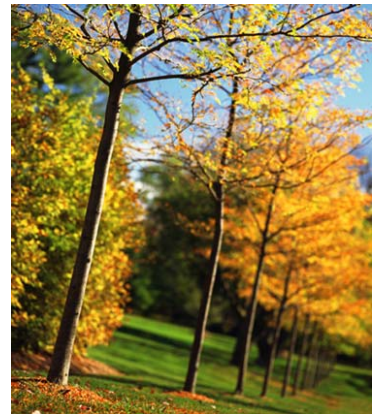




Redevelopment Project Financial Feasibility Study

For the 9th and New Hampshire Redevelopment District

City of Lawrence, Kansas

June 21, 2012

Table of Contents

1	OVERVIEW	1
2	GENERAL DESCRIPTION OF TAX INCREMENT	4
3	PROJECT DESCRIPTIONS	5
4	PROJECTED REVENUES (BENEFITS)	7
5	PROJECTED EXPENDITURES (COSTS)	10
6	CONCLUSIONS	12
	EXHIBIT I	14
	EXHIBIT II	15
	EXHIBIT III	23

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.

1. Overview

Statutory Basis and Process

Sections 12-1770 through 12-1780 of the Kansas Statutes ("the Act") provide a means for cities to finance public development and redevelopment costs with incremental real estate taxes and other revenues. The purpose of the Act is to "promote, stimulate and develop the general and economic welfare of the State of Kansas and its communities and to assist in the development and redevelopment of eligible areas within and without a city thereby promoting the general welfare of the citizens of this state..."

A city may exercise the powers conferred under the Act provided that the governing body of the city has adopted a resolution finding that the specific area sought to be developed or redeveloped is an "eligible area" under the Act. In addition, the city must find that the conservation, development or redevelopment of such an area is necessary to promote the general economic welfare of the city.

The proposed redevelopment district boundaries are irregular and extend along the east side of New Hampshire Street from East 10th Street on the South to 8th Street on the North. A map of the redevelopment district is attached hereto as Exhibit I. The district plan for the proposed redevelopment district provides for the redevelopment district to include two project areas, the North and South project areas, which are depicted on the map attached hereto as Exhibit I, the two projects fully encompass the boundaries of the Redevelopment District.

Proposed for development in the South Project Area, is the construction of a four-story mixed-use hotel, commercial, and apartment building with corresponding site improvements, and an underground parking structure. The building is proposed to include approximately 81-hotel units, 8 apartments, and 7,021 square feet of first floor retail space, and a 4,578 square foot restaurant located on the building's roof. The related site improvement costs include; street lights, landscaping, paving, site utilities and utility fees associated with the development. The underground parking structure is proposed to include approximately 114 spaces.

Proposed for development in the North Project Area, is the construction of a seven-story mixed-use commercial and apartment building, with corresponding site improvements, and an underground parking structure. The building is proposed to include approximately 114 rental apartment units, 11,500 square feet of commercial/retail space, and an 11,000 square foot clubhouse space. Site improvements are proposed to be completed in conjunction with the development, though the specific costs are estimates at this point in time. The underground parking structure is proposed to include approximately 120 parking spaces.

On October 2, 2012, the governing body will open the Public Hearing to receive comment regarding the establishment of the Redevelopment District ("the District," see Exhibit I), adoption of the Ordinance No.____ occurred on _____. The general comprehensive plan for the District identifies the potential redevelopment project areas located within the District and the suitability of each such area for redevelopment (see below).

One or more redevelopment projects may be undertaken within each district. The Act requires all projects to be completed within 20 years from the date of the approval of a project plan, with the exception of environmental investigation and remediation projects which must be completed within 20 years from the date the City enters into a consent decree with the Kansas Department of Health and Environment or the U.S. Environmental Protection Agency.

For each redevelopment project undertaken within the District, a project plan ("the Project Plan") must be prepared in consultation with the City-County Planning Commission. The Project Plan must include the following:

1. A summary or copy of the Financial Feasibility Study (this document).
2. A reference to the District Plan for the District.
3. A description and map of the area to be redeveloped.
4. The Relocation Assistance Plan.
5. A detailed description of all buildings and facilities proposed to be constructed or improved.
6. Any other information the City deems necessary to advise the general public of the intent of the Project Plan.

The Feasibility Study

The Financial Feasibility Study will show that a) 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; and b) the effect, if any, the redevelopment project costs will have on any outstanding special obligation bonds payable from the revenues described in K.S.A. 12-1774(a)(1)(D).

The City is currently considering the establishment of two projects, the South Project Area and the North Project Area ("the Projects", see Exhibit I). Establishment of the Projects is being considered to reimburse the Developer for eligible costs associated with the redevelopment of the South Project Area into a mixed-use hotel, apartment, and commercial building, and the redevelopment of the North Project Area into a mixed-use apartment and commercial building. The Developer is requesting reimbursement for eligible costs associated with site improvements and underground parking structures, for both Project Areas.

The Developer has requested that the City provide tax increment financing (TIF) assistance through pay-as-you-go financing for both Project Areas. The City will determine the total size of the financing based solely on the property and sales tax increment generated by the Projects (property and sales tax increment and inflationary property tax increment from properties within each of the Redevelopment Project boundaries).

In a separate but related matter, the Developer has also requested City authorization to establish a Transportation Development District to assist in financing the construction of the underground parking garage in the South Project Area through a specially levied sales tax. The boundaries of the proposed Transportation Development District will be only those occupied by the South project.

2. General Description of Tax Increment

Tax increment financing for the Project will use both property and sales tax revenues.

Tax increment financing involves the creation of an increment (increase over a base value) in the real estate taxes that are generated from a defined geographic area of a community. Upon establishment of a redevelopment district, the total assessed valuation of all taxable real estate within the district is determined. This valuation is referred to as the district's "Base Year Assessed Valuation." Property taxes attributable to the district's Base Year Assessed Valuation are annually collected and distributed by the county treasurer to the appropriate city, county, school district and all other applicable taxing jurisdictions in the same manner as other property taxes.

As new development occurs within the redevelopment district, the total assessed valuation of the district in any given year will presumably exceed its Base Year Assessed Valuation. Tax increment means that amount of real property taxes collected from real property located within the redevelopment district that is in excess of the amount of real property taxes which is collected from the base year assessed valuation. All tax increment is collected by the county and distributed to the city to be deposited in a "special fund."

Tax increment funds may only be used to pay for specified eligible project costs, including principal and interest on debt used, in whole or in part, to finance projects within a redevelopment district. Such debt includes notes, special obligation bonds, full faith and credit tax increment bonds, and other debt instruments. Tax increment also may be paid to a developer/owner over time as reimbursement for eligible costs incurred up-front. This payment mechanism is commonly referred to as pay-as-you-go financing and may include not only the principal amount of such costs but also all or a portion of the interest accrued thereon.

The City is responsible for determining the amount of sales taxes allocated to the Projects each year based on the Redevelopment Plan. The City intends to capture all sales taxes generated by the taxpayers doing business within the boundaries of the South Project Area attributable to the taxes levied by the City and the County. The City does not anticipate any additional sales taxes generated by properties within the North Project Area. If a substantial change occurs to the properties, additional unforeseen revenues may be generated.

3. Project Descriptions

The South Project:

The 900 New Hampshire project (the “South Project Area”) consists of 3 parcels of land located largely on the east side of New Hampshire Street, between East 9th Street and East 10th Street. The north parcel (900 New Hampshire), located on the southeast corner of E. 9th Street and New Hampshire Street, is proposed to be redeveloped into a mixed-use hotel, apartment and commercial project. This parcel is classified as commercial and has a statutory property classification rate of 25.0%. The developer has ownership of the site and will demolish any existing structures for the redevelopment.

The two additional parcels in the project are both exempt from taxation, with one parcel owned by the City, and the other by a non-profit entity. These parcels are included to allow for the funding of City expenses related to the potential acquisition of the non-profit owned parcel and the expansion of the existing City Arts Center. These parcels are projected to remain exempt from taxation for the duration of the proposed TIF District.

The total Base Year Assessed Valuation of the South Project Area as assessed in 2012 for taxes payable in 2012/2013, is estimated at \$62,227, based on the 2012 assessment (see Exhibit II for individual parcel details).

Based on development plans provided by the Developer, Springsted has estimated the South Project’s total fair market value upon completion in 2014 (assessed January 1, 2015) at \$6,870,042, and the total assessed value at \$1,567,540. The property tax increment generated in any given year will be determined by the South Project’s increase in Current Assessed Valuation over its Base Year Assessed Valuation (value as of January 1, 2012).

Based on projected sales activity provided by the Developer, Springsted has estimated the South Project’s total taxable sales at \$5,047,966 by 2015. The sales tax increment generated in any given year will be determined by the City and be equal to the amount generated by the taxpayers doing business within the boundaries of the South Project Area.

The North Project:

The North project (the “North Project Area”) consists of 2 parcels of land located largely on the east side of New Hampshire Street, between East 8th Street and East 9th Street. The two parcels, located on the northeast corner of E. 9th Street and New Hampshire Street, are proposed to be redeveloped into a mixed-use apartment and commercial project. These parcels are classified as commercial and have a statutory property classification rate of 25.0%. The developer has ownership of the site and will demolish any existing structures for the redevelopment.

The total Base Year Assessed Valuation of the North Project Area as assessed in 2013 for taxes payable in 2013/2014, is estimated at \$250,000 (see Exhibit II for individual parcel details). While the Developer has purchased the two parcels in the North Project Area, at the time of the most recent assessment the parcels were owned by a gas utility. Therefore, the Developer’s estimate of a Base Year Assessed Valuation of \$250,000, calculated at a commercial classification rate, is used for the purposes of projecting TIF revenue.

Based on development plans provided by the Developer, Springsted has estimated the South Project’s total fair market value upon completion in 2014 (assessed January 1, 2015) at \$17,052,032, and the total assessed value at \$2,230,984. The property tax increment generated in any given year will be determined by the South Project’s increase in Current Assessed Valuation over its Base Year Assessed Valuation (as of January 1, 2013).

The Developer is not assuming any taxable sales generated in the North Project Area; however if substantial changes occur, additional unforeseen revenues may be generated.

4. Projected Revenues (Benefits)

Tax Increment Revenue

Increased Assessed Value

The City has the ability to use up to 100% of the property tax increment generated by the Project based on its increase in Current Assessed Valuation over its Base Year Assessed Valuation, as is illustrated below for the Projects at full assessment in 2015.

South Project

Projected Total Fair Market Value <u>(1/1/2015)</u>	<u>Class/Rate</u>	Projected Total Assessed Value <u>(1/1/2015)</u>
\$5,759,147	CU/25.00%	1,439,787
\$1,110,895	RES/11.50%	127,753
\$9,030,690	EQ/0.0%	<u>0</u>
	Original Assessed Value	<u>(62,227)</u>
	Increased Assessed Value	1,505,313

North Project

Projected Total Fair Market Value <u>(1/1/2015)</u>	<u>Class/Rate</u>	Projected Total Assessed Value <u>(1/1/2015)</u>
\$2,000,000	CU/25.00%	500,000
\$15,052,032	RES/11.50%	<u>1,730,984</u>
	Original Assessed Value	<u>(250,000)</u>
	Increased Assessed Value	1,980,984

The Developer estimates that the Total Assessed Value of the Project will increase at approximately 2.0% annually over the life of the Projects. Exhibit II (Assumptions Report) details many of the assumptions used in the projection of values and tax increments for both Projects. Column 10 in Exhibit III (Projected Property and Sales Tax Increment & TDD) shows the projected Increased Assessed Valuation of each Project over its maximum duration.

Property Tax Rates

In order to determine the amount of tax increment generated by the Projects in any given year, the Increased Assessed Value of the Project must be multiplied by the sum of the tax rates for all TIF-applicable tax authorities for that year.

For taxes levied in 2010 and payable in 2010/2011, this total TIF-applicable rate is 103.823 mills. We assume this rate remains fixed through-out the term of the District.

<u>Jurisdiction</u>	<u>TIF Eligible Mill Rate (2010/2011)</u>
City of Lawrence	28.612
Douglas County	35.773
497 Lawrence S/D	<u>39.438</u>
Total	103.823

Projected Property Tax Increment

The projected tax increment generated for each of the Projects over a 20-year period is shown in column 13 of Exhibit III (Projected Property and Sales Tax Increment & TDD). If the South project is approved by the City in October, 2012, the Project would be eligible to receive increment in 2014/2015 through the first-half 2032/2033 collection. No public hearing date has been set for the North project, but collections are projected through the first-half 2032/2033 collection. The tax increment projections are based on Base Year assessed valuations, increased assessed valuations, and tax rates as previously discussed. It is assumed in all years of the report that 100% of property taxes are paid when due. The total property tax increments projected for the South Project are \$3,389,654; total property tax increments projected for the North Project are \$4,433,144. The cumulative amount of property tax increments projected for the entire District is \$7,822,798.

Projected Sales Tax Increment

The South Project is also eligible to receive sales tax generated within the District. The City currently levies a 1.55% sales tax and the County also levies a 1% sales tax. The City intends to collect all City and County sales taxes generated by taxpayers doing business in the South Project area, to pay for redevelopment project costs, including the payment of debt service. The County will need to separately approve the collection of the sales tax revenue for the South Project.

The Developer projects initial year annual sales of \$5,579,209 from the hotel and commercial uses. Springsted projects that up to 30% of the hotel portion of the sale revenue may be exempt from taxation per Kansas Statute. Therefore, the estimated annual taxable sales are decreased to \$5,047,966.

Based on a 2.55% applicable sales tax rate (City and County) the stabilized annual sales tax revenue projected is \$128,723. The Developer expects total and taxable sales to increase by 2.0% annually for the term of the project resulting in total projected sales tax revenue over the term of the Project of

\$2,820,622 (see column 15 of Exhibit III – Projected Property and Sales Tax Increment & TDD for further details).

The combination of property and sales tax increment projected for the South Project area over the 20-year period starting from approval is estimated to be \$6,210,276. The total property and sales tax increment generated for the entire District is \$10,643,420.

Projected TDD Sales Tax Revenues

As stated earlier, the Developer is requesting the establishment of a Transportation Development District, for the South Project Area, which would impose a 1.0% sales tax to defer eligible project costs. The revenue projected from the sales tax is estimated at \$1,178,224 over the maximum 22-year collection period.

Developer Revenue

The Developer will fund the total anticipated cost of the combined private developments of \$44,897,960 up front. The expected funding will be comprised of \$33,673,469 of private debt and \$11,224,491 of equity.

City Administration

At this time, the City does not anticipate retaining tax increment for administrative and capital expenditures outside of the Project.

5. Projected Expenditures (Costs)

Based on current projections, the Developer estimates the total cost for the South Project site improvements are \$845,287 and an additional \$2,507,472 for the underground parking. The Developer will finance these South Area Project costs of \$3,352,759, and request reimbursement from TIF/TDD revenue, including interest expense. The Developer is seeking reimbursement for interest expenses on their financing of this amount, at an interest rate of 5.5%; which equates to an approximate interest expense of \$2,058,529. The total projected private expenditures in the South Project area are \$5,411,288 including the estimated interest expense.

Additionally, the City is anticipating reimbursing project costs incurred in the development of the existing parking garage of \$850,000 as well as a \$900,000 for the Lawrence Arts Commons. This brings the total project costs to be funded from TIF/TDD revenue in the South Project Area to \$7,161,288.

The projected total TIF/TDD revenue of \$7,388,499 generated in the South Project Area is sufficient to cover this total cost of \$7,161,288. The funding of the \$850,000 of costs incurred in the development of the existing parking garage, will be required to come from the TDD revenue generated by the South Project Area. The South Project Area TDD revenue projection totals \$1,178,224, which will be used first to fund the \$850,000 City project cost, with any remaining TDD revenue available for the reimbursement of Developer TDD eligible costs. The City anticipates at a minimum 5% of annual South Project Area TIF revenue will be dedicated to repayment of the \$900,000 Lawrence Arts Commons project costs.

If South Project Area revenues are received at a greater rate than currently project, the amount of interest expense incurred in reimbursing the Developer will be reduced due to the shorter repayment period. For the purposes of estimating the total increment cost, we have assumed an amortization for the term of the projected revenues at the Developer's requested interest rate of 5.5%.

The Developer estimates the total cost of the North Project site improvements are \$800,000 and an additional \$2,639,400 for the underground parking. The Developer will finance these North Area Project costs of \$3,439,400, and request reimbursement from TIF revenue, including interest expense. The Developer is seeking reimbursement for interest expenses on their financing of this amount, at an interest rate of 5.5%; which equates to an approximate interest expense of \$2,111,725. The total projected private expenditures in the North Project Area are \$5,551,125 including the estimated interest expense.

However, the projected North Area TIF revenue is insufficient to cover this total cost and the Developer will only be reimbursed up to the revenue collected during the statutory term of the Project. There will be no obligation on the part

of the City to contribute any shortfalls required neither to finance the total \$3,439,400 construction cost nor to reimburse for interest expenditures.

Based on current projections, the City has the ability to expend a maximum of \$4,433,144 in North Project Area property and sales tax increment to assist the Project. The Developer has requested the City pledge property tax increment generated from the North Project Area to reimburse them for the total cost of the public infrastructure improvements and construction of the parking garage estimated at a total \$3,439,400 cost, plus interest expense.

The City proposes to execute a Redevelopment Agreement outlining a pledge of 100% of the property tax increment generated by the North Project Area, up to an amount necessary to reimburse the Developer for \$3,439,400 of construction costs, plus interest expense. The pledge will continue until 2033, the North Project Area's required termination date.

Although the City does not anticipate issuing tax increment bonds, if a request is made, the City will not pledge its full faith and credit (general obligation) to the payment of any such tax increment bonds.

6. Conclusions

South Project Area Conclusions

The Act requires that the Financial Feasibility Study demonstrate that a Project's benefits and other available revenues are expected to equal or exceed all Project costs.

The project benefits can be described in two forms: a) the amount of total revenues and other contributions received over the 20 year term of the Project; and b) the amount of project costs which can be financed by the revenues received over the applicable term. This second category represents the amount of bonds issued supported by the future revenues plus the other financial contributions.

The South Project Area Costs are here defined as the TIF/TDD eligible expenditures budgeted to complete the South Project and are estimated to total \$7,161,288, including estimated interest expenditures.

As to the total future revenues and other contributions, the available TIF revenues of the South Project through the first-half 2032/2033 collection are expected to be \$6,210,276, and the available TDD revenues of the Project through 2035 are expected to be \$1,178,224 (combined revenue of \$7,388,499).

The total South Project Area Costs to be funded are \$7,161,288, including interest costs over the statutory period, which the estimated South Project Area TIF/TDD revenues exceed. Given the assumptions and representations of various parties to the process, this feasibility study concludes that the South Area Project benefits, which include projected TIF/TDD revenue are sufficient to pay the South Area Project costs.

The Act also requires a determination of the effect the redevelopment project will have on any outstanding bonds supported by local transient guest and local sales and use taxes. The proposed South Area Redevelopment Project does not currently generate any sale or use taxes and therefore the approval of the collection of sales taxes within the Project area does not have any effect on any outstanding obligations.

North Project Area Conclusions

The Act requires that the Financial Feasibility Study demonstrate that a Project's benefits and other available revenues are expected to equal or exceed all Project costs.

The project benefits can be described in two forms: a) the amount of total revenues and other contributions received over the 20 year term of the Project; and b) the amount of project costs which can be financed by the revenues received over the applicable term. This second category represents the amount of bonds issued supported by the future revenues plus the other financial contributions.

The North Project Area Costs are here defined as the TIF eligible expenditures budgeted to complete the North Project and are estimated to total \$5,551,125, plus interest expenditures.

As to the total future revenues and other contributions, the available TIF revenues of the North Project Area through the first-half 2032/2033 collection are expected to be \$4,433,144. The Developer is requesting \$3,439,400, plus interest over the statutory period. The revenue is sufficient to reimburse the total North Area project costs, exclusive of interest reimbursement. Repayment of the total North Area Project Costs, and the estimated interest reimbursement of \$2,111,725, would require a Developer contribution of \$1,117,981 to complete the site improvements and parking garage, including the estimated interest reimbursement.

Given the assumptions and representations of the various parties to the process, this feasibility study concludes that the North Area Project benefits which include projected TIF revenue and Developer contributions of at least \$1,117,981 are sufficient to pay the project costs.

The Act also requires a determination of the effect the redevelopment project will have on any outstanding bonds supported by local transient guest and local sales and use taxes. The proposed North Area Redevelopment Project does not currently generate any sale or use taxes and therefore the approval of the collection of sales taxes within the Project area does not have any effect on any outstanding obligations.

EXHIBIT I

MAP OF PROPOSED REDEVELOPMENT DISTRICT & PROJECTS

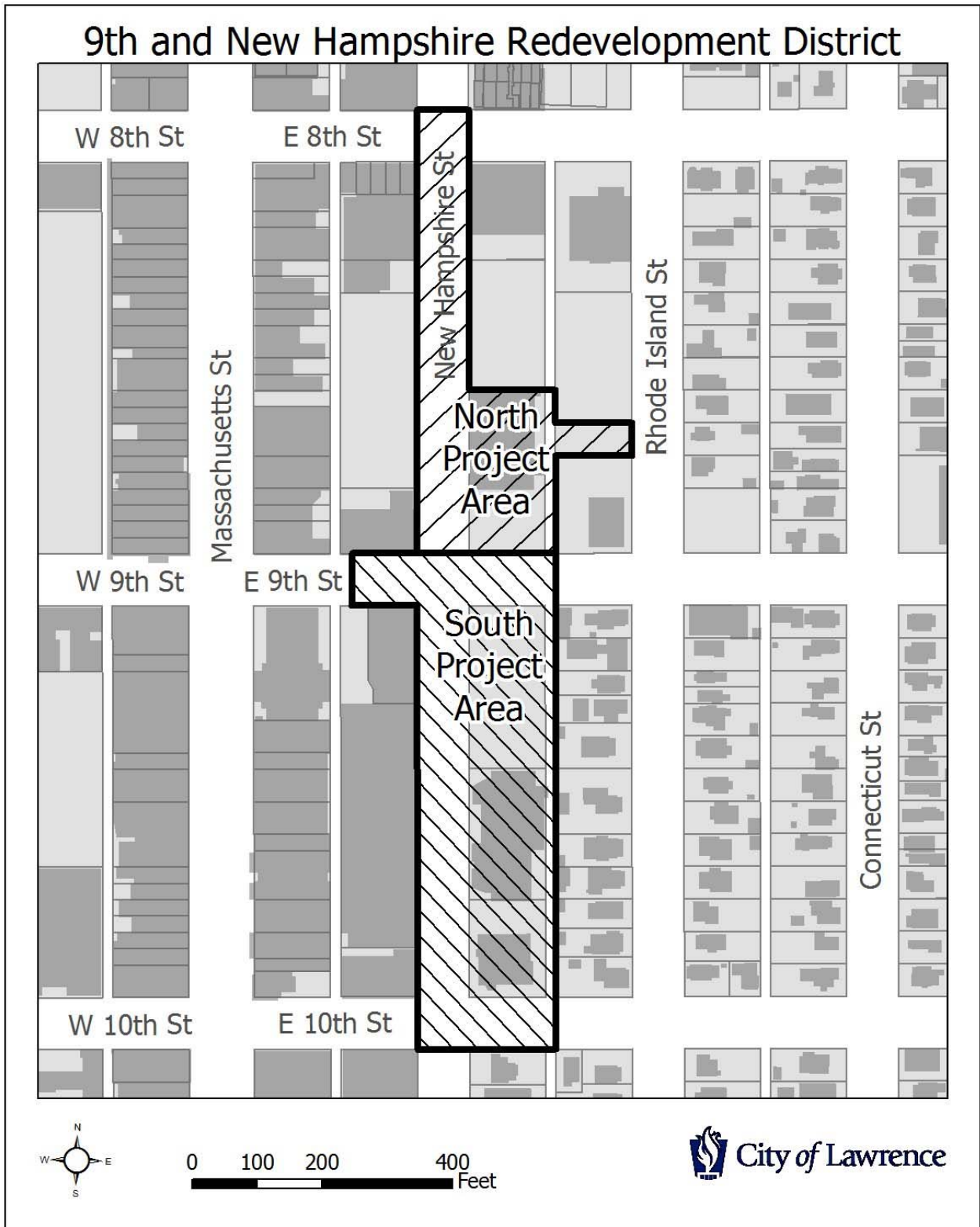


Exhibit II
TIF District and Redevelopment Project Area Assumptions

Exhibit II – Page 1 of 7

**City of Lawrence, Kansas
Redevelopment Tax Increment Financing District
South Project Area**

Original Assessed Value (1/1/12)		62,227
<u>2010/11 Mill Rates</u>	Total	TIF Applicable
State of Kansas	1.500	0.000
Douglas County	35.773	35.773
City of Lawrence	28.612	28.612
497 Lawrence S/D	27.738	27.738
497 Lawrence S/D-Gen	20.000	0.000
497 Lawrence S/D-Bond	11.700	11.700
Total	125.323	103.823
<i>Assume fixed rate</i>		
Property TIF Inflation Rate:	2.00%	
Sales Tax Inflation Rate:	2.00%	

Exhibit II - Page 2 of 7

**City of Lawrence, Kansas
Redevelopment Tax Increment Financing District
North Project Area**

Original Assessed Value (1/1/12)		250,000
<u>2010/11 Mill Rates</u>	Total	TIF Applicable
State of Kansas	1.500	0.000
Douglas County	35.773	35.773
City of Lawrence	28.612	28.612
497 Lawrence S/D	27.738	27.738
497 Lawrence S/D-Gen	20.000	0.000
497 Lawrence S/D-Bond	11.700	11.700
Total	125.323	103.823
<i>Assume fixed rate</i>		
Property TIF Inflation Rate:	2.00%	
Sales Tax Inflation Rate:	NA	

Exhibit II - Page 3 of 7

City of Lawrence, Kansas Redevelopment Tax Increment Financing District South Project Area

Assess 2007

Property Owner	Address	Parcel ID	2012 Appraised			2012 Assessed			Class
			Land	Building	Total	Land	Building	Total	
9-10 LLC	900 New Hampshire	023-079-31-0-20-18-002.00-0	518,560	-	518,560	-	62,227	62,227	VU
City of Lawrence	940 New Hampshire	023-079-31-0-20-18-006.01-0	388,580	7,900,940	8,289,520	-	-	-	EQ
Salvation Army	946 New Hampshire	023-079-31-0-20-18-010.00-0	371,250	369,920	741,170	-	-	-	EQ

Totals	1,278,390	8,270,860	9,549,250	-	62,227	62,227
---------------	------------------	------------------	------------------	----------	---------------	---------------

Estimated Assess 2012 Values	1,278,390	8,270,860	9,549,250	-	62,227	62,227
(Base Year of Redevelopment TIF District)			Total Appraised Value			Total Assessed Value

Exhibit II - Page 4 of 7

City of Lawrence, Kansas Redevelopment Tax Increment Financing District North Project Area

Assess 2007

Property Owner	Address	Parcel ID	2012 Appraised ¹⁾			2012 Assessed			Class
			Land	Building	Total	Land	Building	Total	
9-10 LLC	100 E 9th Street	023-079-31-0-20-15-006.00-0	1,000,000	-	1,000,000	250,000	-	250,000	CU
9-10 LLC	100 E 9th Street	023-079-31-0-20-15-008.00-0							
Totals			1,000,000	-	1,000,000	250,000	-	250,000	
Estimated Assess 2012 Values			1,000,000	-	1,000,000	250,000	-	250,000	
(Base Year of Redevelopment TIF District)			Total Appraised Value			Total Assessed Value			

1) Market value assumption provided by Developer. Will need to work with County to finalize market value as property is converted from gas utility.

Exhibit II - Page 5 of 7

City of Lawrence, Kansas Redevelopment Tax Increment Financing District South Project Area

Property Tax Increment

Base and Current Values	<u>Appraised</u>	<u>Assessed</u>			
Base - Assess January 1, 2012	9,549,250	62,227			
Est. Base - Assess January 1, 2012	9,549,250	62,227			
Assessment Rate:	25.00%	11.50%	25.00%	25.00%	
Project Components	<u>Hotel Units</u> <i>81 rooms</i>	<u>Apartment Units</u> <i>8 units</i>	<u>Retail Uses</u>	<u>Parking Uses</u>	<u>Total</u> 89
Estimated Square Footage	41,194	7,130	14,131	included in	62,455
Estimated Appraised Value per Unit/SF ¹⁾	\$49,383	\$138,862	\$124	NA	
Total Appraised Value	4,000,000	1,110,895	1,759,147	included in	6,870,042
Total Assessed Value	1,000,000	127,753	439,787	included in	1,567,540
New Development Appraised	<u>Hotel Units</u>	<u>Apartment Units</u>	<u>Retail Uses</u>	<u>Parking Uses</u>	
January 1, 2013	0%	0%	0%	NA	
January 1, 2014	85%	85%	85%	NA	
January 1, 2015	100%	100%	100%	NA	
Estimated Appraised Value	<u>Hotel Units</u>	<u>Apartment Units</u>	<u>Retail Uses</u>	<u>Parking Uses</u>	Total <u>Appraised</u>
January 1, 2013	0	0	0	included in	0
January 1, 2014	3,400,000	944,261	1,495,275	included in	5,839,536
January 1, 2015	4,000,000	1,110,895	1,759,147	included in	6,870,042
Estimated Assessed Value	<u>Hotel Units</u>	<u>Apartment Units</u>	<u>Retail Uses</u>	<u>Parking Uses</u>	Total <u>Assessed</u>
January 1, 2013	0	0	0	included in	0
January 1, 2014	850,000	108,590	373,819	included in	1,332,409
January 1, 2015	1,000,000	127,753	439,787	included in	1,567,540
Tax Increment	Total <u>Assessed</u>	Original <u>Assessed</u>	Captured <u>Assessed</u>		
Assess 2013/Distrib 2014	62,227	62,227	0		
Assess 2014/Distrib 2015	1,332,409	62,227	1,270,182		
Assess 2015/Distrib 2016	1,567,540	62,227	1,505,313		

NOTES:

1) For estimating the hotel value we used the Developer's assumption of \$4,000,000. For the apartment and retail uses we have estimated the value based on cap rates 7.0% and 7.5% respectively.

Exhibit II - Page 6 of 7

City of Lawrence, Kansas Redevelopment Tax Increment Financing District North Project Area

Property Tax Increment

Base and Current Values	<u>Appraised</u>	<u>Assessed</u>
Base - Assess January 1, 2012	1,000,000	250,000
Est. Base - Assess January 1, 2012	1,000,000	250,000

Assessment Rate:	11.50%	25.00%
------------------	--------	--------

Project Components	<u>Apartment Units</u> <i>114 units</i>	<u>Commercial Uses</u>	<u>Parking Uses</u>	<u>Total</u> 114
Estimated Square Footage	106,500	22,500	included in	129,000
Estimated Appraised Value per Unit/SF ¹⁾	\$1,881,504	\$89	NA	
Total Appraised Value	15,052,032	2,000,000	included in	17,052,032
Total Assessed Value	1,730,984	500,000	included in	2,230,984

New Development Appraised ²⁾	<u>Apartment Units</u>	<u>Commercial Uses</u>	<u>Parking Uses</u>
January 1, 2013	0%	0%	NA
January 1, 2014	50%	50%	NA
January 1, 2015	100%	100%	NA

Estimated Appraised Value	<u>Apartment Units</u>	<u>Commercial Uses</u>	<u>Parking Uses</u>	<u>Total</u> <u>Appraised</u>
January 1, 2013	0	0	included in	0
January 1, 2014	7,526,016	1,000,000	included in	8,526,016
January 1, 2015	15,052,032	2,000,000	included in	17,052,032

Estimated Assessed Value	<u>Apartment Units</u>	<u>Commercial Uses</u>	<u>Parking Uses</u>	<u>Total</u> <u>Assessed</u>
January 1, 2013	0	0	included in	0
January 1, 2014	865,492	250,000	included in	1,115,492
January 1, 2015	1,730,984	500,000	included in	2,230,984

Tax Increment	<u>Total</u> <u>Assessed</u>	<u>Original</u> <u>Assessed</u>	<u>Captured</u> <u>Assessed</u>
Assess 2013/Distrib 2014	250,000	250,000	0
Assess 2014/Distrib 2015	1,115,492	250,000	865,492
Assess 2015/Distrib 2016	2,230,984	250,000	1,980,984

NOTES:

1) For estimating the hotel value we used the Developer's assumption of \$2,000,000 for the bank portion, and a 7.5% cap rate for the remaining commercial portion. For the apartment we have estimated the value based on a cap rate of 7.0%.

2) Assumes project construction begins in 2013, with 50% constructed in 2013, and remaining portion completed in 2014. This assumption should be discussed further.

Exhibit II - Page 7 of 7

City of Lawrence, Kansas Redevelopment Tax Increment Financing District South Project Area

Sales Tax Assumptions for Sales Tax Increment and Transportation Development District (TDD) Sales Tax

Base Information

Existing Project Sales Taxes: NA

Sales Tax Rates	
City of Lawrence	1.55%
Douglas County	1.00%
Total TIF Sales Tax	2.55%
TDD	1.00%

Project Information

	<u>Hotel Units</u>	<u>Apartment Units</u>	<u>Retail Uses</u>	<u>Parking Uses</u>	<u>Total</u>
Estimated Annual Sales: ¹⁾	1,770,809	NA	3,808,400	inc. in hotel	5,579,209
Locally Taxable Portion of Retail Sales: ²⁾	70.00%	NA	100.00%	inc. in hotel	
Estimated Taxable Sales:	1,239,566	NA	3,808,400	inc. in hotel	5,047,966
Estimated TIF Sales Tax Rate: ³⁾	2.55%	NA	2.55%	inc. in hotel	
Estimated TDD Sales Tax Rate:	1.00%	NA	1.00%	inc. in hotel	
Estimated Annual TIF Sales Tax Collections: (at stabilized occupancy and sales)	31,609	NA	97,114	inc. in hotel	128,723
Estimated Annual TDD Revenues: (at stabilized occupancy and sales)	17,708	NA	38,084	inc. in hotel	55,792

Sales Tax Collections:

	<u>Estimated % of Total</u>	<u>Estimated Taxable Sales</u>	<u>TIF Sales Tax</u>	<u>TDD Sales Tax</u>
Taxes collected in 2013	0.00%	0	0	0
Taxes collected in 2014 ³⁾	50.00%	2,523,983	64,362	27,896
Taxes collected in 2015	100.00%	5,047,966	128,723	55,792
Taxes collected in 2016	100.00%	5,047,966	128,723	55,792

NOTES:

1) We have used the numbers presented by the Developer for total revenue from sales.

2) We have assumed that only 70% of the hotel sales will be taxable because of the targeted audience of University/College entities which are exempt from sales tax if paid for by the University/College. This topic needs further discussion.

3) We have assumed that the sales revenue is only 50% in the first year.

EXHIBIT III
PROJECTED PROPERTY TAX AND SALES TAX
INCREMENT & TDD

City of Lawrence, Kansas
Redevelopment Tax Increment Financing District
South Project Area
Projected Property Tax and Sales Tax Increment & TDD

TIF Year (1)	Assess & Tax Levy Year (2)	Tax Distrib. Year (3)	Total Assessed (a) (4)	Original TIF Assessed Value (5)	(3) - (4) Increased Assessed Value (6)	Projected Property Tax Increment (b) (7)	Projected Taxable Sales (c) (8)	100% Projected Sales Tax Increment (d) (9)	Projected Total Increment (10)	Projected TDD Revenue (e) (11)
0	2012	2013	62,227	62,227	0	0			0	
1	2013	2014	62,227	62,227	0	0	0	0	0	0
2	2014	2015	1,332,409	62,227	1,270,182	131,874	2,523,983	64,362	196,236	25,240
3	2015	2016	1,567,540	62,227	1,505,313	156,286	5,047,966	128,723	285,009	50,480
4	2016	2017	1,598,890	62,227	1,536,663	159,541	5,148,926	131,298	290,839	51,489
5	2017	2018	1,630,868	62,227	1,568,641	162,861	5,251,904	133,924	296,785	52,519
6	2018	2019	1,663,486	62,227	1,601,259	166,247	5,356,942	136,602	302,850	53,569
7	2019	2020	1,696,755	62,227	1,634,528	169,702	5,464,081	139,334	309,036	54,641
8	2020	2021	1,730,690	62,227	1,668,463	173,225	5,573,363	142,121	315,346	55,734
9	2021	2022	1,765,304	62,227	1,703,077	176,819	5,684,830	144,963	321,782	56,848
10	2022	2023	1,800,610	62,227	1,738,383	180,484	5,798,527	147,862	328,347	57,985
11	2023	2024	1,836,623	62,227	1,774,396	184,223	5,914,497	150,820	335,043	59,145
12	2024	2025	1,873,355	62,227	1,811,128	188,037	6,032,787	153,836	341,873	60,328
13	2025	2026	1,910,822	62,227	1,848,595	191,927	6,153,443	156,913	348,839	61,534
14	2026	2027	1,949,039	62,227	1,886,812	195,894	6,276,512	160,051	355,945	62,765
15	2027	2028	1,988,019	62,227	1,925,792	199,942	6,402,042	163,252	363,194	64,020
16	2028	2029	2,027,780	62,227	1,965,553	204,070	6,530,083	166,517	370,587	65,301
17	2029	2030	2,068,335	62,227	2,006,108	208,280	6,660,684	169,847	378,128	66,607
18	2030	2031	2,109,702	62,227	2,047,475	212,575	6,793,898	173,244	385,819	67,939
19	2031	2032	2,151,896	62,227	2,089,669	216,956	6,929,776	176,709	393,665	69,298
20	2032	2033	2,194,934	62,227	2,132,707	110,712	7,068,371	180,243	290,955	70,684
21	2033	2034	2,238,833	2,238,833	0	0	7,209,739	0	0	72,097
22	2034	2035	2,283,609	2,283,609	0	0	7,353,934	0	0	55,155
Totals						\$3,389,654		\$2,820,622	\$6,210,276	\$1,178,224
									Total Revenue:	7,388,499

(a) Assumes 900 New Hampshire TIF Project value will be assessed according to completion schedule on previous page, with inflation commencing in Levy Year 2016

(b) Assumes 100% collection of property taxes. Since TIF expenditures are limited to 20 years from City approval of Project estimated to occur October 2012, final collection would be first-half 2032 collection, distributed to City in January 2033. Assume 2010/2011 Mill Levy Rate held flat.

(c) Assumes 50% of sales are taxable in first year.

(d) Since TIF expenditures are limited to 20 years from City approval of Project estimated to occur in October 2012, revenue in assess 2032/pay 2033 is the first 9 months.

(e) Assumes collection of TDD sales tax revenue for maximum term allowed, with note issued in 2013, would mature 22 years later in 2034 (assume first six months of revenue in 2034)

City of Lawrence, Kansas
Redevelopment Tax Increment Financing District
North Project Area
Projected Property Tax and Sales Tax Increment & TDD

TIF Year (1)	Assess & Tax Levy Year (2)	Tax Distrib. Year (3)	Total Assessed (a) (4)	Original TIF Assessed Value (5)	(3) - (4) Increased Assessed Value (6)	Projected Property Tax Increment (b) (7)	Projected Taxable Sales (c) (8)	Projected Sales Tax Increment (9)	Projected Total Increment (10)
0	2012	2013	250,000	250,000	0	0			0
1	2013	2014	250,000	250,000	0	0	0	0	0
2	2014	2015	1,115,492	250,000	865,492	89,858	0	0	89,858
3	2015	2016	2,230,984	250,000	1,980,984	205,672	0	0	205,672
4	2016	2017	2,275,603	250,000	2,025,603	210,304	0	0	210,304
5	2017	2018	2,321,115	250,000	2,071,115	215,029	0	0	215,029
6	2018	2019	2,367,538	250,000	2,117,538	219,849	0	0	219,849
7	2019	2020	2,414,888	250,000	2,164,888	224,765	0	0	224,765
8	2020	2021	2,463,186	250,000	2,213,186	229,780	0	0	229,780
9	2021	2022	2,512,450	250,000	2,262,450	234,894	0	0	234,894
10	2022	2023	2,562,699	250,000	2,312,699	240,111	0	0	240,111
11	2023	2024	2,613,953	250,000	2,363,953	245,433	0	0	245,433
12	2024	2025	2,666,232	250,000	2,416,232	250,860	0	0	250,860
13	2025	2026	2,719,557	250,000	2,469,557	256,397	0	0	256,397
14	2026	2027	2,773,948	250,000	2,523,948	262,044	0	0	262,044
15	2027	2028	2,829,427	250,000	2,579,427	267,804	0	0	267,804
16	2028	2029	2,886,015	250,000	2,636,015	273,679	0	0	273,679
17	2029	2030	2,943,736	250,000	2,693,736	279,672	0	0	279,672
18	2030	2031	3,002,610	250,000	2,752,610	285,784	0	0	285,784
19	2031	2032	3,062,663	250,000	2,812,663	292,019	0	0	292,019
20	2032	2033	3,123,916	250,000	2,873,916	149,189	0	0	149,189
Totals						\$4,433,144		\$0	\$4,433,144

(a) Assumes North TIF Project value will be assessed according to completion schedule on previous page, with inflation commencing in Levy Year 2016

(b) Assumes 100% collection of property taxes. Since TIF expenditures are limited to 20 years from City approval of Project estimated to occur ____, 2012, final collection would be first-half 2032 collection, distributed to City in January 2033. Assume 2010/2011 Mill Levy Rate held flat.

(c) Assumes no sales generated by development