



Proposal

City of Lawrence, Kansas

Proposal to Provide Financial Feasibility Services

December 17, 2007

Table of Contents

LETTER OF TRANSMITTAL

1	FIRM PROFILE	1
	History and Leadership	1
	Our Service Approach.....	1
	Housing and Economic Development.....	2
	The Value of an Independent Advisor.....	2
	Housing and Economic Development Services	3
2	SERVICE TEAM	6
	Staff and Experience.....	6
	Resumes	8
	References.....	13
3	EXPERIENCE	15
4	ENGAGEMENT AGREEMENT.....	18
	Outcomes.....	20
5	FEE STRUCTURE	21
	Compensation	21
	Completion Date	21

Mission Statement

Springsted provides high quality, independent financial and management advisory services to public and non-profit organizations, and works with them in the long-term process of building their communities on a fiscally sound and well-managed basis.



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LETTER OF TRANSMITTAL

December 17, 2007

Mr. David Corliss, City Manager
City of Lawrence
6 East Sixth Street
Lawrence, Kansas 66044

Re: **Request for Proposal to Provide Economic Development and Financial Advisory Services**

Dear Mr. Corliss:

Springsted highly values its working relationship with Lawrence and is pleased to present our proposal to again serve the City in this economic development evaluation and consideration process.

Lawrence desires expertise in the use of tax increment financing (TIF) and transportation development districts (TDD) for this project. If the City wishes, our services extend beyond these financial tools to how they best fit within the context of the developer's financial proposal and the companion negotiations to better ensure a successful financial outcome over the life of the project.

While the City has worked with us in the past on such projects, we want to reiterate our specific background and services:

- 1. Overall Experience in Kansas Economic Development Projects.** With few exceptions, Springsted has been the economic development and financial advisor on most all of the major projects in Kansas over the last two decades. From the Unified Government to Wichita, our involvement has not only been in the most complex economic development projects but also in many of the state's "first-ever" use of the related financing tools. Among our service on "first-ever" uses of financing tools are the first use of TIF, TDD and state STAR bonds. As to the ongoing use of these tools, we have continued to serve as advisor on the majority of financings which have been conducted in Kansas.
- 2. Our Housing and Economic Development (HED) Services.** Underlying these financing techniques is the range of economic development services to evaluate developers and their proposals, and then to assist in negotiating an agreement which judiciously applies only the necessary levels of public financial participation. These services are provided by our dedicated HED Practice Group. These professionals have extensive knowledge in Kansas development and the related financing tools.
- 3. Integration with Public Finance.** Most development projects require public financial participation. Public finance is one of our core services. Our experience provides a number of benefits to Lawrence as it looks to how these proposed financings can be optimized individually and also fit into the City's overall debt management program. We also work to ensure the priority

of funding acknowledges both any need to fund related public infrastructure and to have a bond security package which ensures the City will be able to use these tools again in the future.

4. **Independence.** Springsted is founded on the principle of only serving one client – the public sector entity. In economic development and in municipal finance, we represent only one side of the table: your side. In economic development projects, we are not working at one time for you and at the same time for a developer. Lawrence can be confident in that the advice we provide is solely in its best interest.
5. **Selected Professional Staff.** Our Lawrence Service Team includes those with previous experience in working with Lawrence as well as our most senior HED staff. It is again led by our firm's chairman, David MacGillivray; our lead Kansas professional, Tom Kaleko; the Director of our HED Practice Group, Tony Schertler; and our most senior HED analytical staff, headed by Jenny Wolfe. This Group often works together on Kansas development projects and the use of TIF and TDD funding tools.
6. **Lawrence's Scope of Services.** We have tailored a scope of services to not only provide those requested but to provide the City with its option to access our broader HED service program. Daily we provide all of the services listed by the City. We would note the City's reference to hospitality taxes (which requires more specific expertise) that we have used in a good number of cases, including the various redevelopment projects in Downtown Kansas City, Missouri, among other Kansas applications.

We began with a statement of how we have valued our working relationship with Lawrence. We want to underscore that part of this value is the unique nature of Lawrence in the region and many of our staff's past relationships with the community. If retained, you can rely on our commitment to again demonstrate this value to the City.

Thank you again for this opportunity.

Respectfully submitted,



David N. MacGillivray, Chairman
Client Representative

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1. Firm Profile

History and Leadership

Springsted is one of the largest and most established independent public sector advisory firms in the United States. For over half a century, we have continually grown in the range of our client relationships, the comprehensiveness of our services and our prominence within the industry. Our managed growth is focused on providing clients with a balance of national perspective and local expertise.

Springsted is a women-owned business and is certified as a Women's Business Enterprise ("WBE") by the City of Saint Paul, Minnesota. Three employee-owners lead Springsted. Our headquarters are located in Saint Paul, Minnesota, with additional offices located close to our clients throughout the Midwest, in the mid-Atlantic states, and in the Southwest. Specifically, our regional offices include Milwaukee, Wisconsin; Des Moines, Iowa; Kansas City, Missouri; Richmond and Virginia Beach, Virginia; Mission Viejo, California and Denver, Colorado.

Since our initial work in 1986, Springsted has grown to become one of the most prominent financial advisors to local Kansas governments. In the early 1990s, we opened our Kansas office, further demonstrating our longstanding commitment to serving Kansas jurisdictions, and the assurance of continued long-term dedication. Springsted believes our distinction as the leading "independent" financial advisor in the State is one key to our success.

Our Service Approach

Springsted realized long ago that our clients' needs stretched far beyond the "traditional financial advisor" approach that focused on debt. Our Mission Statement reflects our non-traditional approach: our commitment to assist our clients in "building their communities on a fiscally sound and well-managed basis." The work of "community building" requires a long-term partnership with our clients in crafting public and private investment opportunities.

Springsted is unique among advisors in the range and quality of its total service offerings. With a foundation in public finance, Springsted has expanded its services to include all related financial and management areas. These "Specialty Service Areas" include operational finance, housing and economic development, investments, and human resources and organizational management. This service approach permits us to focus our dedicated specialty professional resources within the larger entity perspective. This approach ensures solutions satisfy both within the immediate objectives and the overall goals of our clients.

Our approach provides our clients with a single source of resources and expertise. Our long-term partnership with our clients produces results that are tailored to their specific needs.

This comprehensive approach is reflected in our five service areas:

- **Public Finance Services**
- **Housing and Economic Development Services**
- **Management Consulting Services**
- **Investment Services** *(some of these services are provided through our wholly-owned subsidiary, Springsted Investment Advisors Incorporated)*
- **Human Resources Services**

Our approach provides our clients with a single source of resources and expertise. Our long-term partnership with our clients produces results that are tailored to their specific needs.

Housing and Economic Development (HED)

Housing and economic development services have been a cornerstone of our work from the beginning. Springsted's commitment to building healthy communities is demonstrated through our involvement in efforts to enhance client communities as places to live, work, and play. Our leadership is reflected by our clients' success in the first-ever use of tax increment financing in three states, recognition from Harvard University and the Ford Foundation for the creation of tax increment financing for soil corrections, and the receipt of the US Conference of Mayors Award for public/private partnerships in downtown revitalization. We have also helped pioneer new concepts in affordable housing and "smart growth" mixed-use developments. Springsted offers a comprehensive array of development process services, including policy development, project feasibility studies, analysis and negotiation of the need and type of public sector participation, and coordination of financing mechanisms. In short, we help our clients turn concepts and goals into projects and achievements.

The Value of an Independent Advisor

As an independent financial advisor, Springsted is founded on the belief of avoidance of conflicts of interest in representing our clients. Our independence covers all service lines from Public Finance to Economic Development and Housing to Investment Services. Our only clients are public entities and non-profit corporations. In every case we stand on only one side of the transaction, with our sole client, the issuer, the redevelopment authority, the public funds manager.

In Public Finance we do not buy or sell municipal bonds. We are not affiliated through ownership or otherwise with investment or commercial banks.

In Economic Development and Housing we do not work for developers or their representatives.

In Investment Services we act only as the public or non-profit fund manager's agent in any analysis and placement of securities.

Since Springsted's founding, clients have relied upon, and valued, our independent approval on their behalf.

Unlike independent advisors, many underwriters work on both sides of the transaction and attempt to serve both the issuers and purchasers of bonds. The underwriter's conflicting goals are to obtain the lowest rates for issuers and reap the highest rates for the purchasers of those bonds.

This dual position presents an inherent conflict of interest that works to the detriment of the bond issuer. Underwriters receive the vast majority of their revenues from purchasing bonds and reselling them to investors, as opposed to advising the bond issuer. The Municipal Securities Rulemaking Board ("MSRB") recognizes this conflict and requires underwriters to formally resign as the issuer's financial advisor prior to their purchasing the issue.

Our independent status yields the following client benefits:

- Objective advice to maximize advantages for bond issuers
- Free flow of information from all industry sources
- Candid evaluation of underwriter proposals, with your best interests being foremost
- Perspective to the long-term best interests of our clients, not simply a single sale
- Confidence that you have a professional resource working solely on your behalf

Housing and Economic Development Services

Our primary objective is to assist our clients in developing and maintaining economically viable communities. Our services improve a community's quality of life through expanded employment opportunities, a full range of housing options and an expanded economic base. Our comprehensive service covers policy development, project management from concept through construction and performance – and selected, individualized services to meet a client's specific needs.

POLICY DEVELOPMENT

We help our clients clarify and formalize their development objectives, subsidy criteria and required safeguards to improve public development policies. Such policies establish a consistent framework for negotiating subsidies while preserving the flexibility to create innovative development solutions.

INCENTIVE PORTFOLIO DEVELOPMENT

We assist clients in choosing from a wide variety of tools to facilitate housing and economic development projects. Typical options include tax increment financing, tax abatement and low-interest loans.

We also develop incentive programs to match each community's unique set of resources and priorities.

TAX INCREMENT FINANCING/TAX ABATEMENT MODELING AND PROJECTIONS

For clients considering the use of tax increment financing (TIF) or tax abatement for specific projects, we develop projections of the revenues to be generated over the life of the assistance period, and estimate the project costs that could be paid by such revenues.

TAX INCREMENT FINANCING/TAX ABATEMENT ESTABLISHMENT PROCESS

Springsted assists clients in this process by coordinating the production and transmittal of notifications, plans and certifications to the required parties on the required schedule.

TAX INCREMENT FINANCING/TAX ABATEMENT MANAGEMENT AND COMPLIANCE

For clients with established districts, we provide comprehensive reviews of district cash flows, prepare annual reports as required and coordinate plan amendments for expanding or contracting districts.

PUBLIC DEVELOPMENT PLANNING AND ANALYSIS

Many jurisdictions are looking for opportunities to promote private development through direct public investment in targeted areas. Springsted helps these clients prioritize their development goals and determine how best to reach those goals through public development and redevelopment activities.

PRIVATE DEVELOPMENT REVIEW AND ANALYSIS

We analyze private development proposals, project budgets, operating pro formas and other information to determine the costs and benefits of a proposal. Using this analysis, we help clients choose appropriate incentive tools and amounts for the project.

DEVELOPER REVIEW AND NEGOTIATIONS

We assist clients in learning more about prospective developers by performing in-depth business credit analyses, evaluating market conditions, assessing proposed business plans and checking credentials and references. We also assist clients in negotiating public assistance agreements with developers.

DEVELOPMENT PROCESS MANAGEMENT

Springsted helps clients manage the implementation of complex and/or multi-phase housing and economic development projects, serving as a back-stop to avoid cash flow problems and other setbacks.

SPECIAL DEVELOPMENT STUDIES

Clients sometimes face issues that are unique to a specific housing or economic development project. In such cases, we are available to evaluate the situation, establish work plans and make recommendations to assist our clients.

GROWTH AND FISCAL IMPACT ANALYSIS

Local jurisdictions are commonly faced with the circumstance in which some major event occurs that requires increasing a level of public service. We assist in measuring the impact of development on the operational and human resource services of the jurisdiction.

HOUSING: PUBLIC AND PRIVATE INITIATIVES

For our clients that develop and own rental housing, we help analyze project components, review financing alternatives, develop and implement a financing plan and review the performance of completed projects. On the other hand, many clients opt to partner with private developers to create affordable housing in their communities. Springsted assists these clients in reviewing project pro formas and determining an appropriate level and method of public assistance for private housing projects.

Housing & Economic Development Group

An experienced team to address quality of life through expanded economic opportunities, housing options and private development. Comprehensive services extend beyond planning and policy development to financing plans, project facilitation and full compliance assistance.

- Policy Development
- Incentive Capacity Analysis
- Development Strategy
- Development Process Management
- Developer Review & Negotiation
- Housing Initiatives
- Statutory Compliance Services

Public Finance Group

An extensive team of financial experts providing comprehensive services for every type of public infrastructure and operational finance area. Specialized technology and experts devoted to providing you with independent advice covering all of your options, with associated full regulatory compliance services.

- Capital Improvement Policies
- Debt Planning & Policies
- Debt Capacity Studies
- Capital Infrastructure Financing
- Cash Flow & Pooled Financing
- Individual & Master Lease Programs
- Debt Management
- Credit Rating Strategy & Enhancement
- Arbitrage/Rebate Regulatory Compliance Services
- Continuing Disclosure Regulatory Compliance Services

Specific to Economic Development the following flow chart outlines the entire development process. The City of Lawrence can select any and all services throughout this process. We can provide a comprehensive approach throughout the project conception, evaluation and negotiation, financing, and monitoring steps.

2. Service Team

Staff and Experience

Our staff's breadth of experience and depth of expertise are two of our most important characteristics in providing high-quality service to clients. Many of our staff have backgrounds in municipal and county government, education or with development firms and non-profit organizations, so they share our clients' perspectives in developing solutions.

Each client draws on the talents of many members of our staff. We assign a specific client service team to ensure primary responsibility for each project. The teams are comprised of qualified individuals who are experienced in the specific challenges confronting you. The teams are free to draw upon the expertise of our entire staff.

The following staff have been assigned to the City of Lawrence service team:

David N. (Dave) MacGillivray, is Chairman of Springsted Incorporated, a financial, management and economic development consulting firm. He has been with Springsted for over 20 years, starting with the firm as a financial analyst. In addition to his financial advisory work, he has served as lead development advisor on projects of all sizes and types. For one downtown Brownfield project, his client received the Ford Foundation's Award for Innovation with the first use of 'tax decrement financing' for groundwater contamination cleanup. His experience covers economic development policy formation and strategic planning, developer review and negotiation, project financing and setting up internal monitoring systems. He currently sits on the National GFOA's Capital Planning and Economic Development Subcommittee. Mr. MacGillivray's direct client responsibilities cover major cities and counties, as well as high-growth suburban jurisdictions. He worked as a municipal finance director for ten years.

Anthony L. (Tony) Schertler, Senior Vice President, is head of Springsted's Housing and Economic Development Group. Tony has over 15 years' experience in local government, with 10 years focused on downtown development and redevelopment. Tony is responsible for creating incentive programs in the areas of business retention and attraction. He is a licensed attorney, with an extensive background in land use and real estate development. Tony will provide advice to the [*Industrial Development Authority – or whatever appropriate governmental unit*], as needed.

Tom L. Kaleko, Senior Vice President, directs Springsted's Kansas City office. As a former City Administrator in Kansas and Missouri communities, his knowledge and experience gives him a unique level of understanding and strong qualifications in assisting Kansas and Missouri local governments in meeting their finance, economic development, organizational management and housing

challenges. Mr. Kaleko has a master's in public administration in city management from the University of Kansas, Edwin O Stene Program.

Jennifer K. (Jenny) Wolfe, Project Manager, is Springsted's newest team member, working with the Management Consulting Services Team. A majority of Ms. Wolfe's time is spent on Tax Increment Financing projects. Prior to employment with Springsted, Ms. Wolfe worked for 14 years in the Department of Planning and Economic Development with the City of Saint Paul. Her most recent assignments included housing project management, tax increment financing projections, mortgage revenue bond program, other bond projects, report preparation, report writing and data analysis.

David R. (Dave) Jaye, Vice President and Director of Project Management, has over 24 years experience in finance, credit, analysis and municipal bond activities. His experience encompasses cash flow modeling and tax increment financing, refunding issues and refunding feasibility studies.

David N. MacGillivray

Chairman

Client Representative

Mr. MacGillivray is Chairman and one of three principals of the firm. His direct client responsibilities cover major cities and counties, as well as high-growth suburban jurisdictions. Mr. MacGillivray joined Springsted in 1985 as a Senior Analyst, and has attained a succession of positions in the analytical and client representative areas. Prior to joining Springsted, he worked for several municipalities in financial and city management.

Mr. MacGillivray brings to his client relationships not only municipal bond industry experience, but also an economics background based in addressing financial management objectives. He is the author of numerous studies on fiscal impact analysis, economic development finance, debt management, and the use of specialized revenue sources such as sales and hospitality/ admissions taxes. He has frequently testified before legislative bodies to enact new authority to expand financing options for public entities.

Mr. MacGillivray's work is best exemplified in the recognition received by his clients. Four have received singular annual Government Finance Officers Association Awards for Excellence in Debt Management and Financial Planning. Another received the joint Ford Foundation-John F. Kennedy School of Government Award for Innovation in Government; and yet another client has received the U.S. Conference of Mayors National Award for Public-Private Partnerships for downtown revitalization.

In addition to his duties at Springsted, Mr. MacGillivray frequently lectures on economic development, financial management and the municipal bond industry.

Education

University of Minnesota, Minneapolis

Master of Arts in Economics

Specialized in Public Finance and Cost/Benefit Analysis

University of Minnesota

Bachelor of Arts in Economics

Presentations

National Government Finance Officers Association

"Competitive vs. Negotiated Municipal Bond Sales"

Numerous Regional Forums

ex: *Maximizing Your Advantage in Today's Public Finance Marketplace
and Economic Development Finance*

Professional

Government Finance Officers Association of the United States and Canada

Member: Standing Committee on Economic Development & Capital Planning

Certified Independent Public Finance Advisor, National Association
of Independent Public Finance Advisors

Series 7 and Series 66, 1999

Anthony L. Schertler
*Senior Vice President
Consultant*

Tony Schertler is Director of Springsted's Housing and Economic Development Services, providing assistance to our clients nationally. He has a strong background in urban redevelopment, with firsthand experience in successfully undertaking economic development initiatives in an environment of diminishing resources.

Mr. Schertler comes to us from the City of Saint Paul's Department of Planning and Economic Development, where he was responsible for implementing and administering the City's role in land use planning, housing and economic development, small business lending, home rehab and mortgage foreclosure prevention programs, and the sales tax program targeting neighborhood revitalization and promotion of the cultural arts. He has over 15 years of municipal public sector experience, with 10 years focused on Downtown Redevelopment. As a senior manager, Mr. Schertler was twice asked to step in as Director of the Department of Planning and Economic Development. During his 2001 tenure as Director, he is credited with successfully assembling two major initiatives: First, the creation of the Saint Paul Housing 5000 project, a program to produce 5000 new units of housing in four years, ultimately resulting in over one billion dollars of public and private investment. Second, the establishment of a transparent system to help prioritize development opportunities within the context of resource availability and policy consensus. The result assured on-time availability of the financial resources required for completing housing and economic development projects and increased public confidence in the economic development decisions made by the policymakers.

Mr. Schertler has extensive experience in real estate acquisition, particularly in the area of eminent domain. He was typically the lead negotiator for all of the major land assembly efforts undertaken or contemplated by the City. Those efforts included site preparation analysis for sports stadiums, major residential developments and downtown office developments.

Education

William Mitchell College of Law, Saint. Paul, Minnesota

Juris Doctor

St. John's University, Collegeville, Minnesota

Bachelor of Arts in History

Professional Affiliations

Member of the Minnesota State Bar Association

Tom L. Kaleko
Senior Vice President
Client Representative

Mr. Kaleko assists municipalities and other governmental client in addressing their financial, management, human resource, housing and economic development challenges. He also oversees the bond issuance process for clients, ensuring that debt offerings are conducted timely and effectively. Mr. Kaleko is the Director of Springsted's services to clients in Missouri, Kansas and Iowa.

Mr. Kaleko worked in local government for 20 years before joining Springsted in 2005. He served as Assistant City Administrator for Lenexa, Kansas for over four years. Prior to Lenexa, he served six years as City Administrator for Gardner, Kansas and as Assistant City Administrator in Blue Springs, Missouri for over five years. Each of these communities received state and national recognition for developing innovative approaches to resolving the complex issues that they faced during his tenure.

A common theme throughout Mr. Kaleko's career has been meeting the challenges of growth. Many of the local governments in which he served were, at the time, among the fastest growing communities in their respective states. As such, Mr. Kaleko is skilled in identifying methods to finance the infrastructure and operating needs of rapidly growing communities.

Education

University Of Kansas, Lawrence, Kansas

Master of Public Administration

University of Tennessee, Knoxville, Tennessee

Bachelor of Business Administration

Presentations

League of Kansas Municipalities

"Tax Increment Financing Districts and Transportation Development Districts"

Kansas Government Finance Officers Association

"Evaluating Developer Proposals"

Southwest Missouri City Clerks/Finance Officers Association

"Financing Capital Improvements in Missouri"

Missouri Economic Development Council

"Basic Questions/Foundations for Incentives"

Affiliations

International City/County Management Association (ICMA)

Kansas Association of City Management (KACM)

Government Finance Officers Association (GFOA)

Kansas Government Finance Officers Association (KSGFOA)

Missouri Government Finance Officers Association

Jennifer K. Wolfe
Project Manager

Jennifer Wolfe has been with Springsted since September of 2004, working as a Project Manager with the Management Consulting Services Team providing technical support and assistance to clients in various specialty-financing projects. Ms. Wolfe has performed analyses for the use of a variety of economic development, redevelopment and housing programs in the Midwest region. Areas of expertise include property and sales tax increment financing, special improvement districts and tax abatement. Tasks performed include revenue projections, developer review and negotiations, cost benefit analysis, tax impact analysis, bond cash flow analysis, rate of return analysis, developer need for assistance and other related areas. Ms. Wolfe's experience with economic incentive programs includes her work in Kansas, Missouri, Montana, Minnesota and Wisconsin. Prior to employment with Springsted, Ms. Wolfe had worked in the Department of Planning and Economic Development with the City of Saint Paul for 14 years. Her most recent assignments included housing project management, tax increment financing projections, mortgage revenue bond program, other bond projects, report preparation, report writing and data analysis.

Education

Institute of Technology at the University of Minnesota

Bachelor of Science Degree in Mathematics

National Development Council:

- Certified Economic Development Finance Professional
- Certified Housing Development Finance Professional

City of Saint Paul Mayor's Leadership Academy

David R. Jaye*Vice President**Director of Project Management*

Mr. Jaye has worked in the municipal bond industry for 29 years in analytical capacities for an underwriter, issuer and at Springsted since July 1997, where he is a senior public finance analyst. He is well versed in the municipal and treasury markets and has experience with structuring a wide variety of transactions, including refundings, tax increment debt, school district debt, city debt, private activity debt and economic development issues. Mr. Jaye is an expert in municipal debt structuring and documentation, cash flow modeling, refunding transactions, the current interest rate environment, municipal bond pricing trends, investments and has a working knowledge of arbitrage matters.

Education

University of St. Thomas, Saint Paul, Minnesota

Bachelor of Arts in Business Administration and Accounting

Professional

National Association of Securities Dealers (NASD), Series 7, 63 and 66 Exams

Economic Development Finance Professional Certification Program, 1995

National Development Council

Certified Independent Public Finance Advisor

References**City of Wichita, Kansas**

455 North Main, 12th Floor
Wichita, KS 67202

Ms. Kelly Carpenter, Director of Finance
316.268.4434
kcarpenter@wichita.gov

Mr. Rob Raine, Assistant Director of Finance
316.268.4300
rraine@wichita.gov

Unified Government of Wyandotte County/Kansas City, Kansas

Mr. Jack Manahan, Chief Financial Officer
701 North 7th Street
Kansas City, KS 66101-3064
913.573.5288
jmanahan@wycokck.org

City of Lenexa, Kansas

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Lenexa, KS 66215-2882

Mr. Eric Wade, City Administrator
913.477.7552
ewade@ci.lenexa.ks.us

Mr. Doug Robinson, Finance Director
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City of Shawnee, Kansas

Mr. Bryan Kidney, Finance Director
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City of Manhattan, Kansas

Mr. Bernie Hayen, Director of Finance
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Mr. Benjamin O. Hart, Director of Strategic Financial Management
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3. Experience

Relevant Experience

The Unified Government of Wyandotte County and Kansas City, Kansas *\$260,000,000 Sales Tax (Turbo) Revenue Bonds, 2005*

The Unified Government of Wyandotte County and Kansas City, Kansas, “The UG,” has taken a leadership role in developing its Village West Retail and Entertainment Development. Realizing the UG’s vision for Village West began in 2000, when they acquired 400 acres on a major freeway interchange adjacent to the new NASCAR racetrack. The UG conducted a national search for a master developer, then entered into negotiations with two major retail anchors. The result is that today, approximately 350 acres have been or are under development, with approximately 1.5 million square feet of retail, hospitality and entertainment uses built or under construction. Village West is now the top tourist destination in Kansas.

The story of the financing program necessary to realize Village West and to meet the UG’s overall fiscal objectives is compelling. It began with the UG’s obtaining new statutory authority to capture the state sales taxes within the development. The UG recruited the first two major anchors as the “signature users” – Cabela’s® Incorporated and Nebraska Furniture Mart®. The negotiations required that the anchors buy their own bonds during an initial period. The negotiations also provided for the potential funding of other developments, which has since happened. The other UG-developed projects include:

- “The Legends,” a 700,000 sq. ft. new urbanism development
- A new baseball park for the “T-Bones” Minor League team
- A 14-Screen movie theater complex

These financings were secured by local sales tax increments, and for most developments, state sales tax revenues. All pledged sales tax revenues were only from the 400 acres of Village West. The UG retained all property tax revenues for general government purposes.

Bloomington Port Authority, Minnesota *Bloomington Central Station*

The Bloomington Port Authority asked Springsted to assist in creating a TIF District and a development model for the Bloomington Central Station redevelopment project. This development project, proposed by McGough Development Corporation, would showcase the Light Rail Transit (LRT) Station for integrated, mixed-use, transit-oriented development, maximizing the benefits of the light rail station for residents, hotel guests and office workers within the TIF District. The high density 43-acre development would include at least five phases over a fifteen-year period and result in \$58 million of public improvements financed by TIF for the \$700 million private investment. Phase I includes 267 condo units of which 80 percent were sold at groundbreaking and 100 percent are expected to be sold upon completion of the building.

The development is unique due to its proximity to LRT, the airport, major interstate, the Mall of America and the river bluffs. In addition to condos, the development includes an urban park, upscale hotels, retail, offices and parking to accommodate light rail. The developer originally planned to develop an

office park, but with the Hiawatha rail development those plans evolved into a “nationally recognized, transit-oriented, mixed use development.” Bloomington officials hope to spur development south of the airport to create a “third downtown” in the metro area.

Springsted worked closely with the City, Port Authority, Bond Counsel and the Developer to create an economic development model that projected estimated tax increment by phase and stage, identified various financing options, quantified public improvements required at each level and developed options for any financing required. A \$30 million gap was resolved using various tools and strategies, including realigning the phases of development to generate more increment earlier, reducing borrowing costs and agreeing to maximum public incentives based on a percentage of total cost or “Counted Value” formula that is part of the Development Agreement.

City of Kansas City, Missouri (2007)

Downtown Power & Light District

A \$295,000,000 project development involving construction of a 540,000 square-foot entertainment complex, 240 new residential units, and a 1,000 stall City parking structure. The Power & Light District complements the City’s other downtown investments in an expanded convention center and new arena. The City’s partnership in the Power & Light District includes land acquisition, demolition and site preparation, infrastructure improvement and related parking structures.

The public financing elements comprised a multi-tiered issuance program to match the expenditure calendar. The bond program has varied repayment sources including; tax increment financing, various economic activity taxes and charges (Kansas City earnings tax, sales tax, hospitality taxes, and Missouri ‘Super TIF’). The program is also secured by a City annual appropriation. The variable rate interest mode was selected to reflect the potential variation in revenue sources given this new development activity. Springsted worked with the City in estimating and modeling the revenue streams and aspects of the bond program.

City of Saint Paul, Minnesota 2000

“Xcel Energy Center” – National Hockey League Arena

The City of Saint Paul’s successful campaign to bring a National Hockey League (NHL) team back to Minnesota was contingent upon the construction of a new arena that would meet League specifications. The \$130,000,000 arena was financed by a loan of \$65,000,000 from the State of Minnesota, and the City issuance of these bonds, with net proceeds of a comparable amount. The security for the bonds came from three predominate sources: Arena net revenues, a city-wide sales tax that was originally enacted for the Civic Center Authority, and tax increment financing revenues from new development occurring in the adjacent downtown area. Arena net revenues were team rent payments and a payment in lieu of taxes, and were expected to pay the majority of the debt service. Springsted, as the City’s advisor, participated in the legislative effort to develop the financing package, as well as the related bond structuring, disclosure and pricing of the bonds. The “Xcel Energy Center” adjacent and connected to the City’s convention facility, “Saint Paul

RiverCentre™” with complementary uses being of mutual benefit to the financial performance of each facility. Springsted, as the City’s advisor, participated in the legislative effort to develop the financing package, as well as the related bond structuring, disclosure and pricing.

General Financial Advisory Services

City of Lenexa, Kansas (ongoing)

Multiple Issuances and Policy Formation

Lenexa has a variety of capital financing objectives. The City’s most recent 5 year capital improvement plan includes projects totaling over \$250,000,000 which includes both traditional infrastructure projects as well as improvements designed to spur development of the “Lenexa City Center” – the community’s new downtown. The City maintains a rigorous debt management program to monitor ways to reduce its future obligations and overall debt levels. The City uses all available capital financing statutory authorities.

Springsted has been Lenexa’s sole financial advisor for the last 3 years (27 years prior with an individual who is now a member of Springsted). In addition to our bond issuance work, we have assisted the City in policy formation, reviewed funding options and refundings, and reviewed development proposals. We have worked with the City in determining its credit rating strategy and participated in all rating agency presentations.

City of Liberty, Missouri (2007)

Whitehall Station

This development projects represents \$234,663,460 of investment. In order to increase its sales tax capture rate, the City of Liberty created a tax increment financing district at the intersection of I-35 and the City’s newly constructed South Liberty Parkway. In response to this City-initiated TIF, CBL and Associates proposed the development of Whitehall Station - a destination lifestyle shopping center containing approximately 705,000 square feet of retail space. Proposed uses included a hotel, anchor department store, movie theater, two junior anchors, and associated in-line retail and out lots.

Springsted was engaged to review CBL’s request for tax increment financing. Specifically, to determine if the tax increment financing plan met the statutory “but-for” test and whether the amount of public subsidy was reasonable.

Other Economic Development Experience in the Region

- Downtown new Urbanism Development – Lenexa
- Kansas – Three out of Four STAR Bonds
- Downtown Revitalization – Olathe, Mission, Wichita, Manhattan
- Developer Due Diligence on 2007 Casino proposals and Schlitterbahn Water Park for Kansas City Kansas
- Statutorily Required TIF Feasibility Studies completed in multiple Kansas cities, including Gardner, Merriam, Mission, Lenexa, and Wichita, to name a few

4. Engagement Agreement

Introduction

The engagement agreement for this advisory project is aligned with the organizational structure and philosophy of Springsted. We anticipate the analysis will require the involvement of two of our five service areas: Public Financing and Housing and Economic Development. Our service team draws on dedicated staff resources from each of these areas.

The City has been asked to provide public assistance in the form of tax increment financing (TIF) to pay for public and private costs for redevelopment. The assistance request may also include the establishment of a Transportation Development District (TDD). The City is seeking to engage the services of a financial advisor to ultimately determine the feasibility of the public assistance and therefore determining that the benefits of the project exceed the costs. The feasibility will include an appropriate method of financing the public assistance.

Task I: Prepare Debt Service Schedules

We will prepare debt service schedules to determine the level of costs supported by the projected revenue stream. We will examine alternative financing structures and provide comparative results for review by City staff.

Task II: Review of assumptions used by developer to create taxable increments

We will evaluate the assumptions provided by the developer for reasonableness. We will require the following information to be provided:

- Detailed Project Sources and Uses;
- Developer assumptions on redevelopment and operational costs;
- Include breakdown of site improvement and public infrastructure costs;
- Detail of project components, to include breakdown of commercial square footage, i.e., office, retail, manufacturing, industrial, hospitality, entertainment, etc;
- Separate detail for residential development versus commercial development;
- Project details should include the mix of proposed tenants and anticipated ownership/lease structure for specific components of the development;
- Detail on estimated property tax value assumptions for each component;
- Detail on estimated sales per component and per square foot, including assumptions on occupancy levels;
- Cite any source information utilized for projecting public tax revenues, including growth assumptions, if applicable;
- Financing assumptions, including bank financing, equity, rates, terms, etc;
- Financing assumptions for public assistance, to include bonds, pay-as-you-go, rates, terms, etc.
- Timing considerations for each of the above including a build-out and lease-up schedule;
- Independent verification of marketability of proposed project, such as relevant market studies and real estate appraisals; and

- Any additional information on other revenue generating uses.

We will evaluate and summarize all the above information provided and examine the appropriateness of each with current market conditions. We will analyze property tax estimates for reasonableness within Johnson County. We will examine project costs and compare them to industry standards. We will utilize published reports for sources such as: RSMeans, Urban Land Institute, Korpacz Real Estate Investor Survey, hotel market information readily available.

Task III: TIF/TDD Financing Alternatives

We will examine the proposed methods of financing the public assistance. We will propose alternatives, as appropriate, to limit the overall risk and exposure to the City's tax base. An example would be to reduce the size of the property tax increment in lieu of a self-imposed transportation development district.

Task IV: Report on the project that complies with the requirements of Kansas statutes

The Kansas statutes require the completion of a financial feasibility study for inclusion within any TIF (redevelopment) project plan. The Financial Feasibility Study must show that the Project's benefits, tax increment revenue, and other available revenues under K.S.A. 12-1774(a)(1) are expected to exceed or be sufficient to pay for all Project costs as defined by K.S.A. 12-1773, including the payment of principal and interest of debt used to finance the redevelopment project. Our Financial Feasibility Study will include the following:

- A general description of tax increment
- A description of the proposed project
- The projected revenues of the project (benefits)
- The projected costs of the project
- A conclusion evaluating the statutory compliance that the project as proposed is financially feasible (sufficient revenues to pay costs, etc).

Included within this report will be an assumptions page, project revenue details, revenue projections, debt schedules, and a sources and uses of funds.

Task V: To compliment the above Tasks I-IV, the preparation of a Financial Needs Analysis (But-For).

We believe the requested financial assistance should be no more than an amount necessary to provide a market profit/return to the developer, for their proposed project based on current market conditions. As such, we will calculate the developer's profit/return based on their requested level of subsidy (or a reduced amount supported by revenue, if appropriate) and compare it to the "market" for similar projects. We will comment on the reasonableness of the profit/return considering the type of project, current market conditions and developer at risk equity. We will complete a sensitivity analysis on various assumptions that could affect the level of profit/return and prepare recommendations to the City.

Outcomes

Springsted will deliver the following:

- A report on the feasibility of the assumptions used by the developer to generate the increments in a TIF and/or TDD.
- Report on the sufficiency of revenues generated by the district(s) to pay for the eligible public/private improvements
- Report on the financing alternatives available to fund the requested public/private improvements and an evaluation of the allowable methods.
- Advice concerning the type of bonds to finance eligible public/private improvements
- Financial needs analysis (appropriate public subsidy or “but for” test)

5. Fee Structure

Compensation

We propose to complete the following breakdown of fees associated with this work:

- Project Financial Feasibility analysis, including Debt Service Schedules and analysis alternatives available to fund improvements, will be a minimum of \$5,500, not to exceed \$8,000
- Financial Needs Analysis (public subsidy necessity and appropriateness) an additional \$2,000 to \$3,000, if desired

The fees above include one staff meeting and a presentation to the City Council. Excluded from the cost indicated above is any out-of-pocket expenses such as travel (including travel from Saint Paul, Minnesota, if determined necessary), copying and faxes, credit reports and/or fees to purchase research information such as archived news articles, or other fees necessary to complete the review. Should the City request and authorize additional work outside the scope of services described in this proposal, we would invoice at our standard hourly rates as shown below.

Completion Date

Notwithstanding any other imposed deadlines, the timing for completion of the Financial Feasibility Analysis is two weeks. Springsted's work proposed herein is critically dependent upon coordination and cooperation from the Developer and to the extent that delivery of the necessary information is delayed, the completion of this study will need to be extended.

Hourly Rates	
Principal/Senior Officer	\$210
Officer/Project Manager	180
Senior Associate	150
Associate	135
Support Staff	60