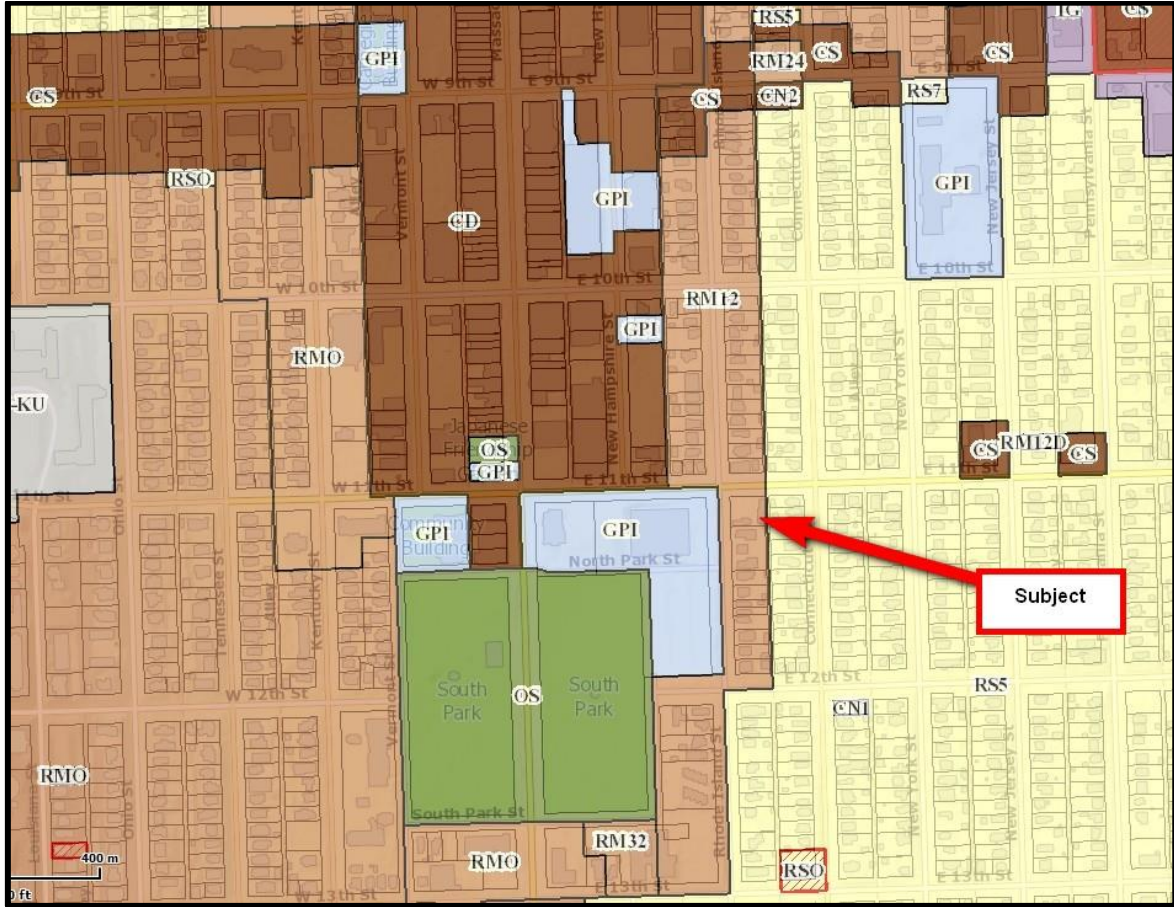
Site Description

Location	1106 Rhode Island, Lawrence, Douglas County, Kansas
Legal Description	Rhode Island Street Lots 118 and 120 in the City of Lawrence, Douglas County, Kansas
Size	Approximately 0.27 acres, or 11,700 square feet
Configuration	Rectangular (see following parcel map)
Topography	Level; at grade with surrounding streets
Drainage	Appears adequate
Flood Plain	The subject is not located in the floodplain.
Flood Zone	X
Flood Map #	20045C0178D, effective August 5, 2010
Frontage	There is 117' of frontage along E 11th Street, and 100' of frontage along Rhode Island Street
Access	There is a curb cut along E 11th Street as well as a curb cut on Rhode Island. Access would also be available from the rear alley, but the current improvements go from the north property line to the south property line, which does not allow for ingress or egress.
Traffic Count	According to traffic counts provided by the City of Lawrence, there is roughly 6,115 vehicles per day along 11 th Street in front of the subject. Also, according to the KDOT traffic count map dated November 2010, there are roughly 14,848 vehicles per day at the 11 th and Connecticut intersection just east of the subject property.
Zoning	RM12, Multifamily, 12 units per acre
Conformance	The existing improvements appear to be legally conforming.
Utilities	Adequate utilities, including water, sewer, electricity and gas, are available and in place at the site. There is a water well on the site.
Easements, Encumbrances, Moratoriums	The appraisers were provided with a title commitment performed August 15, 2013. This title commitment does not indicate any easements, encumbrances, or moratoriums that would negatively impact the subject property.
Environmental	The subject is located in the North Rhode Island historic preservation district. It is considered a contributing property to the district, which is similar to being on the National Historic Registry. As such, it is eligible for tax credits for improvements. Up to 45% (25% through State and 20% through Federal) of the cost to repair the improvements can be eligible for tax credits. Additionally, the property is subject to approval from the Historic Resources Commission before any improvements could be made to the property, be it rehabbing the property or demolishing the property. An environmental study has not been done on the property. The appraisers are not aware of any environmental issues that would negatively impact the subject property.

Parcel Maps



Zoning Map



Flood Plain Map



Traffic Count Map



Improvement Description

The subject improvements are described in the following outline format. It is of note that the interior description is from a prior interior inspection on March 16, 2013. The interior was not inspected as part of this assignment. The interior pictures shown at the end of this section are also from the previous inspection.

General

Design/Use:	Single Family Residential
Building Size:	GBA: 1,163 square feet
Year Built:	1871
Building Height:	1.5 Stories
Est. Effective Age:	55
Est. Economic Life:	55
Construction Type:	Class D - Wood Frame building (per Marshall Valuation Service)
Land to Building Ratio:	10.06

Exterior/Structural

Construction Type:	Wood Frame
Quality:	Average
Exterior Walls:	Wood Siding
Foundation Type:	Stone. There is a full basement. The foundation on the original portion of the building appeared to be in average condition, but the foundation to the addition onto the rear of the building was in need of repairs.
Roof Type:	Pitched
Roof Material:	Composition shingle.

Interior/Finish

Layout:	The subject is a one and one half story single family residence in poor condition. The original portion of the house is two stories, with a later addition being a single story. The first floor has a living room, a dining room, a kitchen, and a bathroom. The second floor has two bedrooms. The kitchen is included in the addition. During the inspection, the gas and electricity were not turned on, and it does not appear that any HVAC system was in working condition.
Interior Walls:	Plaster
Floor Cover:	Hardwood
Window Type:	Wood Frame. Some of the glass is original to the building.
Ceiling:	The ceiling is plaster. The plaster on the second floor has mostly cracked and fallen down.

Other Improvements

Garage:	The subject is improved with a garage that measures 810 square feet. The garage is in poor condition, with the roof partially collapsed. Termite damage was also noted on the eastern wall.
Barn:	There is a 600 square foot barn attached to the garage. The barn is in fair condition, with a concrete foundation. The pitched roof needed repair, but had not collapsed. This building has a partial second floor. There is also a 160 square foot shed attached to the north end of the barn.
Other:	There is a small storage shed measuring 96 square feet in poor condition, with the roof falling in. There is also an old outhouse measuring 36 square feet.

Parking and Site Improvements

Surface Type: The majority of the yard is covered in gravel, as it has been used for automobile storage for several years.

Other Site Improvements: Other improvements include perimeter wooden fencing that is collapsing. The landscaping is overgrown, and will most likely need to be redone. There is also a water well in the middle of the site that will likely need to be plugged.

Condition/Deferred Maintenance: The property is in poor condition, and all of the improvements would likely require renovations or demolition.

Functional Utility: The house does not have a stand up shower, and this would be an issue with most residential properties

Subject Photos



Front of Subject



Front of Subject



South Side of Subject



North Side of Subject and Unused Land



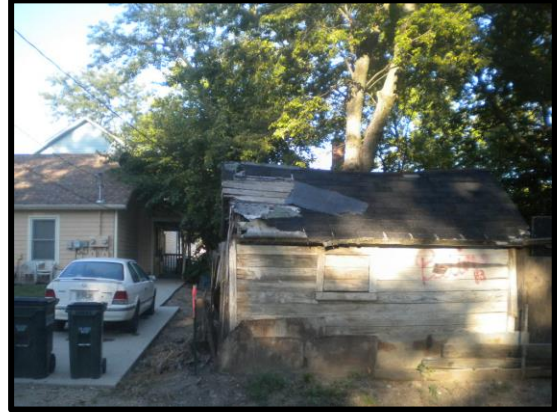
Rear of Subject



Rear of Subject



Front of Shed



Rear of Shed



Front of Garage/Barn



South Side of Garage



Rear of Shed/Garage/Barn



Rear of Barn



Rear of Barn



Rear of Garage



Front of Garage



View of Site Looking from Southeast Corner



View of Water Well



View of Site Looking North from House



Kitchen in House



Bathroom in House



First Floor of House



Second Floor of House



First Floor of Barn



Second Floor of Barn



Inside of Garage



Inside of Garage

HIGHEST AND BEST USE

Process – The highest and best use of the property must be determined for both the subject site as though vacant and for the property as currently improved (if applicable). The highest and best use must be:

1. Physically possible for the site.
2. Permitted under the zoning laws and deed restrictions that apply to the site.
3. Economically feasible.
4. The use which will produce the highest net return on investment (i.e. highest value) from among the possible, permissible, and economically feasible uses.

Highest and Best Use (Site as if Currently Vacant)

Physically Possible Use – As detailed in the site description, the subject is generally Level and at grade with surrounding streets. The site is approximately 0.27 acres. There is 117' of frontage along E 11th Street, and 100' of frontage along Rhode Island Street. The subject is not located in the floodplain. Adequate utilities, including water, sewer, electricity and gas, are available and in place at the site. The size, shape, and characteristics of the usable area allow a variety of uses.

Permissible Use – The site is zoned RM12, Multifamily, 12 units per acre. Permissible uses include but are not limited to multifamily uses and religious facilities.

A party that had been interested in purchasing the property intended to convert the barn and garage into an office. This would require a change in zoning to RMO, which would allow for the same uses plus general office uses. It is unclear if this change in zoning is possible, but the potential buyer indicated that the city had been receptive to the idea.

Feasible Use – The subject is located in a primarily developed area. The Lawrence Law Enforcement Center as well as the Douglas County courthouse are located west of the subject property. Residential use surrounds the property to the north, south, and east. A small apartment building is noted north of the building. Two new houses built by Tenants to Homeowners are located immediately south of the subject.

As has been noted, there has been a fairly large amount of recent activity in the downtown area. This includes new multifamily development in the 901 building, and more planned multifamily development at the northeast corner of 9th and New Hampshire.

Limited office development has occurred, and is primarily limited to the office space in the 901 building and the new Treanor Architects office building near 11th and Vermont. There has been a boom of multifamily development in the Lawrence market, with over 1,000 units currently under construction or recently completed, as well as another nearly 1,200 units in various stages of planning.

Given the size of the lot, and the current zoning, a multifamily development with three units could be developed on the site. It is also of note that the parcel immediately south of the subject is 17,550 square feet, and Tenants to Homeowners built five units on the site in 2010.

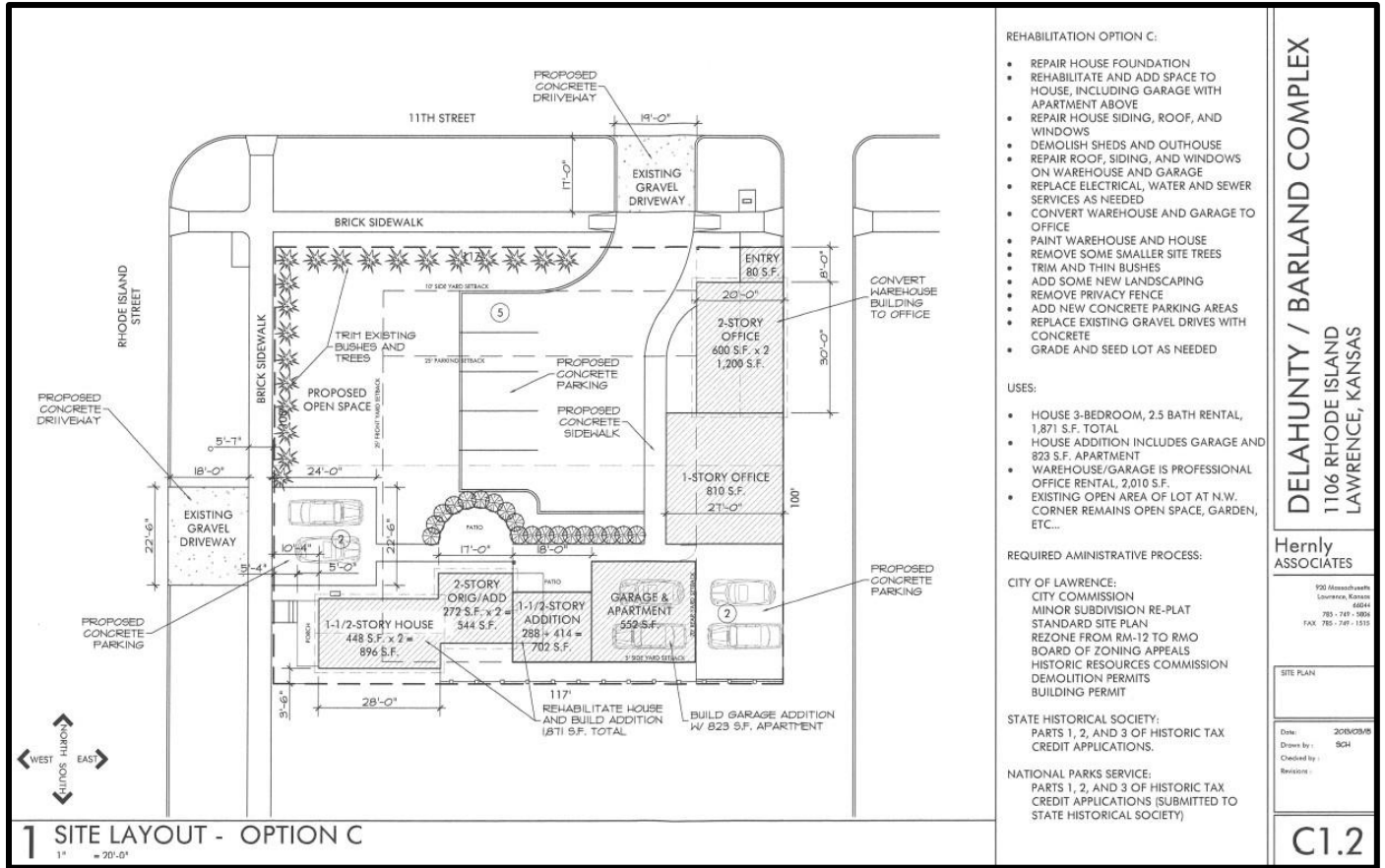
Maximum Profitability – Given the recent trend of multifamily development, multifamily development would be considered the highest and best use as if vacant. Office use could be an alternate use if zoning allowed it, but development would not occur without a user in place.

Highest and Best Use (Site as Currently Improved)

The subject site has been developed with a Single Family Residential property with outbuildings that is currently vacant. The subject property has been vacant for several decades. The property is in poor condition, and it would likely not be feasible to repair the improvements without tax credits. The improvements in its current condition are not considered to contribute any value to the property. Therefore, if possible demolition of the improvements and building a multifamily project to take advantage of the allowable density to the site.

However, it would likely be difficult to get the approvals to demolish the improvements given that it is a contributing property in a historic district. As such, any changes to the property would need to be approved by the Historic Resources Commission. In fact, Lynne Braddock Zollner with the Lawrence Douglas County Planning Department noted that the department would recommend against allowing demolition.

It is of note that a potential buyer is interested in using tax credits to convert the garage/barn into an office building and restore the single family residence and convert it to a rental property. The plans include adding a 702 square foot addition to the property as well as a two car garage. As part of the renovation plan, the second floor of the barn would be lowered so that both floors are usable, and there is 1,200 square feet of office space as well as 810 square foot of office in the garage. The total costs for the proposed project are estimated at \$890,583, which includes a roughly \$75,000 developer's profit incentive. See the proposed plan below:



A discussion with Lynne Braddock Zollner indicated that converting the barn/garage to office use would likely be recommended for approval as changes in use are allowed as long as the structure remains generally similar with respect to the influence of the neighborhood. Without government assistance, this project would not be feasible. The prospective developer is estimating that this project is worth roughly \$565,000 upon completion after spending \$890,000 on the project.

It is our opinion that the improvements in their current condition do not contribute value above and beyond the underlying land value. However, it would likely be difficult to demolish the improvements due to the historic nature of the property. It is difficult to determine what the ultimate use of the property will be, but some possibilities would include:

- Renovating the property in its current configuration.
- Demolishing the garage and barn, and building a duplex on the north lot. This could also be difficult, as Ms. Zollner indicated the department would recommend against demolishing the garage and barn.
- Renovating the property into a mixed use office/residential property, as was detailed above.
- Demolishing the entire property and building a small multifamily development, such as a triplex. This would require the developer to successfully argue that it is not feasible to renovate the property.

It is of note that all of the options other than the last option would require public incentives to be feasible.

Real Estate Taxes

Real estate taxes in the State of Kansas are assessed at 11.50% for residential and 25.00% of appraised value for commercial properties. Vacant land is assessed at 12.00% of appraised value. Agricultural land is assessed at 30.00% of appraised value. For the subject, the county has assigned a parcel identification number of 023-079-31-0-30-14-001.00-0.

The historical taxes for the subject are provided below:

Tax Year	2011	2012	2013
Land	\$ 41,190	\$ 41,190	\$ 41,190
Improvements	\$ 39,990	\$ 41,400	\$ 45,110
Tax Market Value	\$ 81,180	\$ 82,590	\$ 86,300
Assessment Ratio	11.5%	11.5%	11.5%
Assessed Value	\$ 9,336	\$ 9,498	\$ 9,925
Taxable Value	\$ 9,336	\$ 9,498	\$ 9,925
Tax Rate	0.120400184	0.119968203	Not Determined
Real Estate Taxes	\$ 1,124.02	\$ 1,139.44	Not Determined
Special Assessments	\$ -	\$ -	Not Determined
Total Taxes	\$ 1,124.02	\$ 1,139.44	Not Determined
Payment Status	Paid	Paid	
Amount Due	\$ -	\$ -	

There are no specials assessed against the subject property, nor do the appraisers anticipate any specials to be assessed in the near future. As will be shown herein our estimate of value is slightly above the county's estimate of value.

SITE VALUATION

The appraisers do not believe that the improvement contribute any value to the underlying land. As such, the appraisers have analyzed land sales in the area. In evaluating the comparable sales, we selected price per SF as the primary unit of comparison. This is the unit of comparison most commonly used for this type of property in the marketplace. A summary of the sales follows.

Land Sales

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
CompID	609018	306721	609028	609029	609030	609031
Name	Barland Property	Vacant Lot	Single Family Lot	Residential Lot	Single Family Lot	Double Single Family Lot
Address	1106 Rhode Island	1700 Tennessee	942 Pennsylvania	1200 Pennsylvania	929 Delaware	1230 New York Street
City	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence
Sale Price	N/A	\$84,500	\$44,500	\$52,000	\$49,920	\$73,000
Date of Sale	N/A	3/24/2010	9/19/2012	12/27/2012	10/12/2012	2/15/2013
Adjusted Sale Price	N/A	\$84,500	\$49,500	\$52,000	\$49,920	\$73,000
Land Sq Ft	11,700	5,850	5,850	8,775	4,379	11,700
Price / SF of Land	N/A	\$14.44	\$8.46	\$5.93	\$11.40	\$6.24
Land Acres	0.269	0.134	0.134	0.201	0.101	0.269
Price / Acre	N/A	\$629,188.00	\$368,583.00	\$258,134.00	\$496,578.00	\$271,785.00
Zoning Code	RM12	RM-32	RS5	RS5	RS5	RS5
Zoning Description	Multifamily, 12 units per acre	MultiFamily	Single Family	Single Family	Single Family	Single Family

Elements of Comparison -- Related to the Transaction

We have evaluated the comparable sales based on differences in various elements of comparison. The first of these are elements that must be compared in every analysis and are related to the property rights conveyed, the terms/financing and conditions of the sale. The property rights, terms/financing, and conditions involved in the sales did not appear to have a significant impact on the prices, and no adjustments were required.

The five sales transacted between 3/24/2010 and 2/15/2013. Available market data does not indicate any significant change in land prices during this period, and no adjustments for market conditions were required.

Elements of Comparison -- Related to the Real Estate

In addition, it is necessary to evaluate the sales based on location, physical and economic characteristics. The elements of comparison considered most appropriate for this analysis are discussed individually in the following paragraphs.

Location/Access

The subject is located on a corner lot at 11th and Rhode Island. Sale 1 is also located on a corner lot, but is located closer to campus, and was adjusted downwards. Sales 2, 3, 4, and 5 are located in the same neighborhood as the subject, though the subject is located closer to downtown. Sale 3 is also located on a corner lot, and was considered similar. The other sales are interior lots, and were adjusted upwards.

Zoning/Density

The subject is zoned RM-12, which allows for 12 units per acre. Given the subject's size this would allow for three units. Sale 1 is zoned RM-32, which allows for 32 units per acre. It was considered superior. Sales 2, 3, 4, and 4 are zoned for single family. They were considered inferior.

Size

Generally there is an inverse relationship between the size of a parcel, and the amount that can be obtained per square foot. Sales 1, 2, and 4 are smaller than the subject, and were adjusted downwards. Sales 3 and 5 were considered similar.

Entitlements/Restrictions

The subject has improvements in poor condition. The subject is a contributing property in the North Rhode Island Historic District. As such, tax credits could be available to offset some of the renovation costs. However, there are increased risks with being in a historic district for potential approvals. Also, there is risk that the state tax credit program could be cancelled in the future based on the Kansas Government's attempt to rework the income tax program. All of these risks shrink the pool of potential investors, and the appraisers have made a downward adjustment to the comparables. Sale 2 had a single-family residence on site at the time of sale that had to go through the process for demolition. It was considered similar.

Land Sale Adjustments

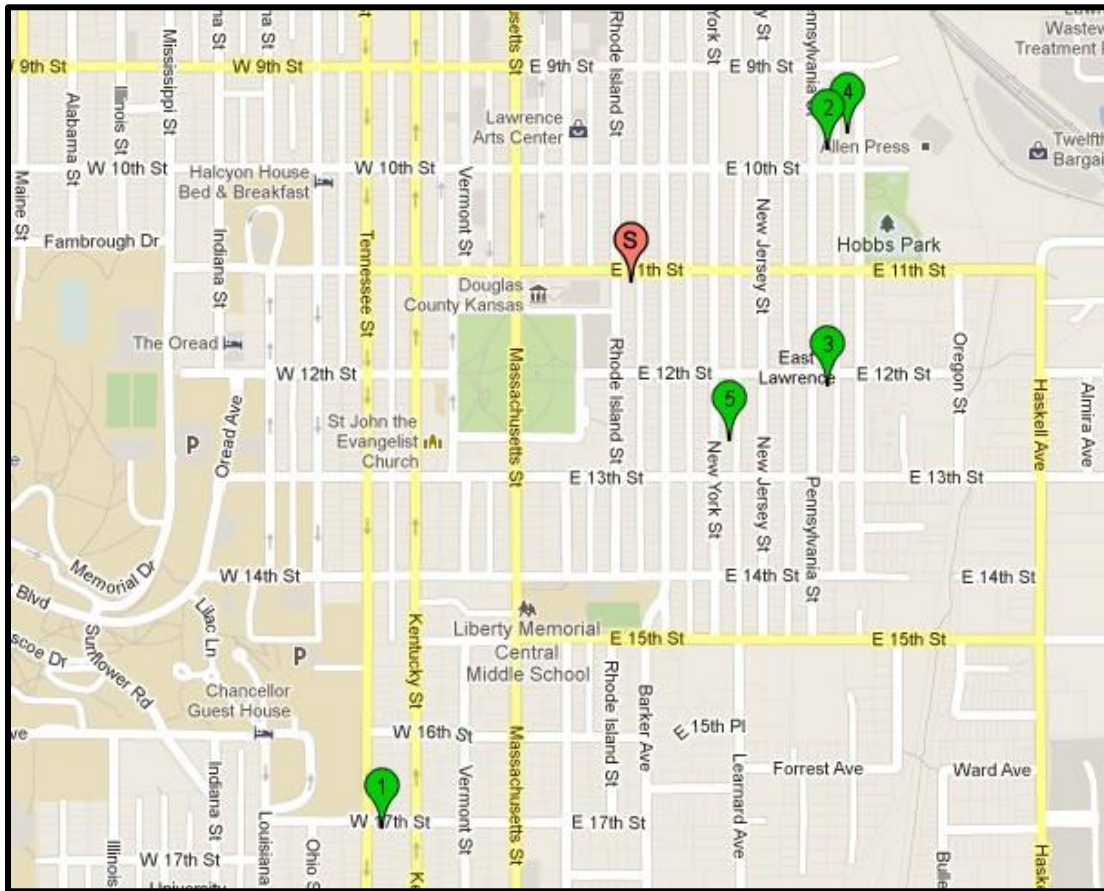
	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Property Name	Barland Property	Vacant Lot	Single Family Lot	Residential Lot	Single Family Lot	Double Single Family Lot
Address	1106 Rhode Island	1700 Tennessee	942 Pennsylvania	1200 Pennsylvania	929 Delaware	1230 New York Street
City	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence
Land Area SF	11,700	5,850	5,850	8,775	4,379	11,700
Land Area in Acres	0.269	0.134	0.134	0.201	0.101	0.269
Ratio - Comp to Subject	N/A	0.50	0.50	0.75	0.37	1.00
No. of Units	3	2.00	1.00	1.00	1.00	2.00
Density (Units/Acre)	11.17	14.89	7.45	4.96	9.95	7.45
Lots	2	1	1	1	1	1
Density (Lots/Acre)						
Zoning	RM12	RM-32	RS5	RS5	RS5	RS5
Sale Price	N/A	\$84,500	\$44,500	\$52,000	\$49,920	\$73,000
Land Sq Ft	11,700	5,850	5,850	8,775	4,379	11,700
Unadjusted Price/SF	N/A	\$14.44	\$7.61	\$5.93	\$11.40	\$6.24
Property Rights		Similar	Similar	Similar	Similar	Similar
Terms/Financing		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Conditions of Sale		Similar	Similar	Similar	Similar	Similar
Time/Market Conditions		Mar-10	Sep-12	Dec-12	Oct-12	Feb-13
Time Adjusted Price/SF		\$14.44	\$7.61	\$5.93	\$11.40	\$6.24
Location/Access		Superior	Inferior	Similar	Inferior	Inferior
% Adjustment		-15.0%	5.0%	0.0%	5.0%	5.0%
\$ Adjustment		-\$2.17	\$0.38	\$0.00	\$0.57	\$0.31
Zoning/Density		Superior	Inferior	Inferior	Inferior	Inferior
% Adjustment		-10.0%	10.0%	10.0%	10.0%	10.0%
\$ Adjustment		-\$1.44	\$0.76	\$0.59	\$1.14	\$0.62
Size		Superior	Superior	Similar	Superior	Similar
% Adjustment		-10.0%	-10.0%	0.0%	-10.0%	0.0%
\$ Adjustment		-\$1.44	-\$0.76	\$0.00	-\$1.14	\$0.00
Entitlements/Restrictions		Superior	Similar	Superior	Superior	Superior
% Adjustment		-5.0%	0.0%	-5.0%	-5.0%	-5.0%
\$ Adjustment		-\$0.72	\$0.00	-\$0.30	-\$0.57	-\$0.31
Total Adjustments						
Net % Adjustments		-40.0%	5.0%	5.0%	0.0%	10.0%
Net \$ Adjustments		-\$5.78	\$0.38	\$0.30	\$0.00	\$0.62
Total % Adjustments		40.0%	25.0%	15.0%	30.0%	20.0%
Total \$ Adjustments		\$5.78	\$1.90	\$0.89	\$3.42	\$1.25
Adjusted Price/SF		\$8.66	\$7.99	\$6.23	\$11.40	\$6.86
Adjusted Price Indications		Concluded Value				
Minimum Adjusted Price / SF	\$6.23	\$8.50/SF				
Maximum Adjusted Price / SF	\$11.40	\$99,450				
Average Adjusted Price / SF	\$8.23	\$100,000				

Value Conclusion -- Land

The adjustments are summarized in the following "Summary Grid of Adjustments". The five sales provide an adjusted range of value indications from \$6.23 to \$11.40 per SF with an average of \$8.23 per SF. These two sales are on the low end of the range. Based on the preceding analysis, we have estimated the value for the subject site to be \$8.50 per SF. The estimated value for the subject land is calculated as follows:

$$11,700 \text{ Land SF} \times \$8.50 \text{ per SF} = \$99,450$$

$$\text{or } \$100,000 \text{ (Rounded)}$$



It is of note that if we looked at these comparables on a per buildable unit basis, they would have an unadjusted range from \$31,688 to \$47,424 per buildable unit with an average of \$40,497 per buildable unit. Similar adjustments for location would be required. No adjustments for zoning would be required since the zoning impacts the amount of buildable units. Sale 3 is an oversized lot, but could only have one unit based on zoning. It was considered superior. The subject has improvements in poor condition. The subject is a contributing property in the North Rhode Island Historic District. As such, tax credits could be available to offset some of the renovation costs. However, there are increased risks with being in a historic district for potential approvals. Also, there is risk that the state tax credit program could be cancelled in the future based on the Kansas Government's attempt to rework the income tax program. All of these risks shrink the pool of potential investors, and the appraisers have made a downward adjustment to the comparables. Sale 2 had a single-family residence on site at the time of sale that had to go through the process for demolition. It was considered similar. Finally, the subject would need to be replatted in order

to attain the allowable density under current zoning. Sale 5 would also need to be replatted, and was considered similar. All of the other comparables were adjusted downwards by 5%.

Land Sale Adjustments

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Property Name	Barland Property	Vacant Lot	Single Family Lot	Residential Lot	Single Family Lot	Double Single Family Lot
Address	1106 Rhode Island	1700 Tennessee	942 Pennsylvania	1200 Pennsylvania	929 Delaware	1230 New York Street
City	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence
No. of Units	3	2	1	1	1	2
Zoning	RM12	RM-32	RS5	RS5	RS5	RS5
Sale Price	N/A	\$84,500	\$44,500	\$52,000	\$49,920	\$73,000
Land Sq Ft	3	2	1	1	1	2
Unadjusted Price/ Buildable Unit	N/A	\$42,250.00	\$44,500.00	\$52,000.00	\$49,920.00	\$36,500.00
Property Rights		Similar	Similar	Similar	Similar	Similar
Terms/Financing		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Conditions of Sale		Similar	Similar	Similar	Similar	Similar
Time/Market Conditions		Mar-10	Sep-12	Dec-12	Oct-12	Feb-13
Time Adjusted Price/ Buildable Unit		\$42,250	\$44,500	\$52,000	\$49,920	\$36,500
Location/Access		Superior	Inferior	Similar	Inferior	Inferior
% Adjustment		-15.0%	5.0%	0.0%	5.0%	5.0%
\$ Adjustment		-\$6,338	\$2,225	\$0	\$2,496	\$1,825
Zoning/Density		Similar	Similar	Similar	Similar	Similar
Size		Similar	Similar	Superior	Similar	Similar
% Adjustment		0.0%	0.0%	-5.0%	0.0%	0.0%
\$ Adjustment		\$0	\$0	-\$2,600	\$0	\$0
Entitlements/Restrictions		Superior	Similar	Superior	Superior	Superior
% Adjustment		-5.0%	0.0%	-5.0%	-5.0%	-5.0%
\$ Adjustment		-\$2,113	\$0	-\$2,600	-\$2,496	-\$1,825
Replating		Superior	Superior	Superior	Superior	Similar
% Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	0.0%
\$ Adjustment		-\$2,113	-\$2,225	-\$2,600	-\$2,496	\$0
Total Adjustments						
Net % Adjustments		-25.0%	0.0%	-15.0%	-5.0%	0.0%
Net \$ Adjustments		-\$10,563	\$0	-\$7,800	-\$2,496	\$0
Total % Adjustments		25.0%	10.0%	15.0%	15.0%	10.0%
Total \$ Adjustments		\$10,563	\$4,450	\$7,800	\$7,488	\$3,650
Adjusted Price/SF		\$31,688	\$44,500	\$44,200	\$47,424	\$36,500
Adjusted Price Indications			Concluded Value			
Minimum Adjusted Price / Buildable Unit	\$31,688	\$35,000/ Buildable Unit				
Maximum Adjusted Price / Buildable Unit	\$47,424	\$105,000				
Average Adjusted Price / Buildable Unit	\$40,862	\$105,000				

Sale 1 is the only multifamily zoned lot, and it makes up the low end of the range. A value on the lower end of the range was selected. As can be seen, the subject on a per buildable unit basis provides a slightly higher value, but is also more speculative.

Our site valuation on a per square foot basis was relied upon, but the valuation on a buildable unit basis generally supports this indication.

SALES COMPARISON APPROACH

Given that the improvements are located in a historic district they will be difficult to demolish even though they are at the end of their useful life. Therefore, the appraisers have also reviewed sales of properties improved with single family residences also at the end of their useful life. The adjustment grid for the three sales is shown on the next page.

Our explanation of adjustments is shown below:

Site Size – As was shown previously, the value of the underlying land for the subject property was estimated at \$100,000. All of the comparables are smaller single-family lots. The appraisers have estimated the site value for Sales 1 and 2 at \$50,000, and Sale 3 at \$40,000. Sale 3 was estimated at a lesser value due to its smaller size. Therefore, there is a difference in site value from \$50,000 to \$60,000 between the subject and the comparables. However, given that the subject is improved with a single-family residence, it is unlikely that a buyer would value the surplus land on a 1:1 basis. Therefore, the appraisers have made an adjustment of 50% of this amount.

Condition – The subject is considered to be in poor condition. Sales 1 and 2 were also in poor condition, and were considered similar. Sale 3 was in fair condition at the time of sale, according to the listing agent. The appraisers have made a downward 10% adjustment to Sale 3 for condition.

Above Grade Baths – The subject has one bathroom. The comparables all have two bathrooms, and a downward adjustment was made to the comparables.

Gross Living Area – The appraisers have adjusted the comparables by \$10 per square foot for the difference in size with the subject. This is considered reasonable given the condition of the subject.

Car Storage/Outbuildings – The subject has a two car garage, barn, and shed that are all considered to be in poor condition. The appraisers have not provided any allowance for these items. The garage included in Sale 1 was also in poor condition, and no adjustment was made.

The three sales provide an adjusted range from \$79,450 to \$91,730 with an average of \$84,760. The appraisers have selected a value of \$90,000 for the subject property. It is of note that the most recent sale is on the high end of the range.

SALES COMPARISON APPROACH									
ITEM		SUBJECT		COMPARISON 1		COMPARISON 2		COMPARISON 3	
Address		1106 Rhode Island Lawrence, KS 66044		1312 Vermont Lawrence, KS 66044		1028 Rhode Island Lawrence, KS 66044		1109 Connecticut Street Lawrence, KS 66044	
Proximity to Subject									
Data Source/ Verification				County Records MLS: 131762		County Records Buyer		County Records MLS/Selling Agent	
Original List Price		\$		\$ 80,000		\$		\$ 79,900	
Final List Price		\$		\$ 80,000		\$		\$ 79,900	
Sale Price		\$		\$ 80,000		\$ 65,000		\$ 63,000	
Sale Price % of Original List		%		100.0 %		%		78.8 %	
Sale Price % of Final List		%		100.0 %		%		78.8 %	
Closing Date				8/22/2013		8/1/2012		8/9/2012	
Days On Market								31	
Price/Gross Living Area		\$		35.71		\$		33.03	
		\$		49.49		\$		33.03	
		DESCRIPTION		DESCRIPTION		+		DESCRIPTION	
		+		+		+		+	
Financing Type				Cash				Cash	
Concessions				None				None	
Contract Date				8/22/2013				8/9/2012	
Location		Corner Lot		Interior Lot				Interior Lot	
Site Size		11,700 SF(100K)		5,850 SF (50 K)		+25,000		5,850 SF (50 K)	
								+25,000	
Site Views/Appeal		Res/Govt		Residential				Residential	
Design and Appeal		1 1/2 Story		1 1/2 Story				2 Story	
Quality of Construction		Average		Average				Average	
Age		142 Years		103 Years				102 Years	
Condition		Poor		Poor				Fair	
								-6,300	
Above Grade Bedrooms		Bedrooms 2		Bedrooms 5				Bedrooms 4	
Above Grade Baths		Baths 1		Baths 2		-2,500		Baths 2	
								-2,500	
Gross Living Area		1,163 Sq.Ft.		2,240 Sq.Ft.		-10,770		1,968 Sq.Ft.	
								-8,050	
Below Grade Area		Partial Basement		Partial				Full Basement	
Below Grade Finish		None		None				None	
Other Area									
Functional Utility		Average		Average				Average	
Heating/Cooling		N/A		FAG/CAC				FAG/CAC	
Car Storage		2-Car Detached		1-car Detached				None	
Outbuildings		Barn/Shed		None				None	
Net Adjustment (total)				<input checked="" type="checkbox"/> + <input type="checkbox"/> -		\$ 11,730		<input checked="" type="checkbox"/> + <input type="checkbox"/> -	
				Net Adj. 14.7%				Net Adj. 22.2%	
Adjusted Sale Price				Gross Adj. 47.8%		\$ 91,730		Gross Adj. 54.7%	
								\$ 79,450	
Prior Transfer History				None in previous year				None in previous year	
Comments and reconciliation of the sales comparison approach:									
Indication of Value by Sales Comparison Approach						\$ 90,000			

RECONCILIATION

Value by All Approaches

In order to estimate the market value of the subject property, the data pertaining to the property has been analyzed by the Cost and Sales Comparison Approaches. The value estimates indicated by the 2 approaches are as follows:

Site Value	\$100,000
Sales Comparison Approach	\$90,000

Final Estimate of Value

Given the condition of the improvements, they are not considered to have any contributory value. However, since the subject is a contributing property in a historic district there is significant risk associated with the property, which can at least somewhat be offset by tax credits. As such, the appraisers have reviewed comparable land sales with a similar highest and best use as if vacant as well as three improved sales that are of the same vintage and similar condition to the subject. One of the sales was still in livable condition, while the other two were not. In fact, this appraisal indicates that the subject would be worth more as vacant than in its current condition due to the subject being a large corner lot with multifamily zoning. The appraisers have selected a value in the middle of the two approaches, as there is at least some possibility that the improvements could be removed.

It is also of note that there was recently an offer on the property for \$90,000.

Based on this analysis, we have formed the opinion that as of September 26, 2013, the Market Value As Is of the Fee Simple Estate in the subject property was:

**NINETY FIVE THOUSAND DOLLARS
(\$95,000)**

Marketing Time and Exposure Period

We believe the concluded market value for the subject property is consistent with an anticipated marketing time of 12 months and exposure period of 12 months or less.

ADDENDA

APPRAISER QUALIFICATIONS
GLOSSARY
AREA DATA
LAND SALES
IMPROVED SALES
CLIENT'S LETTER OF ENGAGEMENT

Keller & Associates, Inc.

APPRAISER QUALIFICATIONS

MATT SPEER

120 E 9th Street, Suite 201

Lawrence, Kansas 66044

Phone: (785) 841-0110 Fax: (785) 841-0148

mspeer@kellerappraisal.com

Real estate appraiser

WORK EXPERIENCE

*Keller & Associates, Lawrence, Kansas, appraiser
since 2009*

EDUCATION

University of Kansas, BS in Business Administration, 2009

Successful Completion of 300 hours of pre-licensure appraisal courses including Basic Appraisal Principles, Basic Appraisal Procedures, National USPAP, Business Practices and Ethics, General Appraiser Sales Comparison Approach, General Appraiser Site Valuation and Cost Approach, General Appraiser Report Writing and Case Studies, General Appraiser Income Approach Parts I and II, General Appraiser Market Analysis and Highest and Best Use, Real Estate Finance Statistics and Valuation Marketing

APPRAISAL EXPERIENCE

*Commercial properties including retail, office, industrial,
and apartments.*

*Land including commercial land, rural/urban development
land, and large acreage tracts.*

*Residential properties including single family and
multi-family properties.*

Before and After Appraisals for Eminent Domain

TIMOTHY J. KELLER, MAI

120 E 9th, Suite 201

Lawrence, Kansas 66044

Phone: (785) 841-0110

Fax: (785) 841-0148

tkeller@kellerappraisal.com

real estate appraiser . consultant
property developer. expert witness. instructor

WORK EXPERIENCE

Keller & Associates, Lawrence, Kansas, appraiser
since 1996

Nunnink & Associates, Westwood, Kansas appraiser
1989-1996

Four Farmers, Miami, Florida general manager
1987-89

Keller Leopold Insurance, Garden City, Kansas controller
1984-87

Koch Industries, Wichita, Kansas accountant for special projects
1982-83

US Department of the Treasury, Comptroller of the
Currency, Kansas City, Missouri financial intern
1978-81

SPECIAL ASSIGNMENTS

Various Kansas Department of Transportation Projects

Various Douglas County Public Work Projects

Various City of Lawrence and Eudora Projects

Douglas County Court Appointed Appraiser

Kansas Supreme Court Appointed Appraiser

Bulk Active Pilot Plant, Kansas

Topeka State Hospital & Grounds, Kansas

Security Benefit Tower, Kansas

Regional shopping malls in Kansas, Missouri, Colorado,

Indiana, Florida, Texas, Nevada, South Carolina,

Montana, Ohio, Virginia, and Maryland

Industrial parks in Kansas, Missouri, Colorado

Shopping centers in Kansas, Missouri and Illinois

Office towers in Kansas, Ohio, Nebraska and Missouri

Big Box Retailers in Kansas, Missouri, Michigan and Maryland

PROFESSIONAL DESIGNATIONS/CERTIFICATIONS

Member of the Appraisal Institute (MAI 10473)
Certified General Real Property Appraiser, Kansas (G-911); Missouri (RA 002814);
Successful completion, Certified Public Accountant Examination, 1984

EDUCATION

University of Notre Dame, MBA, 1984
Fort Hays State University, BS in Accounting, cum laude, 1982

CIVIC GROUPS

Kansas Real Estate Appraisal Board, former board member and former chair
Greater Kansas City Chapter, Appraisal Institute,
past chapter president, past board chair
Wakarusa Valley Development, Inc.,
current board member
Sertoma Club of Lawrence,
past president, past board chair
Leadership Northeast Johnson County,
past board member
Fort Hays State Alumni Association
University of Notre Dame Alumni Association

Keller & Associates, Inc.

GLOSSARY

GLOSSARY

Unless otherwise noted, the following definitions are taken from The Dictionary of Real Estate Appraisal, Fifth Edition, published by the Appraisal Institute in 2010.

Appraisal

The act or process of developing an opinion of value; an opinion of value. (p. 10)

Depreciation

In appraising, the loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date. (p. 56)

Exposure Time

Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP)

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. (USPAP)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (p. 78)

Furniture, Fixtures and Equipment (FF&E)

The movable property of a business enterprise not classified as stock or inventory or leasehold improvements; frequently found in the ownership of hotels or motels, restaurants, assisted-living facilities, service stations, car washes, greenhouses and nurseries, and other service-intensive properties. Furniture, fixtures, and equipment frequently wears out much more rapidly than other components of those properties.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternately, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value. (p. 93)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis. (USPAP)

Investment Value

The value of a property interest to a particular investor or class of investors based on the investors specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (p. 105)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e. a lease) held by a landlord with the rights of use and occupancy conveyed by lease to others. (p. 111)

Leasehold Interest

The tenant's possessory interest created by a lease. (p. 112)

Liquidation Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (p. 115-116)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 or the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (p. 121)

Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (p. 123)

Neighborhood

A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. (p. 133)

Replacement Cost

The estimated cost to construct, at current prices, as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (p. 168)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (p. 169)

Use Value

In real estate appraisal, the value a specific property has for a specific use; may be the highest and best use of the property or some other use specified as a condition of the appraisal. (p. 204)

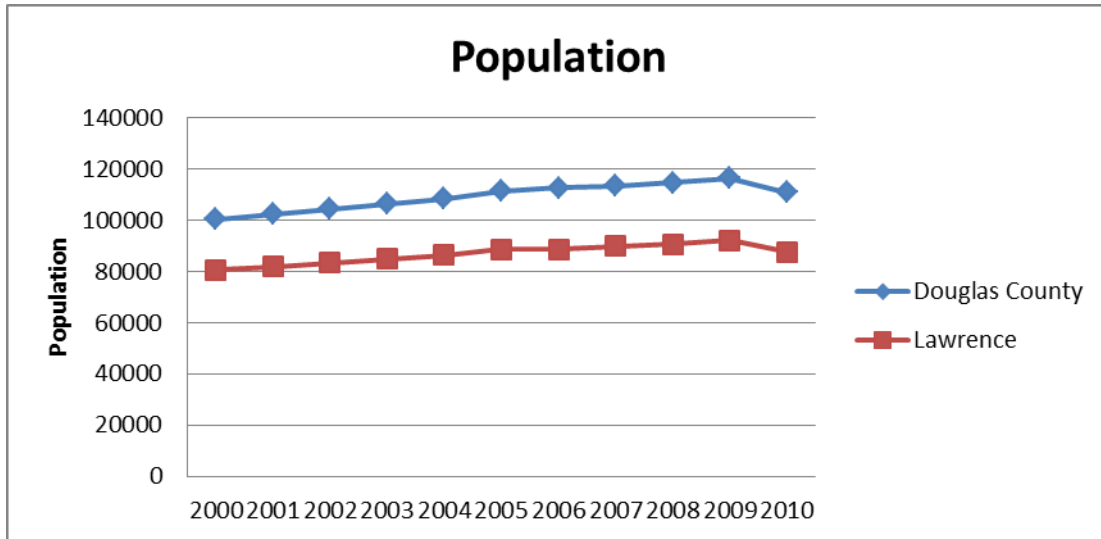
Keller & Associates, Inc.

AREA DATA

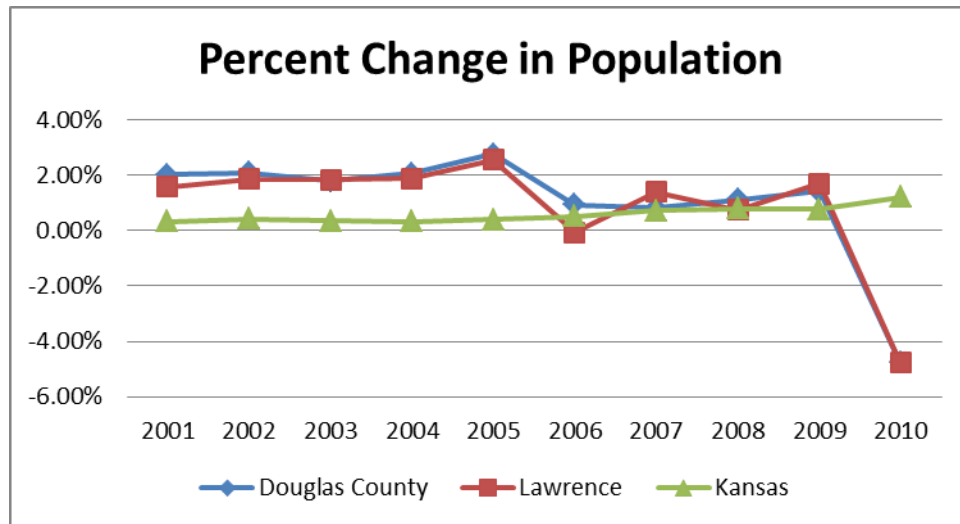
Area Defined

The subject is located in Lawrence, in northeastern Kansas. Lawrence is the county seat of Douglas County and is situated 40 miles west of Kansas City and 25 miles east of Topeka.

Demographics



Source: 2010 U.S. Census



Source: 2010 U.S. Census

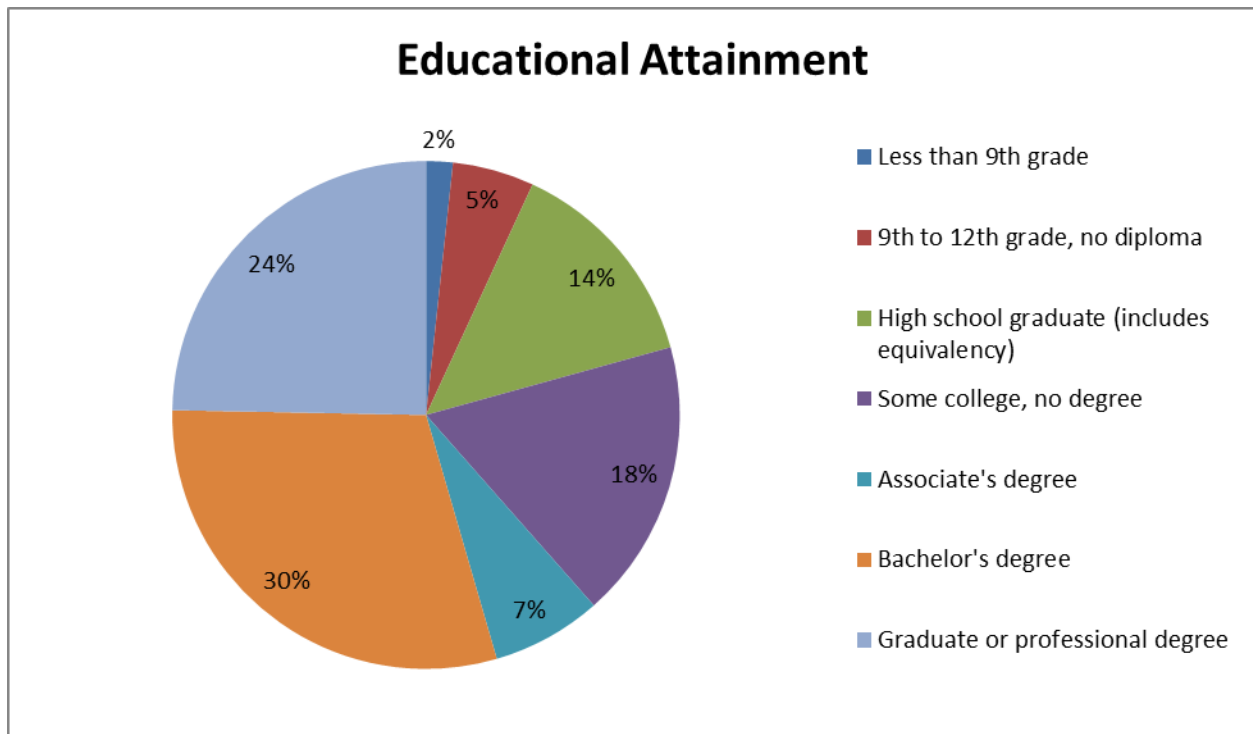
Since 2000 the city population has increased by 7,135 persons. Douglas County has grown at a similar rate as can be seen in the population graph. Population growth for the City of Lawrence has averaged 0.87% over the time period. Comparably, Douglas County has averaged 1.02% growth and Kansas has averaged 0.58% growth. The sharp decline in population from 2009 to 2010 can be attributed to the release of the more accurate figures from the 2010 census.

Education

Lawrence is home to two universities: The University of Kansas and Haskell Indian Nations University. Approximately 25,500 +/- students attend KU's main campus in Lawrence. The University offers degrees in Liberal Arts and Sciences, Architecture, Business Administration, Education, Engineering, Fine Arts, Journalism and Mass Communication, Law and Pharmacy.

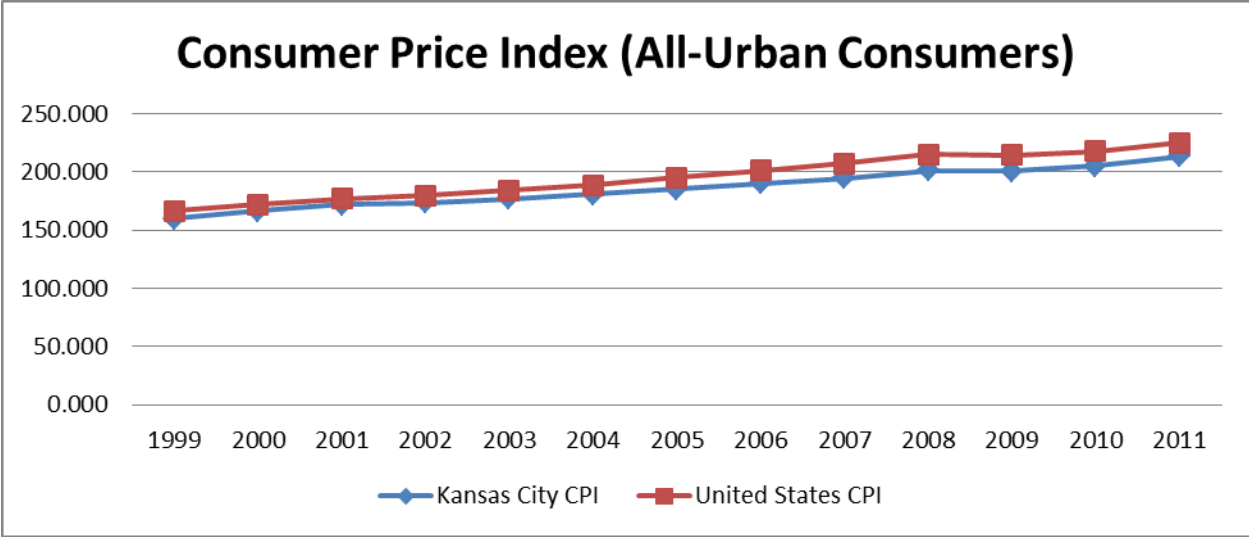
Haskell Indian Nations University (1,000 students) is the nation's only tribal inter-tribal university for Native Americans. Haskell's students represent more than 150 tribes from all across the country. The Haskell Indian Nations University derives much of its support from the federal government. Additionally, Baker University, a private institution, is located in Baldwin City, in southern Douglas County, and has an enrollment of approximately 2,000 students.

Lawrence Public School District No. 497, accredited by the North Central Accreditation Association, includes 18 elementary schools, four junior highs and two high schools. Like most communities, the district is dealing with significant funding issues.

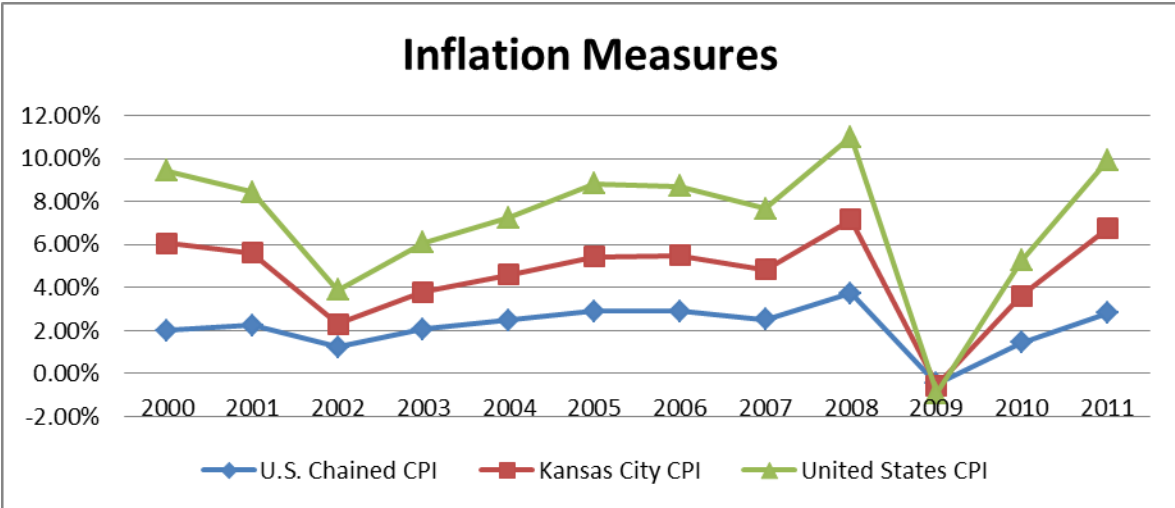


Educational attainment for Lawrence is substantially higher than the rest of the state. The percentage of residents that have completed a 4-year degree or more is 55% in Lawrence. State and national percentages are under 30%.

Income and Expenses



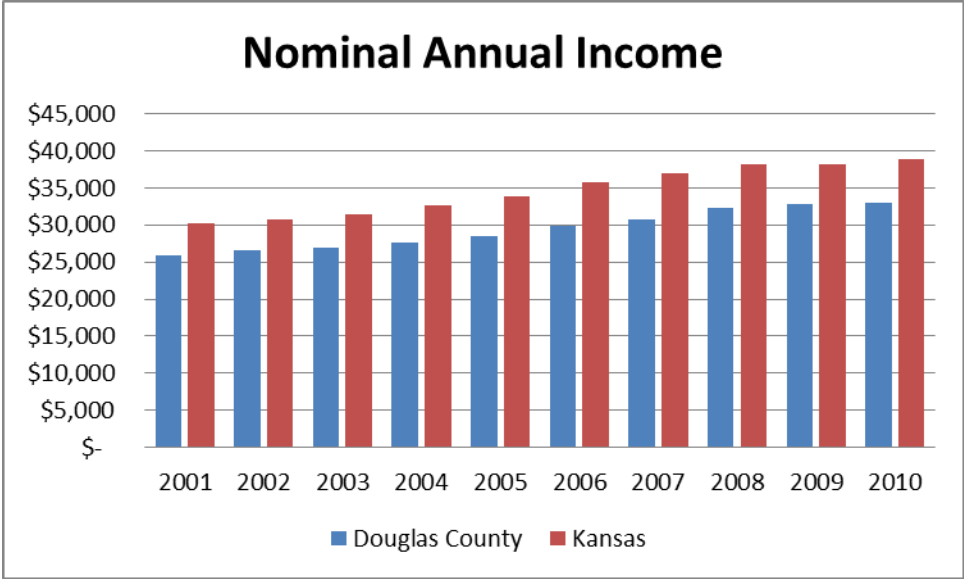
Source: Bureau of Labor Statistics



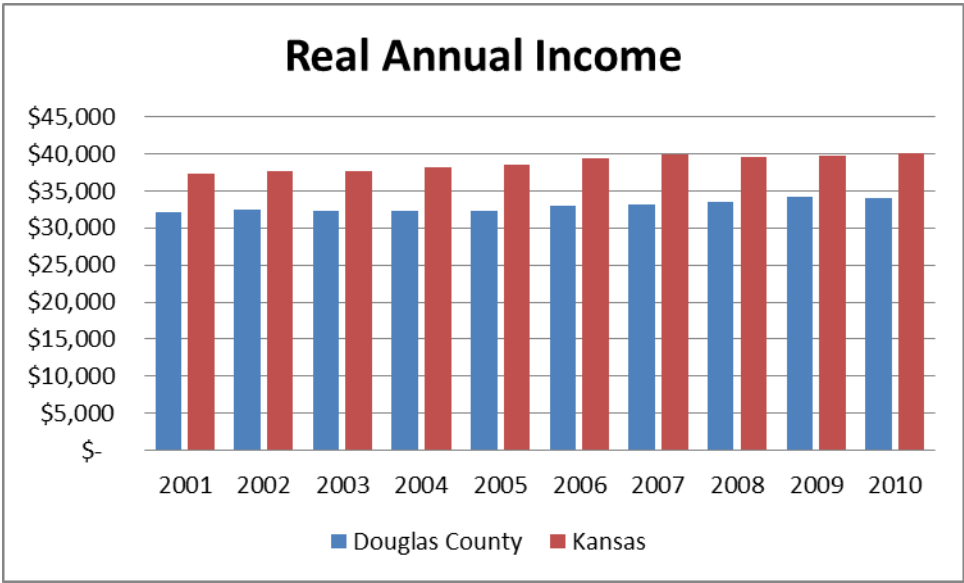
Source: Bureau of Labor Statistics

In 2009, the nation and the Kansas City area experienced slight deflation for the first time in decades, with Kansas City experiencing deflation of 0.1% and the nation 0.3%. However, the economy rebounded in 2010, with inflation of approximately 2%. In 2011 inflation continued to rise to 3.9% for the KC Metro and 4.4% for the nation.

The nominal annual income for Douglas County in 2010 was \$33,062. Douglas County's income is 15.11% less than the nominal annual income for the State. The difference is also shown when comparing real annual income, which accounts for the effects of inflation. Since 2001, the average annual growth rate for Douglas County has been 0.64% compared to a statewide average of 0.78%. It should be noted that Douglas County is low due in part to the disproportionate number of college students.

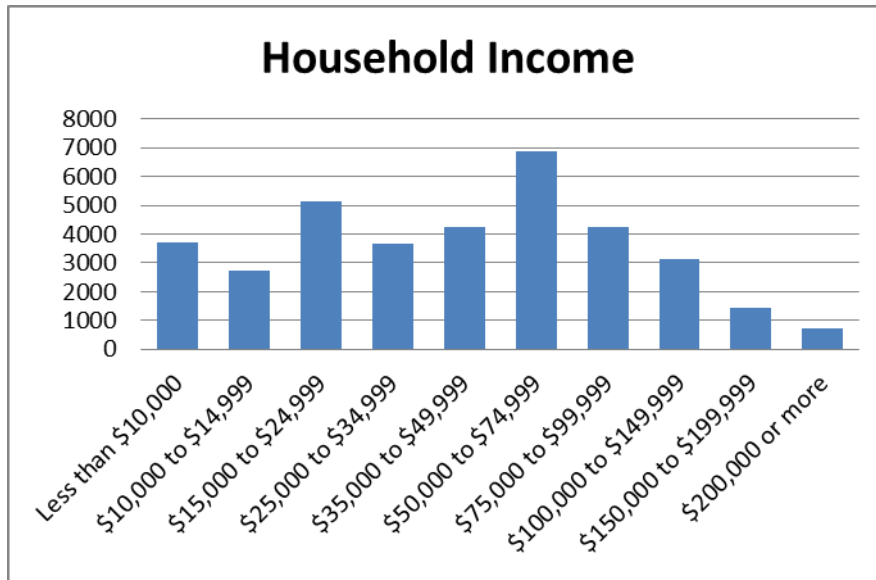


Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics, calculations made by Keller & Associates

Income and benefits in Lawrence have a typical distribution, with the exception of the lower income range. A more substantial proportion of households have incomes below \$25,000. Thirty-two percent of households in Lawrence have incomes below \$25,000. This is higher than the state percentage of 25%. The majority of households have incomes between \$25,000 and \$100,000. Lawrence averages 53.01% in this range while the state reports 59%



Source: 2010 American Community Survey

The cost of living in Lawrence is below that of other Midwestern cities. In addition, Lawrence ranks favorably when compared to Kansas City. However, Topeka is relatively less expensive to live in. This discrepancy is due mainly to housing costs.

ACCRA Cost of Living Index 2011 Annual Average: A sampling of Midwest cities	
Chicago, IL	114.7
Denver, CO	105
Kansas City, MO-KS Metro	99.4
Dallas, TX	96.2
Little Rock, AR	95.78
Lawrence, KS	95
Manhattan, KS	94.2
Topeka, KS	93.3
Des Moines, IA	91.2
Oklahoma City, OK	90.5
Columbis, OH	90.3
Houston, TX	89.8
Springfield, MO	88.8
Omaha, NE	88.5

Source: Greater Topeka Chamber of Commerce

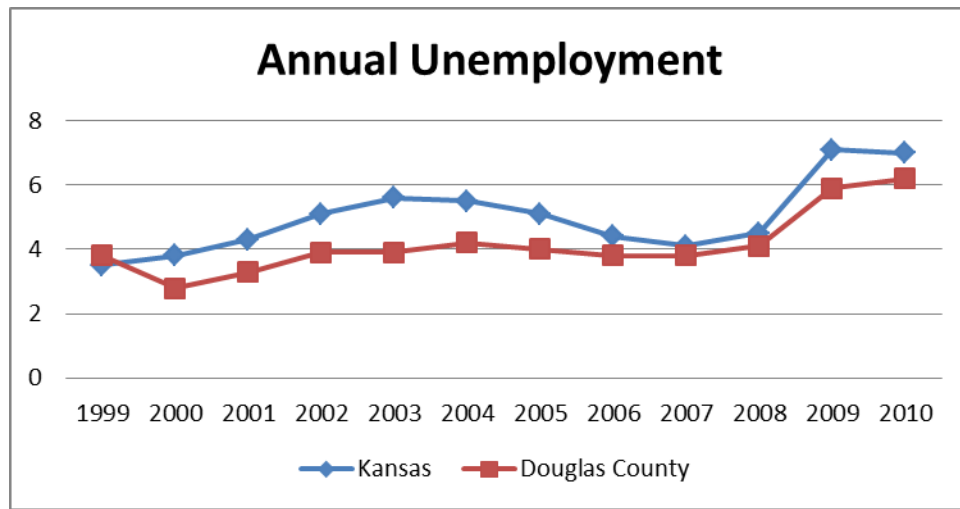
Cultural Attractions

Recreational facilities are abundant in the city and include Clinton Reservoir located four miles southwest of the Lawrence city limits. Clinton Lake consists of approximately 7,000 acres of water with six public recreational areas including a marina, camping and swimming areas. Lake Perry is a 12,000-acre lake located 15 miles northwest of Lawrence.

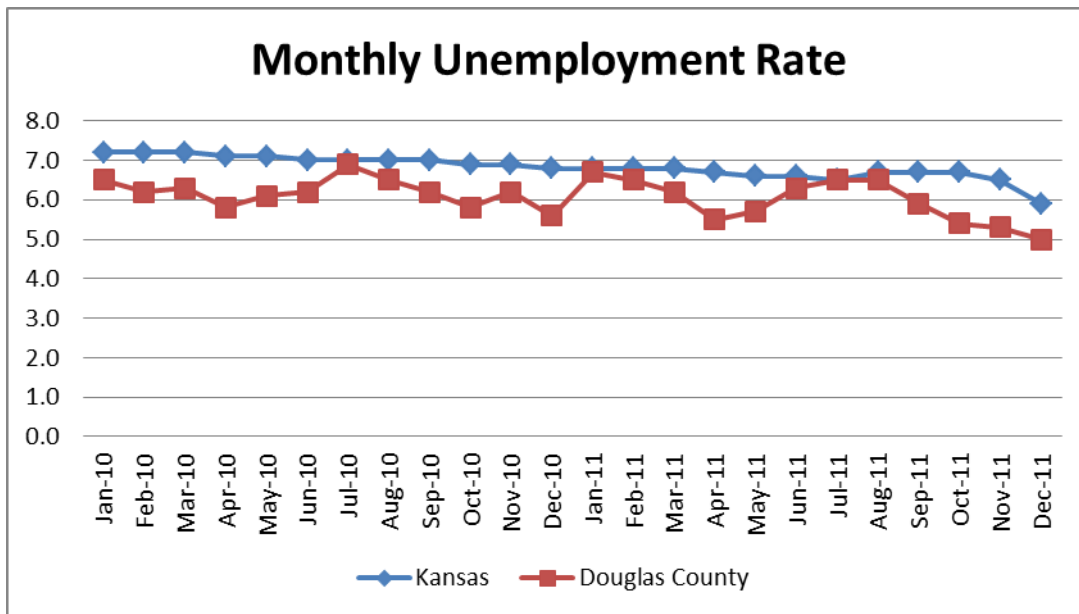
Golf is a favorite pastime among some Lawrence residents. Thirty-six holes are available to two local country clubs. Another 45 holes are available at courses open to the public. A wide variety of spectator sports are also available in Lawrence. Sporting events at KU, Haskell and the Lawrence high schools are popular attractions. Kansas University basketball ranks in the nation in all-time victories.

Lawrence has many cultural advantages due to the University as well as to its proximity to Kansas City. Among the cultural events scheduled each year are the KU Concert Series, KU Chamber of Music Series and the University Theater Series. The University also sponsors several lectures each year from prominent persons. A \$12 million Performing Arts Center of the University of Kansas was constructed in 1990. A new downtown \$7 million Art Center was opened in 2002. Eight local museums are available, including the nationally recognized Dyche Museum of Natural History and the Spencer Art Museum. An expansion of the Lawrence Public Library has been approved by voters to expand the library by 20,000 square feet. The project also includes a parking garage.

Employment and Industry



Source: Bureau of Labor Statistics



Unemployment in Douglas County has trended below Kansas unemployment rate for most of the eleven-year period shown. Annual unemployment jumped in 2010 to 6.2, continuing an upward trend as the nation and region were hit by a recession. Monthly unemployment in Lawrence topped out at 6.8% in July of 2010. The State topped out at 7.2% in January of 2012.

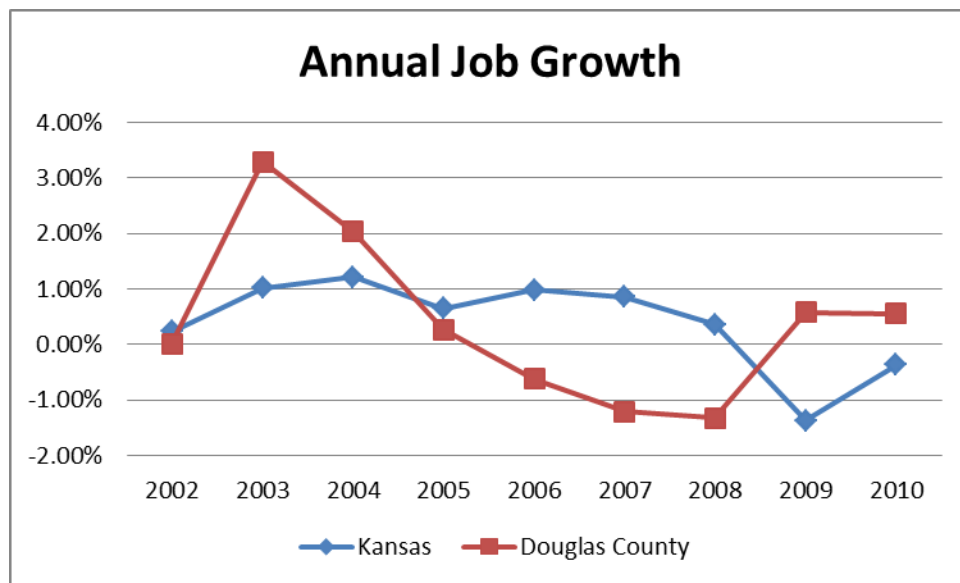
Industry	Employed	% Employed
Agriculture, forestry, fishing and hunting, and mining	188	0.4%
Construction	1,907	3.8%
Manufacturing	3,386	6.8%
Wholesale trade	367	0.7%
Retail trade	6,199	12.5%
Transportation and warehousing, and utilities	1,143	2.3%
Information	1,096	2.2%
Finance and insurance, and real estate and rental and leasing	2,506	5.0%
Professional, scientific, and management, and administrative and waste management services	4,745	9.5%
Educational services, and health care and social assistance	18,612	37.4%
Arts, entertainment, and recreation, and accommodation and food services	5,822	11.7%
Other services, except public administration	2,295	4.6%
Public administration	1,476	3.0%

Source: 2010 American Community Survey

10 Largest Employers in Lawrence, KS		
Company	Description	# of Employees
The University of Kansas	Education	9,872
Lawrence Public Schools	Education	1,634
Vangeant	Information Services	1,500
City of Lawrence	Government	1,020
Lawrence Memorial Hospital	Medical	1,279
Berry Plastics	Manufacturer	739
Hallmark Cards, Inc.	Manufacturer	510
Amarr Garage Doors	Manufacturer	497
Baker University	Education	496
Douglas County	Government	396

Source: Lawrence Chamber of Commerce

Employment by industry in Lawrence is dominated by the educational, health care and social service industries. The University of Kansas employs 9,872 people and three more of the top ten employers fall within this industry group.



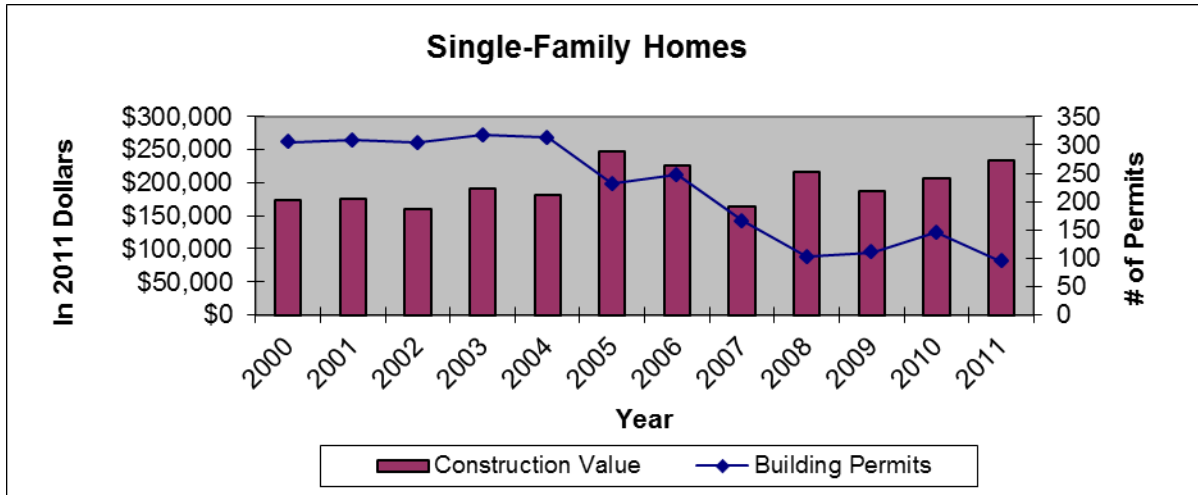
Source: Bureau of Labor Statistics

As shown in the chart above, job growth was positive until 2005, it has been decreasing with a moderate gain in 2010. In 2010, Douglas County employed 59,394 people. The average growth of 0.40% per year in Douglas County matches the rate of the State for the time period shown.

Residential Market

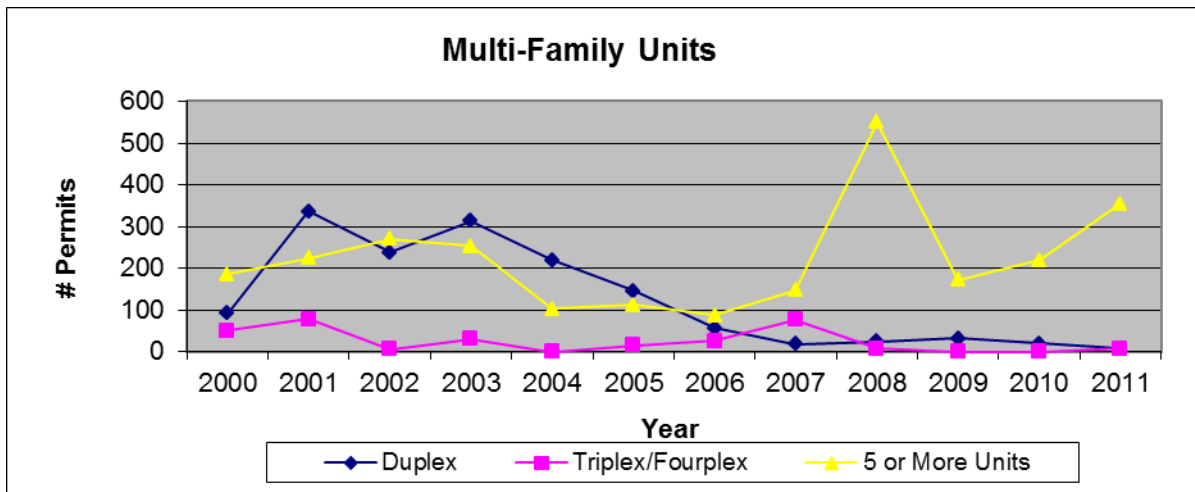
Demand for residential building permits in the City of Lawrence has decreased dramatically since 2006. In 2010 a modest recovery was shown but the number of permits issued dropped again in 2011. From 1999-2005 building permit demand averaged over 300 permits issued per year, since 2005 demand has averaged about 144 permits

issued per year. The cost of constructing new homes has varied over the twelve-year period, but has shown an upward progression. The cost of construction averaged \$169,000 in 2000 and averaged \$200,000 in 2011. The overall residential market is depressed, and there is currently a supply of vacant lots of 5 years +/- based on average annual sales. The discount for bulk lot sales has been increasing.



Source: City of Lawrence Planning Department

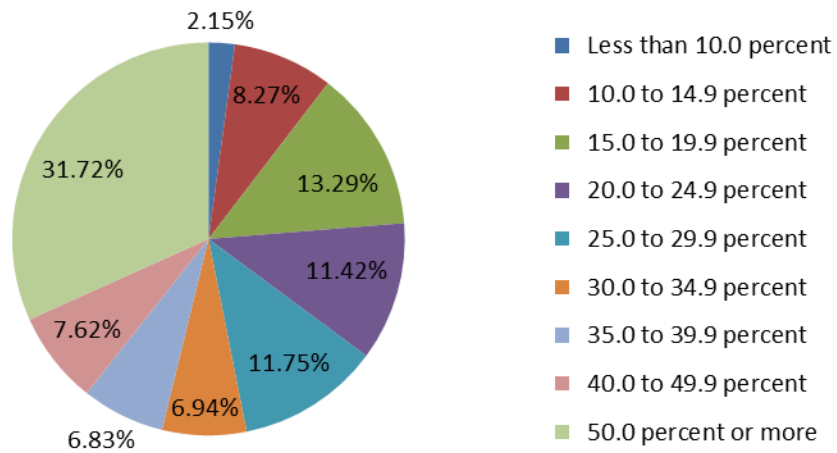
The supply of new multi-family units in Lawrence has fluctuated over the twelve-year period. Since 2003, the supply of new units has decreased precipitously, but in 2008, multiple large complexes were built. The multi-family market is the apartment market, and a recent survey conducted by our firm suggests apartment vacancy rates to be around 8%.



Source: City of Lawrence Planning Department

The median gross monthly rent paid in Lawrence is \$810. 58% of residents pay between \$500 and \$999 per month, but the majority of rent is in the \$700 to \$999 range. For 46% of households, monthly rent consumed 35% or more of their monthly income. This number is substantially higher for Lawrence than other areas throughout Kansas and is most likely due to the high student population.

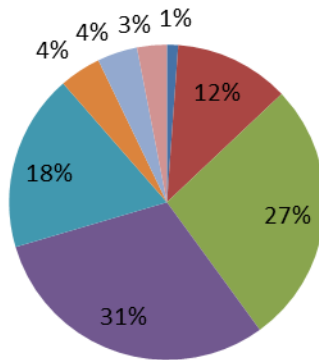
Gross Rent as a percentage of Household Income



Source: 2010 American Community Survey

Gross Monthly Rent

■ Below \$250
 ■ \$250 to \$499
 ■ \$500 to \$749
 ■ \$750 to \$999
■ \$1,000 to \$1249
 ■ \$1,250 to \$1,499
 ■ \$1500 to \$1999
 ■ \$2,000 or more



Source: 2010 American Community Survey

Retail Market

Vacancy decreased in 2011 about 0.7% to 4.6%, and remains at a healthy level. Retail sales were up 4.75% from 2010 to 2011 but are well below the 2008 numbers. The overall pull factor for the community is 1.07. This is up from

the 0.99 pull factor in 2009 and the 1.02 pull factor in 2010. The newest retail development has occurred on West 6th Street, which includes a Wal-Mart, CVS Pharmacy, Burger King, Taco Bell, a car wash, and a small strip center.

Office Market

The office market is flat at this time. Vacancy rates decreased slightly to 10.6% in 2011 down from 10.9% in 2010. A new 20,000 square foot research facility was completed on Kansas University's West Campus. This \$7.25 million facility was funded by the City of Lawrence, Douglas County, the Kansas Bioscience Authority, KU, and the Kansas University Endowment. This building is designed for up to 12 separate laboratory spaces plus additional office space for start-up bioscience companies. This facility will allow the City of Lawrence to be more aggressive in recruiting start-up bioscience companies. It is expected to bring up to 1,000 jobs to the area. The City of Lawrence and Douglas County also purchased a 20,000 square foot research building in West Lawrence, known as West Labs. This building is owned by the City/Council and leased to growing bioscience companies.

Industrial Market

The industrial market has been stable with little change over the last decade. Vacancy has dropped to 6.18% down from 8.05% in 2010. The spike in 2010 was primarily due to the closing of Sauer Danfoss and the closing of Vanguard. It has since been partially offset by Plastikon purchasing a 42,000 square foot facility in the same business park.

Alternative industrial sites are emerging for future industrial expansion. For example, a preliminary 160-acre development near the K-10 Bypass and I-70 was approved by city/county officials, along with a 51-acre site just to the southeast. However, no sewers are available at either site. Also, after several years of consideration, the City of Lawrence has acquired the nearly 467-acre Former Farmland Fertilizer Plant, and is in the process of cleaning up the site. Again, access to I-70 will need to be improved to attract larger industrial users. Berry Plastics is in the process of building a 675,000 square foot warehouse on a 60-acre site 1.5 miles west of the Lecompton interchange on the Farmers Turnpike. County Commissioners have granted a tax abatement of 90% for ten years as part of this project. This will be the largest single structure in Douglas County.

Conclusion of Area Analysis

The Lawrence area has seen slow but steady growth over the last twenty years. Growth rates have averaged just under 1% per year. However, the last two years reveal slower growth and the most recent census reported a decline in the population. The presence of the University of Kansas has contributed to a stable, low unemployment rate and a highly educated population. Also, cultural attractions are abundant for a city the size of Lawrence.

Lawrence has a medium cost of living compared to other cities in Kansas. Relatively high housing costs have propelled Lawrence into this medium range. The housing market experienced high levels of new construction for both multi-family and single-family units from 1999 through 2006. Single-family construction remains well below the high of 2006. Multi-family construction has experienced recent increases but continues to stay well below the substantial number of units built in 2008.

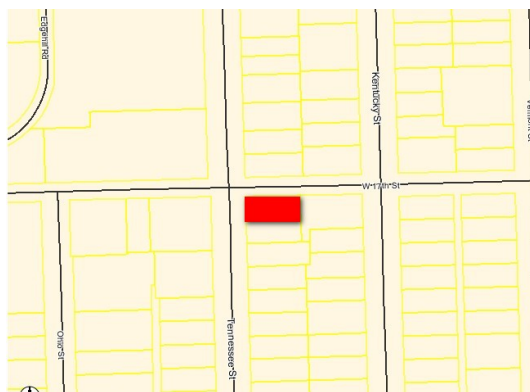
Lawrence residents have relatively lower incomes than many residents do in the state. This statistic is misleading, especially when examining the distribution of family incomes in Lawrence. Incomes have remained stable against the state in recent years and average real income growth is equivalent to the state's real income growth over the last decade. Job growth in Lawrence has exceeded annual job growth for the State. The construction of the new

Bioscience Center on KU's campus, the City's acquisition of West Labs, and the acquisition of the former Farmland Fertilizer Plant could lead to increased job growth in Lawrence in the future.

Keller & Associates, Inc.

LAND SALES

Land Sale No. 1



Location

Property ID	306721	State	Kansas
Property Name	Vacant Lot	Zip Code	66045
Address	1700 Tennessee	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Multi-Family Land
County	Douglas		
Legal Description	SOUTH LAWRENCE DESCRIPTIONS BEG 40 FT S OF SW COR LT 6 BLK 7BABCOCK'S ADD S 50 FT E 117 FTN 50 FT W 117 FT TO BEG		

Land

Tax Parcel Number	023-103-06-0-20-18-002.00-0		
Land Acres	0.13430	Number of Lots	1
Land Sq Ft	5,850	Primary Frontage (Feet)	50.00
Primary Frontage Description	50' on Tennessee and 115' on 17th Street		
Zoning Code	RM-32	Drainage	Adequate
Zoning Description	MultiFamily	In Flood Plain?	No
Access	Adequate	Flood Area %	.00%
Shape	Rectangular	Utilities Description	All available
Topography	Level		

Building

Density (Units/Acre)	14.89	Proposed No. of Units	2
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Building Finish

Additional Building Info	A duplex was subsequently built on site.		
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Sale Transaction

Sale Status	Recorded	Book/Page	1060/464
Seller	Carl & Mary Maurer	Recording Number	55200
Buyer	William & Brenda Shulteis	Sale Confirmed By	County Records/Seller
Sale Date	03-24-2010	Sale ID	57402
Sale Price	\$84,500		
Sale Remarks	Property was improved with house, but house caught on fire in Winter 2009. Building was then razed and land sold as vacant lot.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$84,500
Percent Conveyed	100%		

Adjusted Price Indices

Adj Price per Proposed Unit	\$42,250	Adjusted Price per FF	\$1,690.00
Adjusted Price/Acre	\$629,188	Adjusted Price per Lot	\$84,500
Adjusted Price/SF of Land	\$14.44		

Land Sale No. 1

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$42,250	Unadjusted Price/FF	\$1,690.00
Unadjusted Price/Acre	\$629,188	Unadjusted Price/Lot	\$84,500
Unadjusted Price/SF Land	\$14.44		

Land Sale No. 2



Location

Property ID	609028	State	Kansas
Property Name	Single Family Lot	Zip Code	66044
Address	942 Pennsylvania	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	Pennsylvania Street Lot 58		

Land

Tax Parcel Number	023-079-31-0-10-18-008.00-0		
Land Acres	0.13430	Number of Lots	1
Land Sq Ft	5,850	Primary Frontage (Feet)	50.00
Usable Land Percent	.0%		
Primary Frontage Description	along east side of Pennsylvania Street		
Zoning Code	RS5	Drainage	appears adequate
Zoning Description	Single Family	Parcel Type	Interior
Shape	Rectangular	In Flood Plain?	No
Topography	Level	Flood Area %	.00%
Grade	above grade	Utilities Description	All Available

Building

Density (Units/Acre)	7.45	Proposed No. of Units	1
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Sale Transaction

Sale Status	Recorded	Conveyance Document Type	Warranty Deed
Seller	John L. Curry	Book/Page	1093/482
Buyer	Prairie Hearth, LLC	Recording Number	059666
Sale Date	09-19-2012	Sale Confirmed By	Matt Speer
Recording Date	10-05-2012	Sale Confirmed With	County Records/MLS#128106
Sale Price	\$44,500	Sale ID	60799
Sale History	The property has not sold in the previous three years.		
Sale Remarks	The property was improved with a 1.5 story SF residence in poor condition at the time of sale. The improvements were removed subsequent to the sale, and a new building permit was issued on November 29, 2012 for the buyers.		

Analysis

Property Rights Conveyed	Fee Simple	Conditions of Sale Adj Source	Demolition of Improvements
Conditions of Sale Adj \$	\$5,000	Adjusted Sale Price	\$49,500

Adjusted Price Indices

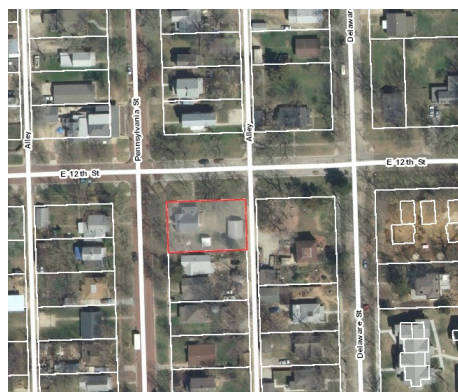
Adj Price per Proposed Unit	\$49,500	Adjusted Price per FF	\$990.00
Adjusted Price/Acre	\$368,583	Adjusted Price per Lot	\$49,500
Adjusted Price/SF of Land	\$8.46		

Land Sale No. 2

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$44,500	Unadjusted Price/FF	\$890.00
Unadjusted Price/Acre	\$331,353	Unadjusted Price/Lot	\$44,500
Unadjusted Price/SF Land	\$7.61		

Land Sale No. 3



Location

Property ID	609029	State	Kansas
Property Name	Residential Lot	Zip Code	66044
Address	1200 Pennsylvania	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	Lot 110 & N 1/2 of Lot 112, Pennsylvania Street		

Land

Tax Parcel Number	023-079-31-0-40-13-002.00-0		
Land Acres	0.20145	Number of Lots	1
Land Sq Ft	8,775	Primary Frontage (Feet)	117.00
Usable Land Percent	.0%	Secondary Frontage (Feet)	75.00
Primary Frontage Description	117' along E 12th Street and 75' along Pennsylvania Street		
Zoning Code	RS5	Parcel Type	Corner
Zoning Description	Single Family	In Flood Plain?	No
Shape	Rectangular	Flood Area %	.00%
Topography	Level	Utilities Description	All Available
Grade	at grade		

Building

Density (Units/Acre)	4.96	Proposed No. of Units	1
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Building Finish

Additional Building Info	The improvements were removed from the site in 2010.		
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Sale Transaction

Sale Status	Recorded	Book/Page	1096/3029
Seller	Ryan Ward	Recording Number	060022
Buyer	Prairie Hearth, LLC	Sale Confirmed By	Matt Speer
Sale Date	12-27-2012	Sale Confirmed With	County Records
Recording Date	12-27-2012	Sale ID	60800
Sale Price	\$52,000		
Financing Description	All Cash		
Sale History	The property previously sold on 6/22/2012 for \$38,000. The county shows this as a valid sale.		
Sale Remarks	According to SVQ, the property was openly marketed.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$52,000
Percent Conveyed	100%		

Land Sale No. 3

Adjusted Price Indices

Adj Price per Proposed Unit	\$52,000	Adjusted Price per FF	\$444.44
Adjusted Price/Acre	\$258,134	Adjusted Price per Lot	\$52,000
Adjusted Price/SF of Land	\$5.93		

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$52,000	Unadjusted Price/FF	\$444.44
Unadjusted Price/Acre	\$258,134	Unadjusted Price/Lot	\$52,000
Unadjusted Price/SF Land	\$5.93		

Land Sale No. 4



Location

Property ID	609030	State	Kansas
Property Name	Single Family Lot	Zip Code	66044
Address	929 Delaware	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	Lower East Side Addition Lot 2		

Land

Tax Parcel Number	023-079-31-0-10-18-012.01-0		
Land Acres	0.10053	Number of Lots	1
Land Sq Ft	4,379	Primary Frontage (Feet)	37.40
Usable Land Percent	.0%		
Primary Frontage Description	along the west side of Delaware Street		
Zoning Code	RS5	Drainage	appears adequate
Zoning Description	Single Family	In Flood Plain?	No
Shape	Rectangular	Flood Area %	.00%
Topography	Level	Utilities Description	All Available
Grade	above grade		

Building

Density (Units/Acre)	9.95	Proposed No. of Units	1
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Sale Transaction

Sale Status	Recorded	Book/Page	1093/2744
Seller	Struct/Restruct, LLC	Recording Number	059709
Buyer	Ann Kuckleman Cobb	Sale Confirmed By	Matt Speer
Sale Date	10-12-2012	Sale Confirmed With	County Records
Sale Price	\$49,920	Sale ID	60801
Conveyance Document Type	Warranty Deed		
Sale History	The property previously sold in 6/2008 for \$47,366		
Sale Remarks	According to the SVQ the property was openly marketed.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$49,920
Percent Conveyed	100%		

Adjusted Price Indices

Adj Price per Proposed Unit	\$49,920	Adjusted Price per FF	\$1,334.76
Adjusted Price/Acre	\$496,578	Adjusted Price per Lot	\$49,920
Adjusted Price/SF of Land	\$11.40		

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$49,920	Unadjusted Price/FF	\$1,334.76
Unadjusted Price/Acre	\$496,578	Unadjusted Price/Lot	\$49,920
Unadjusted Price/SF Land	\$11.40		

Land Sale No. 5



Location

Property ID	609031	State	Kansas
Property Name	Double Single Family Lot	Zip Code	66044
Address	1230 New York Street	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	New York Street Lots 156 & 158		

Land

Tax Parcel Number	023-079-31-0-40-11-010.00-0		
Land Acres	0.26859	Number of Lots	1
Land Sq Ft	11,700	Primary Frontage (Feet)	100.00
Usable Land Percent	.0%		
Primary Frontage Description	along the east side of New York		
Zoning Code	RS5	Drainage	appears adequate
Zoning Description	Single Family	Parcel Type	Interior
Shape	Rectangular	In Flood Plain?	No
Topography	Level	Flood Area %	.00%
Grade	above grade	Utilities Description	All Available

Building

Density (Units/Acre)	7.45	Proposed No. of Units	2
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Building Finish

Additional Building Info	The improvements were removed in 2007 according to a demolition permit filed. However a small shed is still located on the property. It is not considered to have any contributory value.
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Sale Transaction

Sale Status	Recorded	Book/Page	1098/3873
Seller	Felipe DeJesus Del Compo	Recording Number	060204
Buyer	Prairie Hearth, LLC	Sale Confirmed By	Matt Speer
Sale Date	02-15-2013	Sale Confirmed With	County Records
Recording Date	02-15-2013	Sale ID	60802
Sale Price	\$73,000		
Sale History	The property was previously sold in 6/2010 for \$20,000. The county shows this as not-open market		
Sale Remarks	According to the SVQ this was an openly marketed transaction.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$73,000
Percent Conveyed	100%		

Land Sale No. 5

Adjusted Price Indices

Adj Price per Proposed Unit	\$36,500	Adjusted Price per FF	\$730.00
Adjusted Price/Acre	\$271,785	Adjusted Price per Lot	\$73,000
Adjusted Price/SF of Land	\$6.24		

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$36,500	Unadjusted Price/FF	\$730.00
Unadjusted Price/Acre	\$271,785	Unadjusted Price/Lot	\$73,000
Unadjusted Price/SF Land	\$6.24		

Keller & Associates, Inc.

IMPROVED SALES

Multifamily Sale No. 1



Location

Property ID	609823	State	Kansas
Property Name	House in Poor Condition	Zip Code	66044
Address	1312 Vermont	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Single Family Home
County	Douglas		
Legal Description	Vermont Street Lot 172		

Land

Tax Parcel Number	023-079-31-0-30-29-004.00-0		
Land Acres	0.13430	Floor to Area Ratio	0.38
Land Sq Ft	5,850	Usable Land Percent	.0%
Land to Building Ratio	2.61	Primary Frontage (Feet)	50.00
Usable Land to Building Ratio	.00		
Primary Frontage Description	There is 50' of frontage along Vermont Street		
Zoning Code	RM32	Grade	at grade
Zoning Description	Multifamily, 32 units per acre	Drainage	Appears adequate
Access	There is access from Vermont Street as well as a rear alley.	In Flood Plain?	No
Shape	Rectangular	Flood Area %	.00%
Topography	Level	Utilities Description	All Available

Building

GBA	2,240	Year Built	1910
GBA Source	County Records	Number of Stories	2
Rentable Area	2,240	Number of Units	1
Efficiency (RA/GBA)	100.00%	Office Area SF	0
Density (Units/Acre)	7.45	Average Unit SF	2,240

Building Finish

Construction Quality	Average	Exterior Walls	Vinyl Siding
Construction Class	D - Wood Frame	Roof Type	Pitched
Building Condition	Poor	Roof Material	Composition shingle
Additional Building Info	The property is considered to be in poor condition, and has reportedly been vacant for several years. There is also a detached one car garage.		

Multifamily Sale No. 1

Sale Transaction

Sale Status	Recorded	Book/Page	1106/3607
Seller	Libuse Kriz-Fiorito Historical Foundation	Recording Number	061556
Buyer	Gordon W. Sailors Living Trust and Paula C. Kellogg Living Trust	Sale Confirmed By	Matt Speer
Sale Date	08-22-2013	Sale Confirmed With	County Records/MLS#131762
Sale Price	\$80,000	Sale ID	61387
Sale Remarks	The buyer plans to remodel the property with the help of tax credits. Demolishing the improvements would be difficult since the property is a contributing property to a historic district.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$80,000
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Cost Analysis

Land Value Per SF	\$.00	Improvements Value Per Acre	\$0
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Adjusted Price Indices

Adjusted Price/SF of GBA	\$35.71	Adjusted Price/Acre	\$595,690
Adjusted Price/SF of RA	\$35.71	Adjusted Price/SF of Land	\$13.68
Adjusted Price/Unit	\$80,000	Adjusted Price per FF	\$1,600.00

UnAdjusted Price Indices

Unadjusted Price/SF of GBA	\$35.71	Unadjusted Price/Acre	\$595,690
Unadjusted Price/SF of RA	\$35.71	Unadjusted Price/SF Land	\$13.68
Unadjusted Price/Unit	\$80,000	Unadjusted Price/FF	\$1,600.00

Multifamily Sale No. 2



Location

Property ID	609824	State	Kansas
Property Name	Single Family House	Zip Code	66044
Address	1028 Rhode Island	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Single Family Home
County	Douglas		
Legal Description	RHODE ISLAND STREET LT 108		

Land

Tax Parcel Number	023-079-31-0-20-32-008.00-0		
Land Acres	0.13430	Floor to Area Ratio	0.34
Land Sq Ft	5,850	Usable Land Percent	.0%
Land to Building Ratio	2.97	Primary Frontage (Feet)	50.00
Usable Land to Building Ratio	.00		
Primary Frontage Description	Rhode Island		
Zoning Code	RM12	Grade	at grade
Zoning Description	MF	In Flood Plain?	No
Access	City Street	Flood Area %	.00%
Shape	Rectangular	Utilities Description	All
Topography	Level		

Building

GBA	1,968	Year Built	1910
GBA Source	County Records	Number of Stories	2
Rentable Area	1,968	Number of Units	1
Efficiency (RA/GBA)	100.00%	Office Area SF	0
Density (Units/Acre)	7.45	Average Unit SF	1,968

Building Finish

Construction Quality	Average	Basement Type	Partial
Construction Class	D - Wood Frame	Roof Type	Pitched
Building Condition	Poor	Roof Material	Composition shingle
Exterior Walls	Wood Siding		

Sale Transaction

Sale Status	Recorded	Conveyance Document Type	Committee Deed
Seller	Keith M Ashman	Book/Page	1090/2393
Buyer	Mark G Eldridge	Sale Confirmed By	Matt Speer
Sale Date	08-01-2012	Sale Confirmed With	County Records
Sale Price	\$65,000	Sale ID	61388
Financing Description	All cash		

Multifamily Sale No. 2

Sale Remarks 1968 sf two story SF home built in 1910 in poor condition to be saved but required significant work to restore

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$65,000
Percent Conveyed	100%		

Cost Analysis

Land Value Per SF	\$.00	Land Value Per Acre	\$0
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Adjusted Price Indices

Adjusted Price/SF of GBA	\$33.03	Adjusted Price/Acre	\$483,998
Adjusted Price/SF of RA	\$33.03	Adjusted Price/SF of Land	\$11.11
Adjusted Price/Unit	\$65,000	Adjusted Price per FF	\$1,300.00

UnAdjusted Price Indices

Unadjusted Price/SF of GBA	\$33.03	Unadjusted Price/Acre	\$483,998
Unadjusted Price/SF of RA	\$33.03	Unadjusted Price/SF Land	\$11.11
Unadjusted Price/Unit	\$65,000	Unadjusted Price/FF	\$1,300.00

Multifamily Sale No. 3



Location

Property ID	609828	State	Kansas
Property Name	1 1/2 Story House	Zip Code	66044
Address	1109 Connecticut Street	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Single Family Home
County	Douglas		
Legal Description	Connecticut Street S 42' Lot 121		

Land

Tax Parcel Number	023-079-31-0-40-08-004.00-0		
Land Acres	0.11281	Floor to Area Ratio	0.26
Land Sq Ft	4,914	Usable Land Percent	.0%
Land to Building Ratio	3.86	Primary Frontage (Feet)	42.00
Usable Land to Building Ratio	.00		
Primary Frontage Description	There is roughly 42' of frontage along Connecticut Street		
Zoning Code	RS5	Grade	at grade
Zoning Description	Single Family Residential	In Flood Plain?	No
Access	Adequate	Flood Area %	.00%
Shape	Rectangular	Utilities Description	All Available
Topography	Level		

Building

GBA	1,273	Year Built	1900
GBA Source	County Records	Number of Stories	1.5
Rentable Area	1,273	Number of Units	1
Efficiency (RA/GBA)	100.00%	Office Area SF	0
Density (Units/Acre)	8.86	Average Unit SF	1,273

Building Finish

Construction Quality	Average	Building Frame	Wood frame
Construction Class	D - Wood Frame	Basement Type	Partial
Building Condition	Fair	Fire Sprinkler Type	None
Exterior Walls	Wood Siding	Roof Type	Pitched

Sale Transaction

Sale Status	Recorded	Recording Number	059390
Seller	Roger and Heidi Hanzlik	Days on Market	31
Buyer	Victor Milad Shenouda, Trustee	Sale Confirmed By	Matt Speer
Sale Date	08-09-2012	Sale Confirmed With	County Records/Selling Agent
Sale Price	\$63,000	Seller Broker Info	Linn Wiley, McGrew
Book/Page	1090/5319	Sale ID	61391

Keller & Associates, Inc.

CLIENT'S LETTER OF ENGAGEMENT

Matt Speer

From: Scott Wagner <swagner@lawrenceks.org>
Sent: Tuesday, September 10, 2013 8:30 AM
To: Timothy Keller
Cc: Matt Speer
Subject: RE: fee and turn around 1106 Rhode Island

Thanks Tim. Do let me know if you get a site inspection time set up. I may change my mind and join you.



R. Scott Wagner, *Management Analyst* - swagner@lawrenceks.org
City Attorney's Office | [City of Lawrence, KS](#)
P.O Box 708, 6 E. 6th St., Lawrence, KS 66044
office (785) 832-3467 | fax (785) 830-4822

From: Timothy Keller [<mailto:tkeller@kellerappraisal.com>]
Sent: Monday, September 09, 2013 5:05 PM
To: Scott Wagner
Cc: Matt Speer
Subject: fee and turn around 1106 Rhode Island

Scott

Thanks for meeting with us today.

\$2000

Three weeks, but will try to get it done sooner.

\$175 per hour for court and or hearing appearances.

Thanks

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

Project Summary

Capital Investment in Plant:	\$408,800
Annual Local Expenditures by Firm:	\$662,300
Retained Jobs:	2
Average Wage per Retained Job:	\$42,483
Indirect Jobs Created:	1
Economic Value per Indirect Job:	\$55,055
Total New Households:	-
Discount Rate:	6.53%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives

IRB Offered	No
Value of IRB Construction Sales Tax:	\$0
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	\$0
Other Incentives	
Site Infrastructure:	\$0
Facility Construction:	\$0
Loans/Grants:	\$114,081
Value of All Incentives Offered:	\$114,081
Value of All Incentives per Job per Year:	\$2,852
Value of Incentives in Hourly Pay:	\$1.37
Value of Incentives per Dollar Invested:	\$0.28

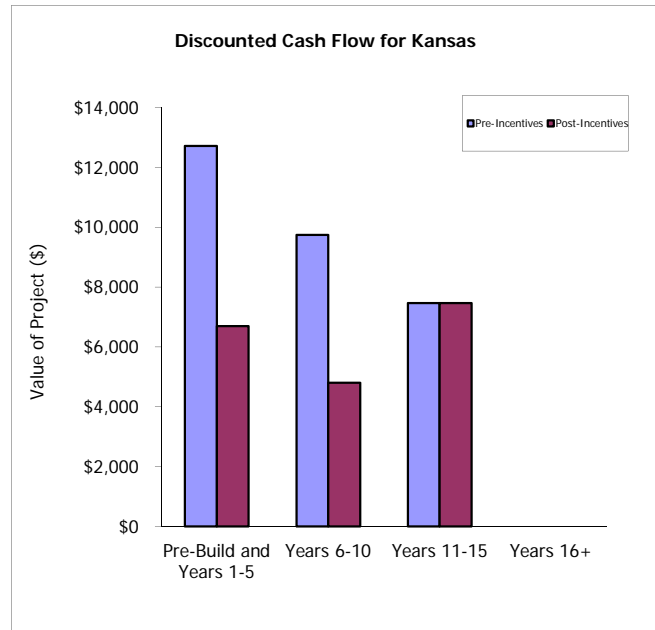
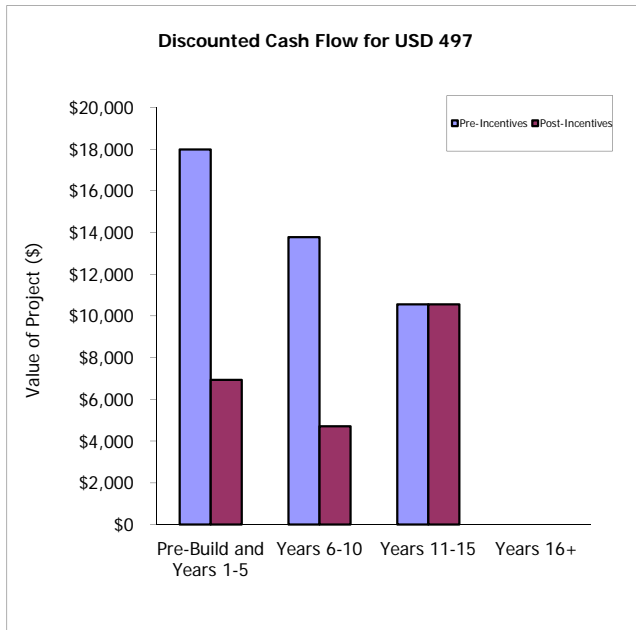
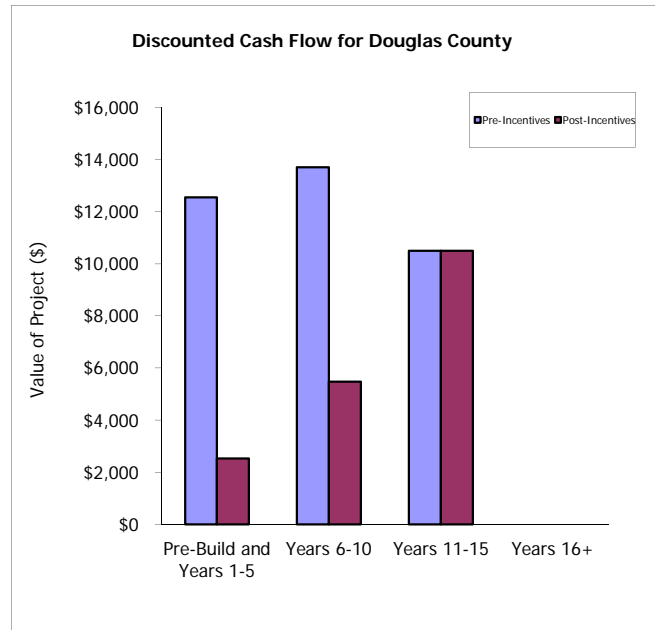
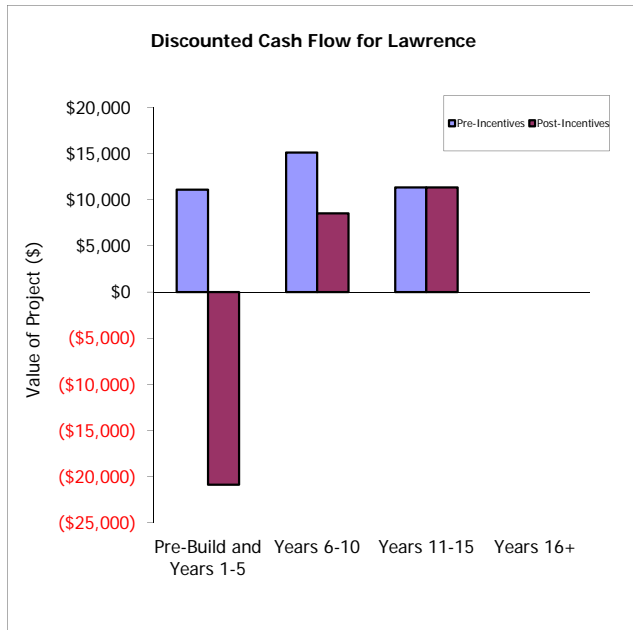
Summary of Results

Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	\$120,032	\$100,784	\$93,606	\$66,175
Costs	\$27,680	\$13,386	\$0	\$0
<i>Revenue Stream, Pre-Incentives</i>	<i>\$92,352</i>	<i>\$87,399</i>	<i>\$93,606</i>	<i>\$66,175</i>
Value of Incentives Offered	\$44,512	\$25,733	\$28,370	\$15,466
Revenue Stream with Incentives	\$47,840	\$61,665	\$65,236	\$50,709

Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.53%			
Discounted Cash Flow, Without Incentives	\$46,177	\$44,776	\$50,391	\$35,624
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>3.55</i>	<i>5.84</i>	<i>#DIV/0!</i>	<i>#DIV/0!</i>
Discounted Cash Flow, With Incentives	\$7,655	\$26,532	\$30,279	\$24,659
Benefit/Cost Ratio, With Incentives	1.42	3.87	#DIV/0!	#DIV/0!

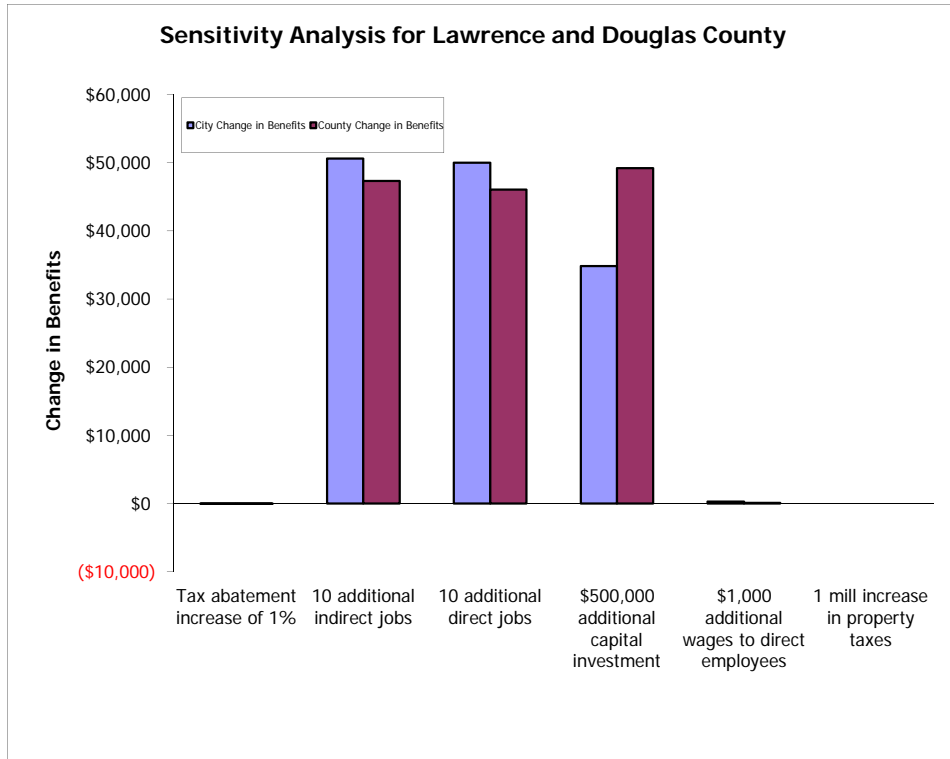
1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

Graphs of Benefits and Costs by Time Period, with and Without Abatement



1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

Sensitivity Analysis



1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

APPENDIX 1: Annual Results (not Discounted)

<i>Lawrence</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$23,930)	(\$23,930)	(\$23,930)
1	\$4,322	(\$9,252)	(\$1,844)	(\$6,775)	(\$30,705)
2	\$4,799	(\$454)	(\$1,889)	\$2,457	(\$28,248)
3	\$5,960	(\$916)	(\$1,935)	\$3,109	(\$25,139)
4	\$6,019	(\$925)	(\$1,982)	\$3,112	(\$22,027)
5	\$6,080	(\$935)	(\$2,030)	\$3,115	(\$18,912)
6	\$6,140	(\$944)	(\$2,078)	\$3,118	(\$15,794)
7	\$5,895	(\$954)	(\$2,128)	\$2,813	(\$12,981)
8	\$5,850	(\$963)	(\$2,179)	\$2,708	(\$10,273)
9	\$5,909	(\$973)	(\$2,232)	\$2,704	(\$7,569)
10	\$5,968	(\$983)	(\$2,285)	\$2,700	(\$4,868)
11	\$6,027	(\$992)	\$0	\$5,035	\$167
12	\$6,088	(\$1,002)	\$0	\$5,085	\$5,252
13	\$6,149	(\$1,012)	\$0	\$5,136	\$10,388
14	\$6,210	(\$1,022)	\$0	\$5,188	\$15,576
15	\$6,272	(\$1,033)	\$0	\$5,240	\$20,816

<i>Douglas County</i>					
Year	Revenues	Costs	#REF!	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,219	(\$5,638)	(\$2,306)	(\$3,725)	(\$3,725)
2	\$4,422	(\$191)	(\$2,362)	\$1,869	(\$1,856)
3	\$4,698	(\$385)	(\$2,419)	\$1,893	\$38
4	\$4,745	(\$389)	(\$2,478)	\$1,878	\$1,916
5	\$4,792	(\$393)	(\$2,538)	\$1,862	\$3,777
6	\$4,840	(\$397)	(\$2,599)	\$1,845	\$5,622
7	\$4,888	(\$401)	(\$2,661)	\$1,826	\$7,448
8	\$4,937	(\$405)	(\$2,725)	\$1,808	\$9,256
9	\$4,987	(\$409)	(\$2,790)	\$1,788	\$11,043
10	\$5,037	(\$413)	(\$2,857)	\$1,767	\$12,810
11	\$5,087	(\$417)	\$0	\$4,670	\$17,480
12	\$5,138	(\$421)	\$0	\$4,716	\$22,196
13	\$5,189	(\$426)	\$0	\$4,764	\$26,960
14	\$5,241	(\$430)	\$0	\$4,811	\$31,771
15	\$5,293	(\$434)	\$0	\$4,859	\$36,630

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

APPENDIX 1: Annual Results (not Discounted) (Continued)

<i>USD 497</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,251	\$0	(\$2,542)	\$1,709	\$1,709
2	\$4,294	\$0	(\$2,604)	\$1,690	\$3,399
3	\$4,337	\$0	(\$2,667)	\$1,670	\$5,068
4	\$4,380	\$0	(\$2,732)	\$1,648	\$6,717
5	\$4,424	\$0	(\$2,797)	\$1,626	\$8,343
6	\$4,468	\$0	(\$2,865)	\$1,603	\$9,946
7	\$4,513	\$0	(\$2,934)	\$1,579	\$11,525
8	\$4,558	\$0	(\$3,004)	\$1,554	\$13,079
9	\$4,603	\$0	(\$3,076)	\$1,527	\$14,607
10	\$4,649	\$0	(\$3,149)	\$1,500	\$16,107
11	\$4,696	\$0	\$0	\$4,696	\$20,803
12	\$4,743	\$0	\$0	\$4,743	\$25,545
13	\$4,790	\$0	\$0	\$4,790	\$30,336
14	\$4,838	\$0	\$0	\$4,838	\$35,174
15	\$4,887	\$0	\$0	\$4,887	\$40,061

<i>State of Kansas</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,005	\$0	(\$1,386)	\$1,619	\$1,619
2	\$3,035	\$0	(\$1,420)	\$1,616	\$3,235
3	\$3,066	\$0	(\$1,454)	\$1,612	\$4,847
4	\$3,096	\$0	(\$1,489)	\$1,607	\$6,454
5	\$3,127	\$0	(\$1,525)	\$1,602	\$8,057
6	\$3,159	\$0	(\$1,562)	\$1,597	\$9,653
7	\$3,190	\$0	(\$1,599)	\$1,591	\$11,244
8	\$3,222	\$0	(\$1,638)	\$1,585	\$12,829
9	\$3,254	\$0	(\$1,677)	\$1,578	\$14,406
10	\$3,287	\$0	(\$1,717)	\$1,570	\$15,977
11	\$3,320	\$0	\$0	\$3,320	\$19,296
12	\$3,353	\$0	\$0	\$3,353	\$22,649
13	\$3,387	\$0	\$0	\$3,387	\$26,036
14	\$3,420	\$0	\$0	\$3,420	\$29,456
15	\$3,455	\$0	\$0	\$3,455	\$32,911

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

APPENDIX 2: Annual Results (Discounted)

<i>Lawrence</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$23,930)	(\$23,930)	(\$23,930)
1	\$4,057	(\$8,685)	(\$1,731)	(\$6,359)	(\$30,289)
2	\$4,229	(\$400)	(\$1,665)	\$2,164	(\$28,125)
3	\$4,929	(\$758)	(\$1,600)	\$2,571	(\$25,554)
4	\$4,673	(\$718)	(\$1,539)	\$2,416	(\$23,137)
5	\$4,431	(\$681)	(\$1,479)	\$2,270	(\$20,867)
6	\$4,200	(\$646)	(\$1,422)	\$2,133	(\$18,734)
7	\$3,785	(\$612)	(\$1,367)	\$1,806	(\$16,928)
8	\$3,526	(\$580)	(\$1,314)	\$1,632	(\$15,296)
9	\$3,343	(\$550)	(\$1,263)	\$1,530	(\$13,766)
10	\$3,169	(\$522)	(\$1,213)	\$1,434	(\$12,332)
11	\$3,005	(\$495)	\$0	\$2,510	(\$9,822)
12	\$2,849	(\$469)	\$0	\$2,380	(\$7,442)
13	\$2,701	(\$445)	\$0	\$2,256	(\$5,186)
14	\$2,560	(\$422)	\$0	\$2,139	(\$3,047)
15	\$2,428	(\$400)	\$0	\$2,028	(\$1,019)

<i>Douglas County</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,960	(\$5,292)	(\$2,164)	(\$3,496)	(\$3,496)
2	\$3,896	(\$168)	(\$2,081)	\$1,647	(\$1,850)
3	\$3,885	(\$319)	(\$2,001)	\$1,566	(\$284)
4	\$3,684	(\$302)	(\$1,924)	\$1,458	\$1,174
5	\$3,492	(\$286)	(\$1,849)	\$1,357	\$2,531
6	\$3,311	(\$272)	(\$1,778)	\$1,262	\$3,793
7	\$3,139	(\$257)	(\$1,709)	\$1,173	\$4,966
8	\$2,976	(\$244)	(\$1,642)	\$1,089	\$6,055
9	\$2,821	(\$231)	(\$1,579)	\$1,011	\$7,066
10	\$2,675	(\$219)	(\$1,517)	\$938	\$8,005
11	\$2,536	(\$208)	\$0	\$2,328	\$10,333
12	\$2,404	(\$197)	\$0	\$2,207	\$12,540
13	\$2,279	(\$187)	\$0	\$2,092	\$14,632
14	\$2,161	(\$177)	\$0	\$1,984	\$16,616
15	\$2,049	(\$168)	\$0	\$1,881	\$18,496

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

APPENDIX 2: Annual Results (Discounted) (Continued)

<i>USD 497</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,990	\$0	(\$2,386)	\$1,604	\$1,604
2	\$3,783	\$0	(\$2,294)	\$1,489	\$3,093
3	\$3,587	\$0	(\$2,206)	\$1,381	\$4,474
4	\$3,400	\$0	(\$2,121)	\$1,280	\$5,754
5	\$3,224	\$0	(\$2,039)	\$1,185	\$6,939
6	\$3,056	\$0	(\$1,960)	\$1,097	\$8,036
7	\$2,898	\$0	(\$1,884)	\$1,014	\$9,050
8	\$2,747	\$0	(\$1,811)	\$937	\$9,986
9	\$2,604	\$0	(\$1,740)	\$864	\$10,850
10	\$2,469	\$0	(\$1,673)	\$797	\$11,647
11	\$2,341	\$0	\$0	\$2,341	\$13,988
12	\$2,219	\$0	\$0	\$2,219	\$16,207
13	\$2,104	\$0	\$0	\$2,104	\$18,311
14	\$1,995	\$0	\$0	\$1,995	\$20,306
15	\$1,891	\$0	\$0	\$1,891	\$22,198

<i>State of Kansas</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$2,821	\$0	(\$1,301)	\$1,520	\$1,520
2	\$2,674	\$0	(\$1,251)	\$1,424	\$2,944
3	\$2,536	\$0	(\$1,203)	\$1,333	\$4,277
4	\$2,404	\$0	(\$1,156)	\$1,248	\$5,525
5	\$2,279	\$0	(\$1,111)	\$1,168	\$6,692
6	\$2,161	\$0	(\$1,068)	\$1,092	\$7,785
7	\$2,049	\$0	(\$1,027)	\$1,022	\$8,806
8	\$1,942	\$0	(\$987)	\$955	\$9,761
9	\$1,841	\$0	(\$949)	\$893	\$10,654
10	\$1,746	\$0	(\$912)	\$834	\$11,488
11	\$1,655	\$0	\$0	\$1,655	\$13,143
12	\$1,569	\$0	\$0	\$1,569	\$14,712
13	\$1,488	\$0	\$0	\$1,488	\$16,199
14	\$1,410	\$0	\$0	\$1,410	\$17,610
15	\$1,337	\$0	\$0	\$1,337	\$18,947

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

Project Summary

Capital Investment in Plant:	\$408,800
Annual Local Expenditures by Firm:	\$662,300
Retained Jobs:	2
Average Wage per Retained Job:	\$42,483
Indirect Jobs Created:	1
Economic Value per Indirect Job:	\$55,055
Total New Households:	-
Discount Rate:	6.53%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives

IRB Offered	No
Value of IRB Construction Sales Tax:	\$0
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	\$0
Other Incentives	
Site Infrastructure:	\$0
Facility Construction:	\$0
Loans/Grants:	\$121,251

Value of All Incentives Offered: \$121,251

Value of All Incentives per Job per Year:	\$3,031
Value of Incentives in Hourly Pay:	\$1.46
Value of Incentives per Dollar Invested:	\$0.30

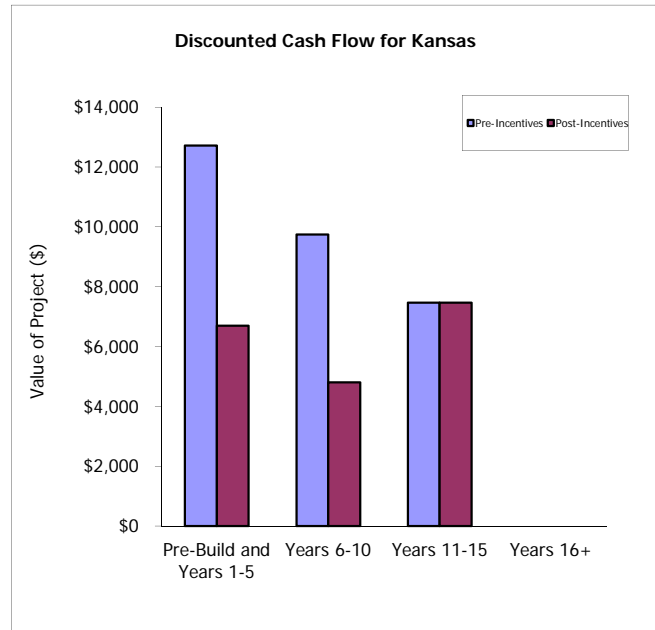
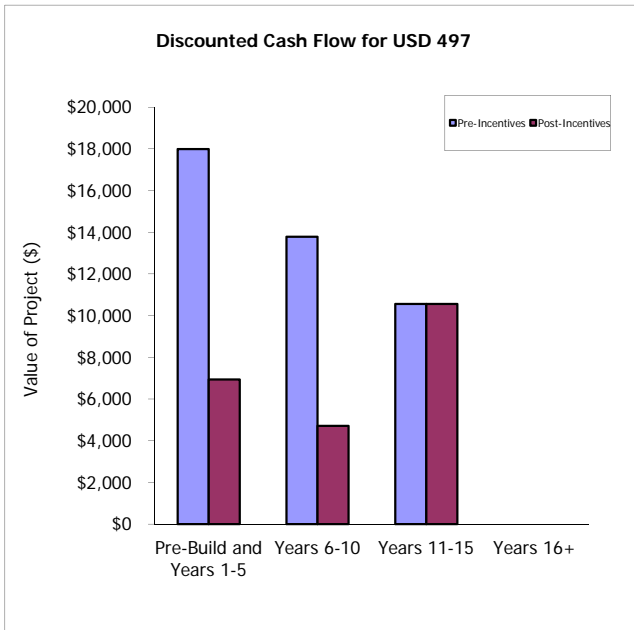
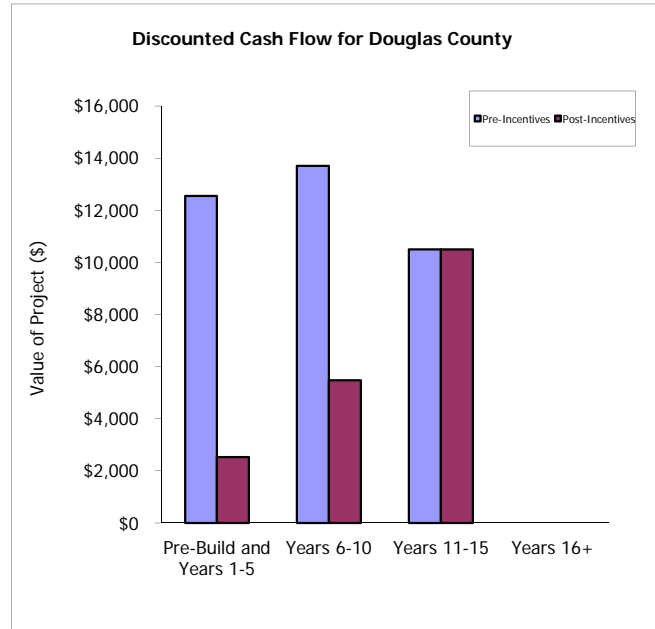
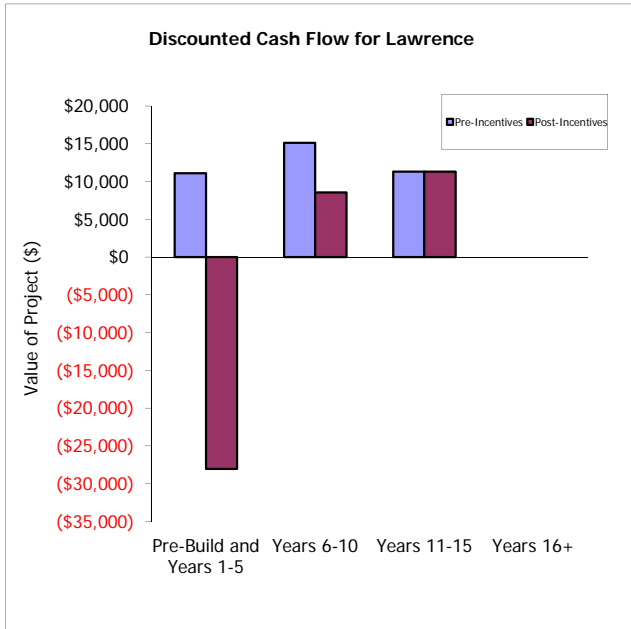
Summary of Results

Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	\$120,032	\$100,784	\$93,606	\$66,175
Costs	\$27,680	\$13,386	\$0	\$0
<i>Revenue Stream, Pre-Incentives</i>	<i>\$92,352</i>	<i>\$87,399</i>	<i>\$93,606</i>	<i>\$66,175</i>
Value of Incentives Offered	\$51,682	\$25,733	\$28,370	\$15,466
Revenue Stream with Incentives	\$40,670	\$61,665	\$65,236	\$50,709

Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.53%			
Discounted Cash Flow, Without Incentives	\$46,177	\$44,776	\$50,391	\$35,624
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>3.55</i>	<i>5.84</i>	<i>#DIV/0!</i>	<i>#DIV/0!</i>
Discounted Cash Flow, With Incentives	\$485	\$26,532	\$30,279	\$24,659
Benefit/Cost Ratio, With Incentives	1.03	3.87	#DIV/0!	#DIV/0!

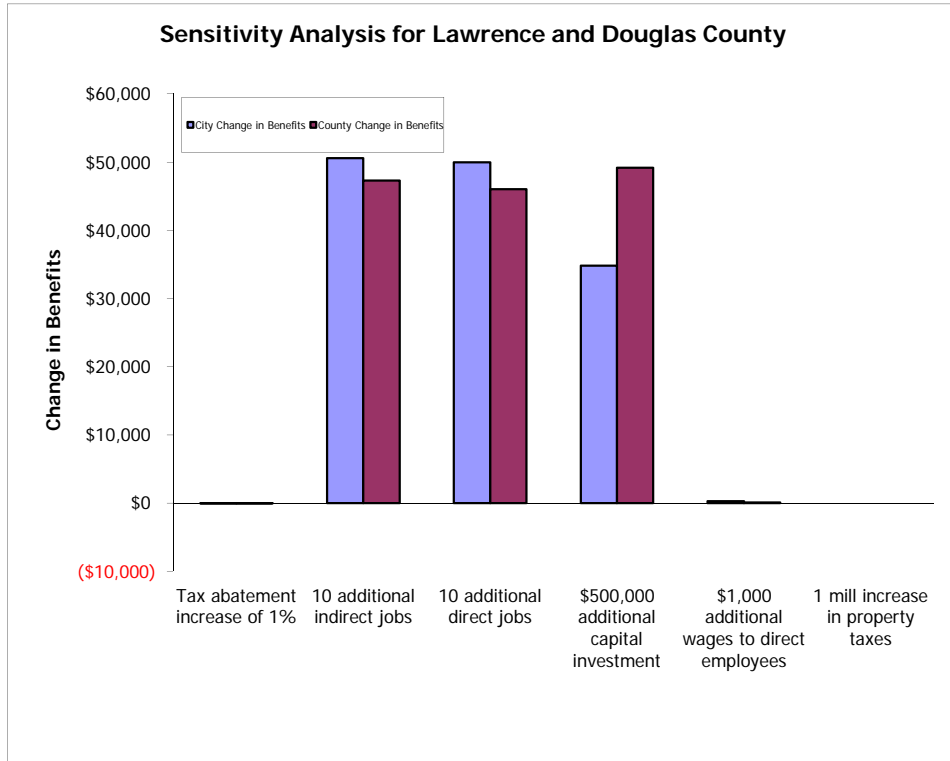
1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

Graphs of Benefits and Costs by Time Period, with and Without Abatement



1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

Sensitivity Analysis



1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

APPENDIX 1: Annual Results (not Discounted)

<i>Lawrence</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$31,100)	(\$31,100)	(\$31,100)
1	\$4,322	(\$9,252)	(\$1,844)	(\$6,775)	(\$37,875)
2	\$4,799	(\$454)	(\$1,889)	\$2,457	(\$35,418)
3	\$5,960	(\$916)	(\$1,935)	\$3,109	(\$32,309)
4	\$6,019	(\$925)	(\$1,982)	\$3,112	(\$29,197)
5	\$6,080	(\$935)	(\$2,030)	\$3,115	(\$26,082)
6	\$6,140	(\$944)	(\$2,078)	\$3,118	(\$22,964)
7	\$5,895	(\$954)	(\$2,128)	\$2,813	(\$20,151)
8	\$5,850	(\$963)	(\$2,179)	\$2,708	(\$17,443)
9	\$5,909	(\$973)	(\$2,232)	\$2,704	(\$14,739)
10	\$5,968	(\$983)	(\$2,285)	\$2,700	(\$12,038)
11	\$6,027	(\$992)	\$0	\$5,035	(\$7,003)
12	\$6,088	(\$1,002)	\$0	\$5,085	(\$1,918)
13	\$6,149	(\$1,012)	\$0	\$5,136	\$3,218
14	\$6,210	(\$1,022)	\$0	\$5,188	\$8,406
15	\$6,272	(\$1,033)	\$0	\$5,240	\$13,646

<i>Douglas County</i>					
Year	Revenues	Costs	#REF!	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,219	(\$5,638)	(\$2,306)	(\$3,725)	(\$3,725)
2	\$4,422	(\$191)	(\$2,362)	\$1,869	(\$1,856)
3	\$4,698	(\$385)	(\$2,419)	\$1,893	\$38
4	\$4,745	(\$389)	(\$2,478)	\$1,878	\$1,916
5	\$4,792	(\$393)	(\$2,538)	\$1,862	\$3,777
6	\$4,840	(\$397)	(\$2,599)	\$1,845	\$5,622
7	\$4,888	(\$401)	(\$2,661)	\$1,826	\$7,448
8	\$4,937	(\$405)	(\$2,725)	\$1,808	\$9,256
9	\$4,987	(\$409)	(\$2,790)	\$1,788	\$11,043
10	\$5,037	(\$413)	(\$2,857)	\$1,767	\$12,810
11	\$5,087	(\$417)	\$0	\$4,670	\$17,480
12	\$5,138	(\$421)	\$0	\$4,716	\$22,196
13	\$5,189	(\$426)	\$0	\$4,764	\$26,960
14	\$5,241	(\$430)	\$0	\$4,811	\$31,771
15	\$5,293	(\$434)	\$0	\$4,859	\$36,630

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

APPENDIX 1: Annual Results (not Discounted) (Continued)

<i>USD 497</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,251	\$0	(\$2,542)	\$1,709	\$1,709
2	\$4,294	\$0	(\$2,604)	\$1,690	\$3,399
3	\$4,337	\$0	(\$2,667)	\$1,670	\$5,068
4	\$4,380	\$0	(\$2,732)	\$1,648	\$6,717
5	\$4,424	\$0	(\$2,797)	\$1,626	\$8,343
6	\$4,468	\$0	(\$2,865)	\$1,603	\$9,946
7	\$4,513	\$0	(\$2,934)	\$1,579	\$11,525
8	\$4,558	\$0	(\$3,004)	\$1,554	\$13,079
9	\$4,603	\$0	(\$3,076)	\$1,527	\$14,607
10	\$4,649	\$0	(\$3,149)	\$1,500	\$16,107
11	\$4,696	\$0	\$0	\$4,696	\$20,803
12	\$4,743	\$0	\$0	\$4,743	\$25,545
13	\$4,790	\$0	\$0	\$4,790	\$30,336
14	\$4,838	\$0	\$0	\$4,838	\$35,174
15	\$4,887	\$0	\$0	\$4,887	\$40,061

<i>State of Kansas</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,005	\$0	(\$1,386)	\$1,619	\$1,619
2	\$3,035	\$0	(\$1,420)	\$1,616	\$3,235
3	\$3,066	\$0	(\$1,454)	\$1,612	\$4,847
4	\$3,096	\$0	(\$1,489)	\$1,607	\$6,454
5	\$3,127	\$0	(\$1,525)	\$1,602	\$8,057
6	\$3,159	\$0	(\$1,562)	\$1,597	\$9,653
7	\$3,190	\$0	(\$1,599)	\$1,591	\$11,244
8	\$3,222	\$0	(\$1,638)	\$1,585	\$12,829
9	\$3,254	\$0	(\$1,677)	\$1,578	\$14,406
10	\$3,287	\$0	(\$1,717)	\$1,570	\$15,977
11	\$3,320	\$0	\$0	\$3,320	\$19,296
12	\$3,353	\$0	\$0	\$3,353	\$22,649
13	\$3,387	\$0	\$0	\$3,387	\$26,036
14	\$3,420	\$0	\$0	\$3,420	\$29,456
15	\$3,455	\$0	\$0	\$3,455	\$32,911

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

APPENDIX 2: Annual Results (Discounted)

<i>Lawrence</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$31,100)	(\$31,100)	(\$31,100)
1	\$4,057	(\$8,685)	(\$1,731)	(\$6,359)	(\$37,459)
2	\$4,229	(\$400)	(\$1,665)	\$2,164	(\$35,295)
3	\$4,929	(\$758)	(\$1,600)	\$2,571	(\$32,724)
4	\$4,673	(\$718)	(\$1,539)	\$2,416	(\$30,307)
5	\$4,431	(\$681)	(\$1,479)	\$2,270	(\$28,037)
6	\$4,200	(\$646)	(\$1,422)	\$2,133	(\$25,904)
7	\$3,785	(\$612)	(\$1,367)	\$1,806	(\$24,098)
8	\$3,526	(\$580)	(\$1,314)	\$1,632	(\$22,466)
9	\$3,343	(\$550)	(\$1,263)	\$1,530	(\$20,936)
10	\$3,169	(\$522)	(\$1,213)	\$1,434	(\$19,502)
11	\$3,005	(\$495)	\$0	\$2,510	(\$16,992)
12	\$2,849	(\$469)	\$0	\$2,380	(\$14,612)
13	\$2,701	(\$445)	\$0	\$2,256	(\$12,356)
14	\$2,560	(\$422)	\$0	\$2,139	(\$10,217)
15	\$2,428	(\$400)	\$0	\$2,028	(\$8,189)

<i>Douglas County</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,960	(\$5,292)	(\$2,164)	(\$3,496)	(\$3,496)
2	\$3,896	(\$168)	(\$2,081)	\$1,647	(\$1,850)
3	\$3,885	(\$319)	(\$2,001)	\$1,566	(\$284)
4	\$3,684	(\$302)	(\$1,924)	\$1,458	\$1,174
5	\$3,492	(\$286)	(\$1,849)	\$1,357	\$2,531
6	\$3,311	(\$272)	(\$1,778)	\$1,262	\$3,793
7	\$3,139	(\$257)	(\$1,709)	\$1,173	\$4,966
8	\$2,976	(\$244)	(\$1,642)	\$1,089	\$6,055
9	\$2,821	(\$231)	(\$1,579)	\$1,011	\$7,066
10	\$2,675	(\$219)	(\$1,517)	\$938	\$8,005
11	\$2,536	(\$208)	\$0	\$2,328	\$10,333
12	\$2,404	(\$197)	\$0	\$2,207	\$12,540
13	\$2,279	(\$187)	\$0	\$2,092	\$14,632
14	\$2,161	(\$177)	\$0	\$1,984	\$16,616
15	\$2,049	(\$168)	\$0	\$1,881	\$18,496

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

APPENDIX 2: Annual Results (Discounted) (Continued)

USD 497

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,990	\$0	(\$2,386)	\$1,604	\$1,604
2	\$3,783	\$0	(\$2,294)	\$1,489	\$3,093
3	\$3,587	\$0	(\$2,206)	\$1,381	\$4,474
4	\$3,400	\$0	(\$2,121)	\$1,280	\$5,754
5	\$3,224	\$0	(\$2,039)	\$1,185	\$6,939
6	\$3,056	\$0	(\$1,960)	\$1,097	\$8,036
7	\$2,898	\$0	(\$1,884)	\$1,014	\$9,050
8	\$2,747	\$0	(\$1,811)	\$937	\$9,986
9	\$2,604	\$0	(\$1,740)	\$864	\$10,850
10	\$2,469	\$0	(\$1,673)	\$797	\$11,647
11	\$2,341	\$0	\$0	\$2,341	\$13,988
12	\$2,219	\$0	\$0	\$2,219	\$16,207
13	\$2,104	\$0	\$0	\$2,104	\$18,311
14	\$1,995	\$0	\$0	\$1,995	\$20,306
15	\$1,891	\$0	\$0	\$1,891	\$22,198

State of Kansas

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$2,821	\$0	(\$1,301)	\$1,520	\$1,520
2	\$2,674	\$0	(\$1,251)	\$1,424	\$2,944
3	\$2,536	\$0	(\$1,203)	\$1,333	\$4,277
4	\$2,404	\$0	(\$1,156)	\$1,248	\$5,525
5	\$2,279	\$0	(\$1,111)	\$1,168	\$6,692
6	\$2,161	\$0	(\$1,068)	\$1,092	\$7,785
7	\$2,049	\$0	(\$1,027)	\$1,022	\$8,806
8	\$1,942	\$0	(\$987)	\$955	\$9,761
9	\$1,841	\$0	(\$949)	\$893	\$10,654
10	\$1,746	\$0	(\$912)	\$834	\$11,488
11	\$1,655	\$0	\$0	\$1,655	\$13,143
12	\$1,569	\$0	\$0	\$1,569	\$14,712
13	\$1,488	\$0	\$0	\$1,488	\$16,199
14	\$1,410	\$0	\$0	\$1,410	\$17,610
15	\$1,337	\$0	\$0	\$1,337	\$18,947

This analysis utilized the City of Lawrence's Cost-Benefit Model. The City's cost-benefit model provides a framework for estimating the fiscal impacts of a project, assuming it were in existence and in use today, through the examination of costs and benefits to various taxing jurisdictions (City, County, School District, State).

The Cost-Benefit model is one tool that government decision makers can incorporate in their decision-making process. However, as with most models, it does have limitations.

Limitations of model:

- **Does not consider intangible effects**

The model does not speak to the effects of intangible costs or benefits resulting from the project, since intangible effects are difficult, if not impossible to assign a dollar value.

- **Does not consider private effects**

The model only seeks to quantify the cumulative effect on public revenues and expenses and not the effect on private interests that may be affected by the project. Thus, the model only considers public, or governmental, costs and revenues.

Logic would dictate that any development will also have a fiscal impact on the private sector. For example, if one were analyzing a proposal to build a new baseball stadium, the new tax revenue from the building and property – as well as the costs for providing additional public security and emergency services (police, fire, ambulance, etc.) – would factor into the analysis. However, the effect of the stadium on neighboring property values or the impact on business at local restaurants would not be accounted for.

- **The model considers direct effect economic impacts**

Multipliers used within the model are applied to direct effects such as the number of jobs created by the project and associated wages. The model does not attempt to measure all indirect effects such as capturing visitor spending associated with the project, nor the economic effects of that spending as outside dollars circulate through the community over time.

- **Model assumes current effects**

The model is run on assumptions and estimations provided at the time of analysis. The current effects aspect of the model means that the analysis provides a means of estimating the financial impact of a development as if the project were in existence and in use today, given estimated costs and assumptions that are usually defined prior to the project being constructed or operational. Given that it may be difficult to predict future costs and benefits accurately, there is an implicit assumption that future changes affect both revenues and costs.

In addition, the model does not reflect any changes in economic adjustments over time due to macroeconomic conditions, regional industrial structure, public policies, and technological advances.

- **Does not consider fiscal impacts of temporary or part-time employment**

Employment analyzed is for full-time, permanent positions related to the project and does not consider temporary jobs created due to project construction or part-time positions created during project operation.

Other considerations for decision making:

It is important to remember that there could be several important considerations that fall outside of the realm of municipal budgets. For example, fiscal impacts of development on abutters, local businesses and natural resources are not accounted for in the cost-benefit model.

The model also does not consider issues of equity and social responsibility. For instance, while it may be easy to identify the fiscal downsides of low-income housing on municipal and school budgets, municipalities may also bear some level of responsibility for ensuring access to affordable housing, as is dictated by the Fair Housing Act. Finally, communities maintain certain values that cannot be assigned a price tag, such as the intrinsic value of nature, cultural heritage, and aesthetics.

Depending on the project, it may be prudent to employ other analytical models or studies (e.g. economic impact analysis; pro forma/but-for analysis; trade area analysis; tourism impact, market demand and other studies; etc.) in conjunction with the cost-benefit model, as well as non-quantifiable elements, to gain insight into the project's overall value to the community.

City of Lawrence Neighborhood Revitalization Plan and Program: 1106 Rhode Island Street

Definition:

Area - used interchangeably with "Property", referring to the property located at 1106 Rhode Island Street, Lawrence, Kansas, which includes Lot 118 and 120, Lawrence, Douglas County, Kansas

Plan:

The Area, at 1106 Rhode Island Street, is located at the southeast corner of 11th St. and Rhode Island St., two blocks east of Lawrence's historic downtown district in East Lawrence. The Hernly Associates, Inc. submission proposes retaining the buildings on site that are considered "Contributing" to the North Rhode Island Street Historic Residential District and adding new space that enhances the usefulness of the property. Due to historic contributions these structures provide to the community, the City desires the property rehabilitated to productive use. The applicant plans on rehabilitating the existing house, large barn and garage located on the property. Hernly Associates, Inc. estimates the costs for these renovations to 1106 Rhode Island to be \$896,585. Hernly Associates, Inc. has requested a Neighborhood Revitalization Act (NRA) be placed on the property. The following is the Neighborhood Revitalization Plan ("Plan") for this area.

This Plan is required by the Kansas Neighborhood Revitalization Act (the "Act") (see Appendix 1) in order to create a neighborhood revitalization area intended to encourage both reinvestment and improvements to a specific area or Property of the community. The governing body of the City of Lawrence (the "Governing Body" has determined that the a "neighborhood revitalization area" as described in K.S.A. 12-17,115(c) (3):

An area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significances should be preserved or restored to productive use.

The Governing Body has also determined that the rehabilitation, conservation, and redevelopment of the Property is necessary to protect the public health, safety and welfare of the residents of the City of Lawrence, as required by K.S.A. 12-17,116.

In accordance with K.S.A. 12-17,117, the components of this Plan include:

1. A general description of the Plan's purpose;
2. A legal description and map of the Property (Area);
3. The existing assessed valuation of the real estate comprising the Property;
4. A list of the name and address of the owner of record within the Property;
5. The existing zoning classifications and Property boundaries and the existing and proposed land uses of the Property;
6. The proposals for improving or expanding municipal services within the Property;
7. The term of the Plan;

8. The criteria used to determine what property is eligible for revitalization, including a statement specifying that property, existing buildings, and new construction is eligible for revitalization;
9. The contents, procedure and standard of review for an application for a rebate of property tax increments;
10. A statement specifying the maximum amount and years of eligibility for a rebate of property tax increments; and
11. A section regarding the establishment of a Neighborhood Revitalization Fund.

Section 1: Purpose

Establish a property revitalization tax rebate program (the "Program" or "Revitalization") to provide incentives for property owners to build public and private infrastructure. The Program is intended to revitalize the property at 1106 Rhode Island Street.

The Program will provide a valuable incentive to private developers/property owners to redevelop the Area and will accomplish the following city goals including, but not limited to, the following:

- The opportunity to promote redevelopment activities which enhance Downtown
- The opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized on site around Lawrence
- The opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base

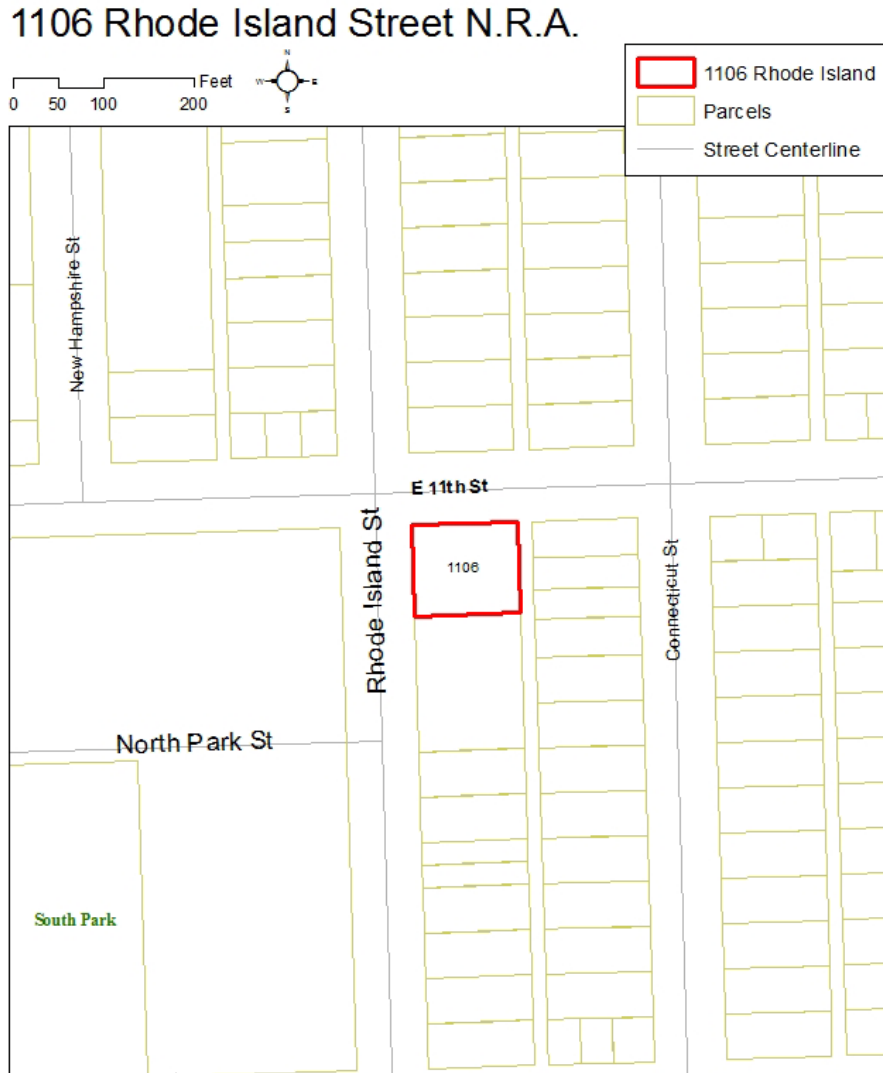
For Purposes of this Plan, the term "improvements" shall include the private and public infrastructure for rehabilitating and redeveloping the Property to achieve the foregoing goals.

Section 2: Legal Description & Map of Neighborhood Revitalization Property

The Property shall include the Area described herein:

Lots 118 and 120 on Rhode Island Street in the original townsite of the City of Lawrence, Kansas, Douglas County, Kansas.

As depicted below:



Section 3: Value of Real Properties

The appraised value of the real estate in the Area is:

2014 Appraised Values

Land:	\$40,000
Building:	\$43,900
Total Value:	\$83,900

The assessed value of the real estate in the Area is:

2014 Assessed Values

Land:	\$4,600
Building:	\$5,049
Total Value:	\$9,649

Section 4: Owner of Record of the Lots

City of Lawrence
6 East 6th Avenue
Lawrence, Kansas 66044
Future Owner:
1106 Rhode Island, LLC
1106 Rhode Island St.
Lawrence, KS 66044

Section 5: Existing Zoning Classifications and Property Boundaries; Existing and Proposed Land Uses

Land use for the property is currently specified as single family, residential. Current property zoning is RM12, Multifamily Residential which is designed to accommodate up to 12 dwelling units per acre.

The NRA is granted only to the proposed project and is also contingent upon the rezoning of the property to enable the project to proceed.

Existing Zoning Map



Existing Land Use Map

1106 Rhode Island Street N.R.A.



Zoning Map with Project

To accommodate office uses and residential uses, the property will need to be rezoned to RMO – Multi-Dwelling Residential Office District. The RMO allows a maximum 5 dwelling units and office uses subject to setback and parking restrictions and 22 dwelling units per acre.



Land Use Map with Project



Section 6: Proposals for Improving Municipal Services in the Property

There are no proposals currently for improving municipal services or infrastructure in the Area with this Plan.

Section 7: Term of the Plan

1. This Plan and tax rebate Program shall be effective upon the adoption of this Plan by ordinance of the Governing Body of the City of Lawrence.
2. This Plan and tax rebate program (the “Term”) shall expire after **ten (10) years** from the date of adoption unless extended by the ordinance of the Governing Body prior to its expiration. The Governing Body reserves the right to evaluate the Program at any time.
3. The owner of the property at the time the property taxes are paid will be eligible for a property tax rebate on the incremental taxes associated with improvements to the Property (the “tax increment”). The Tax Increment will equal the property tax assessment against the Property for the first year after the improvements are completed (i.e. determined including the value that such improvements add to the assessed value of the Property) reduced by the property tax assessed against the Property for the base year (the year this Plan is approved) (i.e. determined without the value that the improvements add to the assessed value of the Property). The Tax Increment will then remain constant throughout the Term of the rebate program. The tax rebate will be determined based on the Tax Increment and the following table:

Table 1:

1106 Rhode Island Street NRA Rebate Schedule			
NRA Year	Tax Year	Rebate %	Year Rebate Paid to Property Owner
0	2015	n/a	n/a
1	2016	85% of increment	2017 (for 2016 Taxes)
2	2017	85% of increment	2018 (for 2017 Taxes)
3	2018	85% of increment	2019 (for 2018 Taxes)
4	2019	85% of increment	2020 (for 2019 Taxes)
5	2020	85% of increment	2021 (for 2020 Taxes)
6	2021	85% of increment	2022 (for 2021 Taxes)
7	2022	85% of increment	2023 (for 2022 Taxes)
8	2023	85% of increment	2024 (for 2023 Taxes)
9	2024	85% of increment	2025 (for 2024 Taxes)
10	2025	85% of increment	2026 (for 2025 Taxes)

4. This Plan and the Program is subject to approval of each taxing unit, including Douglas County and USD 497 and the City entering into an agreement with such other taxing units relating to the implementation and payment of tax rebates provided for under this plan.

Section 8: Contents of an Application for Rebate, Application Procedures and Standards of Criteria Used to Review an Application

The Letter of Proposal submitted by Hernly Associates shall serve as the application for the Program under this Plan. **No further applications are anticipated related to the Property. Please refer to Exhibit A.**

1. The improvements must result in an assessed value increase for the Property within twelve months of completing the improvements. Some improvements, regardless of cost, may not result in an increase in assessed value and thus would not make the property eligible for a property tax rebate. Such determinations will be made solely and independently by the Douglas County Appraiser's Office and the County Clerk.
2. General Provisions Applicable to all Rebate Applications on Eligible Property
 - a) Any otherwise eligible Property with delinquent real property or special assessments shall not be eligible for a rebate until such time as all taxes and assessments have been paid. If delinquency occurs after entry into the Program, the rebate will be suspended until such time as all taxes are paid in full. The County Treasurer will monitor real estate tax delinquencies for Property participating in the Program. The County Treasurer will notify the City if a Property becomes ineligible for the program due to tax or special assessment delinquencies.
 - b) The Property owner shall notify the City when all improvements covered under the application have been completed and the city shall inspect the improvements for compliance with the required building, health and safety codes of the City. The City shall notify the County Appraiser by December 1st that the improvements have been substantially completed.
 - c) The County Appraiser shall conduct an on-site appraisal as a part of the normal valuations following completion of the Improvements and determine the increase in the taxable valuation due to the Improvements. On or before December 1st of each calendar year, the City shall notify the County Appraiser, in writing, of each property in the Area for which Improvements have been determined to be substantially completed so that the County Appraiser may conduct on-site inspections as a part of the normal valuations to determine the increase in taxable valuations due to the Improvements. The County Appraiser will notify the City and the County Clerk of the valuation.
 - d) A tax rebate will be based on the Tax Increment as provided in Section 7.3.
 - e) Upon payment in full of the real estate tax (first and second installments) for the Property for the year following the completion of the improvements provided for in Section 7.3 and within thirty (30) days after the County distributes property tax collections to the City, The City shall pay the owner the amount determined under the Plan. If the owner appeals the appraised value of the Property to the County Appraiser, no payment will be made until the appeal is resolved.
 - f) For any improvements that are only partially completed as of December 1st of each year, the Property owner shall file a written document with the

City indicating the status of construction as of December 1st. The City shall share that document with the County Appraiser.

- g) If this Plan is repealed or the rebate criteria changed, any approved applications shall be eligible for rebates for the remaining Term of the rebate originally provided in the plan
- h) Any taxes paid under protest for a eligible property will suspend the rebate until the protest has been resolved.
- i) Construction of an Improvement must begin on or after the date of the designation of the District and be located within the District.

Section 9: Amount of Tax Rebate, Rebate Term, and Maximum Rebate Limit

1. The eligible tax rebate is set forth in Table 1, Section 7. If there is no Tax Increment generated for a specific property due to a diminution of assessed values, no tax rebate shall be provided for the Property.
2. Douglas County will retain an annual administrative fee of \$100 from the Increment of the rebate program. The remaining Increment for any given year shall be distributed to the taxing jurisdictions in accordance with regular property tax distribution procedures.
3. The maximum rebate shall be the sum of all incremental increases in taxes for the duration of the ten year period as further defined in the Table 1, Section 7.

Section 10: Neighborhood Revitalization Fund

Upon Governing Body approval of the Plan, the 1106 Rhode Island Street Neighborhood Revitalization Fund will be established.

Section 11: Other City Requirements

1. The Improvements must conform to all codes, rules, and regulations that are in effect at the time the improvements are made. Improvements must be authorized by public improvement plans or building permit when applicable.
2. Any otherwise eligible property with delinquent taxes or special assessments shall not be eligible for a rebate until such time as all delinquent taxes and assessments have been paid.
3. The NRA is granted only to the proposed project and is also contingent upon the rezoning of the property to enable to project to proceed.

Appendix I: Summary of the Kansas Neighborhood Revitalization Act

The Kansas Neighborhood Revitalization Act (NRA) allows the governing body of any municipality to pass an ordinance designating an area within that municipality as a "Neighborhood Revitalization Area" if it finds that "the rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of the residents of the municipality." K.S.A. 12-17,116.

KSA 12-17,115(b) and 12-17,116 provide that all municipalities are authorized to participate in Neighborhood Revitalization Area programs. In addition, KSA 12-17,119, provides that two or more (i.e. all) taxing jurisdictions within a Neighborhood Revitalization Area are specifically authorized to enter into interlocal agreements pursuant to 12-2901 to exercise the powers authorized by the Act (including utilizing all or a part of the other taxing jurisdictions tax increment). The interlocal agreement(s) must be submitted to and approved by the Kansas Attorney General.

The Neighborhood Revitalization Area Act expressly provides for additional home rule provisions which are not in conflict with this act. KSA 12-17,120 permits cities to enact and enforce additional laws and regulations on the same subject of revitalization, provided they are not in conflict with the Act. This would mean, for example, that cities should be able to adopt provisions permitting use of some of the increment which is not returned to taxpayers, to be used instead for other infrastructure improvements within the NRA Property, and conceivably, even for revitalization grants or other incentives that would spur revitalization and rehabilitation in the NRA Property. The ability of cities to go beyond the statutes will depend in a large part upon the scope of their agreement with the other taxing jurisdictions.

Exhibit A: Hernly Associates Request Letter



May 30, 2014

City of Lawrence
Mayor and City Commissioners
6 E 6th Street
Lawrence, KS 66044

Re: 1106 Rhode Island Street Property

Hernly Associates and our development group are very excited about the potential rehabilitation of 1106 Rhode Island Street. This project provides an opportunity to bring a derelict property into a good and profitable use and eliminate a 30+ year old eyesore from downtown Lawrence. We are working hard to find a way to bring the rehabilitation to fruition, but it is not easy. The "improvements" (ie. the buildings) on the property have been allowed to languish for so long that they actually subtract from the value rather than add to the value. The property would be worth more if the buildings were demolished and removed rather than left in place.

We have prepared detailed construction cost projections for the rehabilitation work and we have prepared detailed pro forma spreadsheets for the entire project, which calculates probable return on investment for our development group. We have prepared pro forma scenarios with and without economic development incentives. In order to make the project feasible we are requesting a development rebate grant of up to \$26,100 and a Neighborhood Revitalization Area designation for 85% property tax rebate of the incremental increase of property taxes over ten years.

What our pro forma spreadsheets reveal is that the cost of rehabilitation is too high to make it viable without economic development incentives. There are two sticking points in this regard. One is the amount of financing available for the project and one is the potential cash flow after rehabilitation.

PROJECT FUNDING:

Three components make up the project funding. These are Developer Investment, Bank Financing, and Development Incentives.

- **DEVELOPER INVESTMENT:** Our development group consists of five individuals who are willing to invest a total of \$150,000 of capital toward the project.
- **BANK FINANCING:** Two banks are interested in providing mortgage financing for the project; both are able to loan up to 80% of the "as-completed as-stabilized" appraised value. The appraised value will be based on the income the property can produce, not what it costs to rehabilitate the property. The amount of bank financing available for the project is approximately \$459,000.
- **DEVELOPMENT INCENTIVES:** The remainder of initial funding for the project will come from various incentives. These are anticipated to include Historic Preservation Tax Credits, various state and local grants, and "gap" bank financing.

The following table shows the anticipated initial funding sources included in the *pro forma* with a city grant. Amounts are tentative, and depend on actual development costs and securing funding levels from the various sources.

Investor's Equity - cash	16.85%	\$150,000
Fed Tax Credits	7.42%	\$73,000
KS Tax Credits	8.76%	\$86,500
Preservation Grants	5.62%	\$32,000
Development Grants (City)	3.09%	\$26,100
Development Fee Loan	7.69%	\$70,000
Mortgage (not to exceed 80% of appraised)	50.56%	\$459,000
TOTAL PROJECT FUNDING	100%	\$896,600

We are using state and federal historic preservation tax credits to help close some of the funding gap. These use a portion of the depreciation typically spread over the depreciable life of the property as "upfront development cash" in lieu of depreciation. We will use secondary bank funding to convert the federal tax credit to "development cash", and also to cover a portion of non-construction development costs.

The last funding piece is grants, and both *pro forma*s show that approximately \$58,000 in grant funds is needed to fully fund the project. We will apply for local and state historic preservation grants, but these are very competitive, especially for an entity that is not a non-profit organization. The *pro forma* with a City grant of \$26,100 reduces the historic preservation grant level required to \$32,000, which seems more possible. The city grant request is for fees that would be paid to the city as part of the development, or items which the city has potential in-house funding sources to cover the cost of the work. We have estimated the construction amounts using Means Cost Estimating Manuals and have used City fee schedules for others. The amounts are as shown in the following table:

Replat submittal/review fee rebate	\$200
Rezoning submittal/review fee rebate	\$200
Site Plan submittal/review fee rebate	\$200
BZA submittal/review fee rebate	\$200
Demolition Permit for out buildings and rear porch on house rebate	\$50
Building Permit fee rebate	\$3,950
Dumpster during construction rebate	\$3,450
Water service connections house/apartment and office – rebate from utility funds for installation of new water service lines	\$7,350
Sanitary sewer service connections house/apartment and office – rebate from East Lawrence sanitary sewer system upgrade program	\$10,500
TOTAL ESTIMATED FINANCIAL ASSISTANCE FROM CITY	\$26,100

CASH FLOW:

The second, and most significant sticking point, is that the monthly rental amounts that can be charged for the rehabilitated property are not high enough to sufficiently cover the monthly expenses projected to be incurred. Our *pro forma*s use residential rental amounts equivalent to the 85th percentile lease rates for the residential portion of the property. For the office portion, the portion that will be occupied by Hemly Associates, the *pro forma* with NRA and City Grant uses a premium lease rate for the first five years to maintain a positive cash flow; the *pro forma* without NRA or City Grant uses a super-premium lease rate, which is not realistic or sustainable.

The NRA property tax rebate requested is 85% of the tax increment increase on the property improvements for 10 years. Our *pro forma*s show that a Neighborhood Revitalization Area economic development incentive that rebates 85% of the projected property tax increase for ten years makes the difference between a viable development project and one that investors would not support.

The two comparative pro forma spreadsheets, one with and one without economic development incentives, provide a "but-for" comparison for you to consider. The comparison between the two over a 10-year and 20-year time period are shown in the following table:

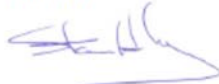
	With ED Incentives	Without ED Incentives
10 Year Ave. Annual Return on Investment	7.13%	1.60%
20 Year Ave. Annual Return on Investment	9.72%	6.82%

Without economic development incentives no investor can justify investing in this project. Without incentives the residential and office lease rates can't support the necessary cash flow needed for the project. Without economic development incentives this project is not viable.

The requested Development Grant from the City and the requested NRA tax rebate aren't just incentives, they are the funds that make it possible to reach the long term goal of rehabilitating this historic property. With the incentives this project becomes viable for our investors.

Please let me know if you have any questions regarding the proposed project or the information provided.

Sincerely,



Stan Hemly

**1106 Rhode Island Neighborhood Revitalization Act Request
CALENDAR OF EVENTS 2014
-DRAFT-**

<u>Date/Location</u>	<u>Event</u>	<u>Parties</u>	<u>Status/Notes</u>
May 2014	Notify USD 497 and Douglas County of NRA item discussions and determine how they wish to process request	City	Complete
June 17, 2014 City Commission Room, City Hall 6:35 pm	City Commission meeting: action to receive staff report, refer to PIRC and set date for public hearing (July 8?) on proposed NRA and Revitalization Plan	City and Applicant	Complete
June 24 and July 1, 2014 and	Publish Notice of Public Hearing (2 consecutive weeks)	City	Complete
Date: June 24, 2014 PIRC City Commission Room, City Hall 4 pm	Public Incentive Review Committee: Discuss proposed NRA project and make recommendation to the City Commission	City and Applicant	Complete Critical for applicant to attend
July 22, 2014	Deadline for School Board packet for July 28 meeting		
Date: July 8, 2014 City Commission Room, City Hall 6:35 pm	City Commission meeting: hold a public hearing on the NRA project, receive PIRC recommendation, adopt first reading of an ordinance establishing the NRA, approve development agreement and NRA agreement	City and Applicant	Critical for applicant to attend
July 25, 2014	Deadline for County Commission packet for July 30 meeting		
Date: July 28, 2014 7 pm School Board Meeting	School Board meeting; consideration of approval of the NRA agreement and School district participation	City, School District, and Applicant	Critical for applicant to attend
Date: July 30, 2014 County Commission County Courthouse 6:35 pm	County Commission meeting; consideration of approval of the NRA agreement and County participation	City, County and Applicant	Critical for applicant to attend
Date: August 5, 2014 City Commission Room, City	City Commission meeting: adopt second reading of an ordinance establishing the NRA (consent	City and Applicant	

Hall 6:35 pm	agenda)		
Fall 2014	Construction Commences	Applicant	

DRAFT
City of Lawrence
Public Incentives Review Committee
June 24, 2014 minutes

MEMBERS PRESENT: Mike Amyx, Mike Gaughan (via telephone), Linda Jalenak, Brian Iverson, Brad Burnside, Shannon Kimball, Boog Highberger, Jeremy Farmer

MEMBERS ABSENT: none

STAFF PRESENT: David L. Corliss, Diane Stoddard, Britt Crum-Cano

PUBLIC PRESENT: Jim Heffernan, H.E.R.E. Kansas, and Stan Hernly, Hernly Associates and several members of the general public

Mayor Amyx called the meeting to order. Commissioner Gaughan joined the meeting via telephone. Mr. Iverson made a motion to approve the minutes of May 21, 2014. The motion was seconded by Ms. Jalenak and was approved unanimously.

Ms. Crum-Cano provided an overview of the Neighborhood Revitalization Area (NRA) tool. Mr. Highberger joined the meeting.

H.E.R.E. Project (1101/1115 Indiana) Request:

Mr. Heffernan provided an overview of the project, which would be located south of 11th Street between Mississippi and Indiana Streets. He stated that there is a challenge with the grade change on the site, which has 6 stories of fall between the southeast corner and northwest corner of the project. This does enable the project to hide the parking garage, which would be the first automated robotic parking garage in the State of Kansas. The project would include 624 beds and three commercial spaces. He stated that the University of Kansas represents 33,000 people including students and faculty. He believes that the project will be a benefit to the community due to the proximity of campus. The property would generate sales tax revenue related to the commercial space and this benefit is not included in the analysis.

Vice Mayor Farmer joined the meeting.

Mr. Heffernan also mentioned interior amenities for the residents, including workout areas and study rooms. The building would be a hotel-environment that currently is not represented in the market. He stated that the building would incorporate several environmental features. He stated that the plans are to open the project in the Fall of 2015 with the start of the academic year. He is hopeful that there might be a reconfiguration of Fambrough Drive coordinated with the project. He noted that he was able to reach agreement with the owner of 1115 Indiana and so that home would be razed for that property to be incorporated into the project.

He stated that the investment of the project is unprecedented in size and complexity to any other in the community. He said that there were a number of benefits that were not accounted for in the model and he also said if one looked at the benefit cost analysis over a longer time period, that would affect the numbers in the analysis.

Ms. Crum-Cano reviewed the analysis for the project. She briefly reviewed current NRA projects that had been approved. She stated that the request from the applicant is a 12 year, 95% NRA and industrial revenue bond financing to access a sales tax exemption on the materials used in construction of the project. She stated that there were several NRA policy elements met by the project and that the project met IRB policy criteria. She mentioned that the City's model for benefit-cost analysis does not include intangibles and that the model was primarily developed for industrial projects. She mentioned that the sales tax exemption for construction materials would benefit the project by around \$2.4 to \$2.5 million, depending upon project costs. She ran the model for several different scenarios on a 15-year evaluation period. She also ran the model for a 20 year evaluation period. She stated that the longer the evaluation period, the higher the benefit-cost ratio would be. She ran analysis on return on equity and internal rate of returns and concluded that the project returns were very low without incentives, though there is no set return rate that determines whether a project will proceed or not.

Mr. Heffernan added that there are limitations to the model. He stated that the property tax increase over the existing property taxes would be 800% for each taxing unit. He stated that there are risks with the project due to the magnitude of the project. He stated that adding the sales tax rates back into the project enables it to meet the thresholds.

Mr. Highberger asked whether there was any consideration to provide affordable units. Mr. Heffernan responded that displacing 103 units is unique and that it only makes financial sense given the rents that would be charged. He stated that they understand the market and the economics of the project.

Ms. Kimball asked about the rents. Mr. Heffernan provided the schedule of rents for the project, which is based on bedrooms.

Commissioner Gaughan asked how the development proposed here at KU compared to projects elsewhere. He stated that the Champaign, Illinois project did not require incentives. Mr. Herrernan stated that the rents are higher in the project and it is a 26 story building, so has much greater density.

Mayor Amyx asked whether the only way to make this work is to incentivize the project to cover the debt in the first 12 years. Mr. Heffernan replied that the first 12 years allowed for the project to get through construction to get the permanent financing in place.

Ms. Kimball stated that this is a really neat project but she has a concern that the process for incentives is being treated as an after thought. She stated that she thought it was very important and that this was the first time she has heard this since she has to

take it back to their board. She told Mr. Heffernan that she needed to feel more comfortable with the numbers to take it back to her board. Mr. Heffernan stated that any of the scenarios were greater than 10%. Ms. Kimball stated that the model didn't necessarily reflect the correct return for the school district due to the state funding model.

Mr. Burnside asked about projects in the community with escalated rents in the market. Mr. Heffernan stated that he studied the Varsity House project due to its proximity but he didn't think that the project was directly comparable to the amenities offered with his project. Their project will create an experience.

Ms. Jalenak asked about the concept for the commercial space. Mr. Heffernan stated that restaurants are probable for the space. He stated that accommodations are a major factor in students making determinations of where to attend college. He said that housing was an important factor in attracting students. He stated that he didn't think that the project would hurt any of the taxing jurisdictions and that it had significant upsides and created some synergies for the general economy. He added that public parking on the street would also be a positive benefit.

Mr. Corliss stated that there is no city debt or risk involved in the project. He stated that there is a risk that it would be constructed and not work but that is a risk in the marketplace. He stated that the location adjacent to KU was a good place for student density. He referred to a table in Ms. Crum-Cano's report that demonstrated that even with an 85% rebate, the taxing jurisdictions would double the amount of current taxes being collected on the parcel. He stated that there is a risk in the marketplace and his own financing partners would need to be in place but there would be no city risk with the project. He stated that the community has struggled to find appropriate mixed uses in that neighborhood. He did state that discussion about precedent is important but also the magnitude of the project is the largest project in the community.

Mr. Heffernan asked about whether the evaluation period of 15 years was mandated. Ms. Crum-Cano stated that it was not, but typically this has been the horizon analyzed.

Commission Gaughan asked about prior NRA projects. It was clarified that the Poehler building did not receive an NRA incentive. NRA projects include 720 E. 9th Street, 1040 Vermont (Treanor Headquarters) and the Cider Building on Pennsylvania. The Masonic Temple had been approved, but the project did not proceed so it is inactive.

Mr. Iverson agreed that \$75 million is a huge investment in the community. He asked about whether the difference in increment of \$33,000 per year would make a difference on whether the project will proceed or not. Mr. Heffernan stated that his investors believe there is a difference. He stated that if he didn't need the money, he wouldn't be asking.

Mayor Amyx stated that he thought this was a neat project. However, at no time had any public incentives been discussed. Mr. Heffernan agreed, but he had sent the letter in March.

Ms. Kimball made a motion to recommend a 10 year 85% NRA. The motion was seconded by Commissioner Gaughan. Mayor Amyx asked about this project versus the 9th & New Hampshire project. Ms. Stoddard responded that both were pay as you go projects with no risk to the City. Mr. Heffernan asked about the term of the TIF at 9th & New Hampshire. Ms. Stoddard replied that it is a 20 year TIF.

Mr. Corliss asked about whether the total \$600,000 difference between the 12 year 95% versus the 10 year 85% was accurate. Mr. Heffernan stated this amount was less if discounted back to today's dollars.

Mr. Iverson stated that he thought that without this project, the property would likely sit in the same condition and the same level of taxes would be continued. He stated that he did not personally have an issue with a 95% 12 year abatement and didn't see a risk to the City. He stated that he saw a significant benefit to the City.

Mr. Burnside stated that he saw a large upside to the project for tax revenues. Ms. Jalenak stated that she had some hesitation like Ms. Kimball regarding deviating from the policy but thought that the project was worth it. Mr. Burnside added that the project was outside of the norm. Mr. Highberger stated that he thought the density was good and the location. He stated that he shared some of the same concerns as Ms. Kimball. He said that returning to what he saw as the intent of the NRA, he didn't believe that it was intended to build luxury housing. He stated that he could not support public subsidy for the project given that it did not include an affordable housing project.

Vice Mayor Farmer stated that he agreed with Mr. Iverson's observation about the property. He asked if a \$67,000 investment would be worth it. He asked if the developer could come with some different options if more could be subsidized with public incentives could the rents come down. He stated that he thought the investment was worth it for the project of this size.

Mayor Amyx stated that he thought that the rents that need to be achieved would be a concern, even though that would be decided by the market.

Mayor Amyx recapped the motion, which was to recommend approval of the 10 year 85% abatement. Vice Mayor Farmer stated that this process was important and said that he was supportive of the 12 year 95% level. Motion failed. Vice Mayor Farmer made a motion to recommend a 12 year 95% NRA. The motion was seconded by Mr. Burnside. The motion was tied with Vice Mayor Farmer, Mr. Burnside, Mr. Iverson and Ms. Jalenak voting in favor of the motion and Mayor Amyx, Mr. Highberger, Ms. Kimball, and Mr. Gaughan voting against.

Ms. Kimball made a motion to send the project to the City Commission with a positive recommendation for the project, without the group weighing in on the incentive level due to the policy. The motion was seconded by Jalenak. The motion was approved unanimously.

Ms. Kimball left the meeting.

1106 Rhode Island Project

Mr. Hernly provided background regarding the project. The project was a historic home and it was a junk yard for Packard cars for some period of time. He recapped that the City owns the property due to its deteriorated condition and that the City had sent out a RFP for proposals for the purchase and preservation of the property. The property consists of the house and a barn. The overall plan would have the house be a three bedroom house and there would be a new garage constructed with an apartment above. The barn would be an architecture office for Hernly Associates. He stated that on the design side they have had review by the Historic Resources Commission and he has had discussions with the neighborhood. The property is within the South Rhode Island Historic District. The structures that will maintain are contributing to this historic district and the plan would be to restore these structures to strengthen that contribution.

Ms. Crum-Cano stated that the request included a proposal to purchase the property and also have a development grant and a 10 year 85% NRA. The project does qualify for state and local eligibility for the NRA. She stated that there is great sensitivity in the model related to the amount of the grant and a purchase price for the property. She also added that there are intangibles with this project as it had been blighted for a number of years and it also has a historic component.

Mr. Hernly added that there were costs related to rehabilitating the historic properties versus a greenfield project. He stated that state and federal historic tax credits are planned to be used to the project. These are funds to take as depreciation over the life of the property and the developer has taken that as a credit at the front of the project. Another complicating factor is that the finished value of the property is based upon incomes from the property from rents. He is proposing 85% of the high end of the market for the rental rates. There are some grants that have not been secured yet. He stated that what is being asked in terms of financial assistance from the City totaled \$26,100.

Mr. Iverson asked whether the property was currently on the tax rolls. Ms. Crum-Cano stated that it is currently on the tax rolls even though it is in the name of the City because it isn't being used for a municipal use. Ms. Jalenak asked whether taxes were current. Ms. Crum-Cano stated they were. Mr. Highberger asked about staff's recommendation. Ms. Crum-Cano stated that staff is recommending the NRA, the purchase price and up to a \$26,100 grant for the project. Ms. Crum-Cano stated that the project would not meet the benefit cost threshold if the grant package were higher. Mr. Corliss stated that he thought it was difficult to value the property for any different amount than the court did. Mr. Corliss thought that the property was worth by \$90,000, though the court had required the City to pay \$114,000 for the property. He didn't think it would be fair to penalize the project for this. Mr. Iverson stated that if the cost were factored in if it would be an acceptable ratio. Ms. Crum-Cano stated it was and reminded everyone that it was a 20 year evaluation time horizon.

Mr. Highberger made a recommendation to support the staff recommendation of \$26,100 grant package, the purchase price and a 10 year 85% NRA. Motion was seconded by Ms. Jalenak. Motion was approved unanimously.

It was decided that rather than scheduling a meeting now, a meeting time in August would be determined on the policy issues.

Vice Mayor Farmer made a motion to adjourn. Mr. Iverson seconded the motion. Motion approved unanimously.

**NEIGHBORHOOD REVITALIZATION ACT
COOPERATIVE AGREEMENT for 1106 RHODE ISLAND STREET**

This Agreement (hereinafter "Agreement") is entered into this _____ day of _____, 2014, by and between the City of Lawrence, Kansas (hereinafter "City"); the Board of Commissioners of Douglas County, Kansas (hereinafter "County"); and Unified School District No. 497, Douglas County, State of Kansas (hereinafter "USD 497") (collectively the "Parties"), all of which are municipalities within the meaning of K.S.A. 10-1101 and K.S.A. 12-17,114 *et seq.*; and

WHEREAS, pursuant to K.S.A. 12-2901 *et seq.* and amendments thereto, the Parties have authority to enter into agreements to jointly perform certain functions, including economic development, and this Agreement furthers mutual cooperation and joint action; and

WHEREAS, K.S.A. 12-17,114 *et seq.* and amendments thereto, also referred to as the Kansas Neighborhood Revitalization Act (the "Act"), provides a program for neighborhood revitalization to provide incentives for property owners to improve aging and deteriorating property, or otherwise stimulate new construction, the rehabilitation, conservation or redevelopment of an area in order to protect the public health, safety and welfare; and

WHEREAS, K.S.A. 12-17,119, provides for all taxing jurisdictions within a Neighborhood Revitalization District to enter into agreements as set out in K.S.A. 12-2901 *et seq.* to further neighborhood revitalization; and

WHEREAS, the Parties desire to maximize the economic development opportunities under the Act and the Neighborhood Revitalization Plan (later defined herein) by acting jointly through the use of this agreement; and

WHEREAS, the Parties desire to set out the terms and conditions of participation as described herein, and

WHEREAS, the City and County will have primary responsibility for the procedural aspects of NRA implementation and administration, and therefore desire to set forth the specific rights and responsibilities of the Parties with respect to the procedures associated with the NRA.

NOW, THEREFORE, for the mutual promises and covenants contained herein and other good and valuable consideration, the Parties understand and agree as follows:

1. Purpose. The purpose of this Agreement is to provide a program for neighborhood revitalization and allow the taxing jurisdictions within the designated neighborhood revitalization area (“Area”) to work together, through this agreement, to facilitate the rehabilitation, conservation or redevelopment of an area to protect the public health, safety and welfare of the residents of Lawrence.
 - a. After conducting a public hearing and complying with the publication requirements of K.S.A. 12-17,117 as amended, on July 8, 2014 the City approved Ordinance No. _____ adopting a neighborhood revitalization district plan in substantially the same form and content as contained in **Exhibit A** attached hereto and incorporated herein by reference. (“Plan”).
 - b. The other Parties to this Agreement have also reviewed and considered the Plan, and by adoption of this Agreement, agree to work cooperatively to implement the Plan.
 - c. The Parties further agree that no separate legal entity shall be created under this Agreement, but rather the City, on behalf of all Parties, shall administer the Plan as adopted by the City or as it may be subsequently amended as provided herein.
 - d. The Parties agree that the Plan shall not be amended by the City or by any of the Parties acting separately and shall only be amended in writing and accompanied by a new Agreement signed by all Parties hereto, which consent and cooperation shall not be unreasonably withheld.
 - e. In the event that the Neighborhood Revitalization Plan, as adopted, is not followed with respect to the aspects set forth in the Plan, the Parties may individually wish to reconsider participation in the Plan at that point.
2. Duration. This Agreement shall commence on _____, 2014 and expire February 20, 2026 or upon payment of the 2025 property taxes and the processing of the rebate for the 2025 tax year. The City reserves the right to evaluate the Program at any time.
3. Termination. The Parties agree that termination of this Agreement by any party prior to February 20, 2026 would adversely impact the Plan, and consequently, this Agreement may only be terminated with ninety (90) days written notice, and further provided such written notice must be received prior to August 1 in the calendar year prior to the tax year the party desires to terminate participation, unless such notice is waived, in writing, by all Parties to this Agreement. The Parties further agree that

any application for tax rebate submitted to the City prior to receipt of the notice of termination shall, if approved, be considered eligible for the duration of the rebate period set forth in the Plan.

4. Financing.

- a. A qualified improvement must meet the requirements set out in the Plan. The tax increment will be calculated as described in Section 7 of the Plan. (The real property taxes and special assessments must be paid, and not paid under protest, and the increment generated before a rebate will be issued.)
- b. The County is authorized to and shall transfer any tax increment received for the Parties to the Neighborhood Revitalization Fund (NRA Fund) a separate fund created and maintained by the City under the authority of K.S.A. 12-17,118 and amendments thereto.
- c. The County shall retain an annual administrative fee in an amount of \$100 from the increment of the rebate program. The County shall deduct this fee from the tax increment prior to rebating the tax increment to the City for disbursement to the property owner as provided in the Plan.
- d. Within thirty (30) days of distribution of the tax increment from the County, the City will disburse the rebate(s) in the appropriate percentage to each eligible taxpayer in accordance with the Plan. All funds transferred to the NRA Fund by the County and not required to be rebated to taxpayers shall be refunded by the City to the County Treasurer for distribution to all participating taxing jurisdictions in their proportionate share based on their tax rate at the time of disbursement.

5. Additional City Responsibilities.

- a. The property owner will be subject to a performance agreement with the City, which will require the property owner to adhere to the terms of the NRA Plan and this agreement, as well as the requirements listed in paragraphs b. – .d. below.
- b. It is the responsibility of the property owner to notify City staff and the County Appraiser prior to commencing the improvements. The property owner shall provide any project information that may be helpful to the County Appraiser in the valuation process. In addition, the property owner must confirm that the County Appraiser's Office has completed a review of the real property prior to commencing the improvements.

- c. The property owner shall notify City staff and the County Appraiser in written form upon completion of the improvements utilizing the 'Certificate of Project Completion'.
 - d. The property owner shall notify both City staff and the County Appraiser in written form within 30 days should any substantial change occur to the planned improvements.
 - e. The Property owner shall notify the City when all improvements covered under the application have been completed and the City shall inspect the improvements for compliance with the required building, health and safety codes of the City. On or before December 1st of each calendar year, the City shall notify the County Appraiser, in writing, of each property in the Area for which Improvements have been substantially completed so that the County Appraiser may conduct on-site inspections as part of the normal valuations to determine the increase in taxable valuations due to the Improvements.
 - f. Within thirty (30) days of distribution of the tax increment from the County Treasurer, the City will disburse the rebate to the eligible taxpayer in accordance with the Plan unless the tax is paid in semi-annual payments, in which case the rebate will be made after payment of the second and final installment. Within thirty (30) days after the County transfers any tax increment received by the taxpayer to the City, the City will disburse the rebate to the eligible taxpayer in accordance with the Plan.
6. Additional County Responsibilities.
- a. The County Appraiser shall conduct an on-site appraisal as part of the normal valuations following completion of the Improvements and determine the increase in the taxable valuation due to the improvements.
 - b. The County Appraiser will notify the City and the County Clerk of the valuation.
 - c. The County Treasurer will monitor real estate tax delinquencies for Property participating in the Program. The County Treasurer will notify the City if a Property becomes ineligible for the program due to tax or special assessment delinquencies.
8. Execution. For purposes of executing this Agreement, this document if signed and transmitted by facsimile machine or telecopier, is to be treated

as an original document. This Agreement may be executed in one or more counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.

9. Liberal Construction. This Agreement shall be liberally construed to achieve the economic development objectives and purposes of both this Agreement and the Plan. Should any provision of this Agreement be determined to be void, invalid, unenforceable or illegal, such provision(s) shall be null and void, but the remaining provisions shall be unaffected thereby and shall continue to be valid and enforceable.
10. Entire Agreement. This Agreement constitutes the entire agreement between the Parties on this subject and may not be modified or amended except in writing executed by all Parties in the same manner as the original.
11. Governing Law. This Agreement and the Plan and the rights of all the Parties hereto shall be governed by and construed according to the laws of the State of Kansas.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective, appropriate representatives with authority to bind their respective entity.

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CITY OF LAWRENCE, KANSAS

[SEAL]

By: _____

Attest:

David L. Corliss, City Manager

Diane Trybom, Acting City Clerk

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BOARD OF COMMISSIONERS
OF DOUGLAS COUNTY, KANSAS

[Seal]

By: _____

Attest:

_____, Clerk of the Board

Approved As To Form:

County Counselor

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DRAFT

UNIFIED SCHOOL DISTRICT NO. 497,
DOUGLAS COUNTY, STATE OF
KANSAS

[Seal]

By: _____

President, Board of Education

Attest:

Clerk of the Board

Approved As To Form:

Attorney for the Board

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Exhibit A

Neighborhood Revitalization Plan
As adopted by Governing Body of the City of Lawrence

On _____, 201____
through Ordinance No. _____

[See Attached]

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