



**NINTH & NEW HAMPSHIRE REDEVELOPMENT
DISTRICT
SOUTH PROJECT AREA REDEVELOPMENT
PROJECT PLAN
AUGUST 13, 2012**

Summary of Exhibits

- Exhibit A: Resolutions No. 6967 and 6968 (Public Notice of Hearing and Recognition that Project is located in Enterprise Zone)
- Exhibit B: Illustration of TIF District Area
- Exhibit C: Ordinance No. 8728 (Removal of South Project Area from Existing TIF District)
- Exhibit D: Ordinance No. 8768 (Approval of Formation of New Ninth & New Hampshire TIF District)
- Exhibit E: Illustration and Description of TIF Project Buildings and Structures
- Exhibit F: Map and Legal Description of South Project Area
- Exhibit G: Pre-Design Public and Private Infrastructure Construction Cost Estimates
- Exhibit H: Feasibility Study

South Project Area Redevelopment Project Plan

This Redevelopment Project Plan (the “**Plan**”) is the “redevelopment project plan” required by K.S.A. 12-1772(a) for the Ninth & New Hampshire Redevelopment District (the “TIF District”). The District contains two separate project areas, the South Project Area (the “**South Project Area**”) and the North Project Area. This Plan pertains to the South Project Area. The redevelopment project for the South Project Area (the “**South Project**”) consists of an eighty-one unit hotel and eight apartments, meeting space and commercial uses and underground parking located at the southeast corner of Ninth & New Hampshire in downtown Lawrence, Kansas. As previously disclosed, the hotel may be redesigned to increase the number of hotel units to 90 to 92 units and remove the apartments. There will not be any exterior change to the building made as part of this redesign other than possibly the number of exterior windows. This change, if made, should not cause a material difference in either the feasibility or other projections related to the South Project. The South Project also includes certain improvements that may be paid for by the City of Lawrence for an extension of the Art Center to include an Arts Commons space.

This Plan describes how the South Project will utilize tax increment financing (“**TIF**”) to finance or reimburse “redevelopment project costs” incurred during the redevelopment of the South Project, as such costs are defined in K.S.A. 12-1770 et seq. (the “**TIF Act**”). This Plan is intended to be the basis for a redevelopment agreement (the “**Redevelopment Agreement**”) between the 900 New Hampshire, LLC, the Developer of the Project (the “**Developer**”) and the City of Lawrence, Kansas (the “**City**”) for the South Project.

I. PROCEDURAL HISTORY AND GENERAL INFORMATION

On March 13, 2012, the City and the Developer executed a Funding Agreement between Developer and the City of Lawrence to finance the costs of a feasibility study and the City’s attorney’s fees.

On June 19, 2012, the City Commission approved Resolution 6967 (the “**Resolution**”), which scheduled a public hearing on July 24, 2012 to consider the formation of a TIF district for the Project Area, defined below. At this same meeting, the City Commission also approved Resolution 6968 making a finding that the proposed redevelopment district lies within an Enterprise Zone. A copy of both Resolutions are attached to and incorporated in this plan as **Exhibit A**. The Resolutions were published as required by the TIF Act.

The TIF district is an area generally bounded on the south by 10th Street, on the west by New Hampshire Street, on the east by the alleyway the runs in between the block between New Hampshire Street and Rhode Island Street, and on the north by the boundary between the City owned parking lot located mid-block between New Hampshire Street and Rhode Island Street. There is a small portion of the new TIF District located to the east of the alleyway that runs north and south, and a small portion of the TIF District that runs north of the City owned parking lot

that is an area owned by the City but which water line improvements may be required to be made. A map of the proposed TIF district is attached as **Exhibit B**.

As noted above, the TIF District is further divided into the “South Project Area” and the “North Project Area.” The two project areas are generally divided north and south by Ninth Street. The South Project and North Project Areas are shown on the attached map (Exhibit B).

The South Project Area was previously located in an existing TIF district formed as part of the Downtown 2000 TIF District. The Downtown 2000 TIF District was established by Ordinance No. 7127 and adopted on August 3, 1999. In accordance with Kansas statutes K.S.A. 12-1770 et. seq. (the “Act”), the City is authorized to establish redevelopment districts within a defined area of the City. In accordance with this same Act, the City is authorized to remove an area from an existing district. On June 26, 2012, the City approved on first reading an ordinance, Number 8728, to remove the South Project Area from the existing TIF district. A copy of the ordinance approving the removal of the South Project Area from the existing TIF district is attached as **Exhibit C**.

On July 24, 2012, the City Commission held and closed a public hearing to consider the formation of the TIF District. The Ordinance was passed on second reading on August 7, 2012. The term “**TIF District**” refers to the real property generally shown on **Exhibit B**, and as legally described in the Ordinance. The Ordinance is attached to and incorporated in this Plan as **Exhibit D**. The Ordinance included a description of the district plan and found that the TIF District was an eligible area, all in accordance with the TIF Act.

II. PROJECT BUILDINGS, FACILITIES, AND IMPROVEMENTS

The “South Project Area” consists of all improvements generally described below and illustrated in **Exhibit E**, attached to and, by reference, incorporated in this Plan. The South Project area consists of the future site of hotel and related mixed-use structure, the public right-of-ways along portions of New Hampshire Street and an alley between New Hampshire Street and Rhode Island Street and the Art Commons space. Each of the above-referenced properties and right-of-ways will be improved in some manner in connection with the Project. A map and legal description of the South Project Area is attached hereto as **Exhibit F**.

A. Buildings and Structures.

The new hotel will be a multi-use structure consisting of approximately eighty-one rooms, eight apartments, and associated mixed use commercial spaces. As noted above, the Developer may opt to change the apartments into hotel rooms, in which case there would be approximately 90 to 92 hotel rooms (and no apartments). The structure will include ancillary uses such as a conference room, hotel lobby and hotel café space (area where complimentary breakfast may be served), restaurant space, and bar space. Additional commercial uses may consist of a retail space located on the ground floor (approximately 7,000 square feet that the Developer would like to lease for use as a small community market), restaurant space located on

the top floor, and an outdoor pool located on the top floor. The structure will consist of approximately 121,908 square feet, including the underground parking garage space.

In addition to the Project also includes an underground parking structure facility consisting of approximately 114 parking spaces. The underground parking structure and related site improvements will cost approximately \$3.35 million.

The Arts Commons 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. This space would be located on the Salvation Army tract located directly south of the Arts Center. The space could be a venue for public art exhibitions, theatrical productions, music, film and art-making activities. The green space would also provide space for children attending the arts-based preschool and other educational programs the opportunity to work and play outside. The building, paid for and constructed by the Arts Center through a future capital campaign could help define the public green space and add classroom, preschool, studio and exhibition space. The Plan includes funding for site acquisition and preparation, in the amount of approximately \$900,000. The Arts Commons project is subject to the City's acquisition of the Salvation Army property.

B. Infrastructure Improvements.

The Project will also include various public infrastructure improvements. The vast majority of these infrastructure improvements are not necessitated by the Project. For example, while certain existing utilities require updating to service the South Project, all of the improvements are intended to enhance both the Project and the adjacent neighborhood, and to minimize harm to nearby historic properties. The following are the planned public infrastructure improvements to be constructed in connection with the Project, as described on the preliminary cost estimates attached to and, by reference, incorporated in this Plan as **Exhibit G**:

- Alleyway improvements in the alley located between New Hampshire Street and Rhode Island Street ;
- Reconfiguration of the parking spaces located along New Hampshire Street to create a drop off lane for the hotel;
- Sidewalk and pedestrian crossing improvements along Ninth Street;
- Grading and site preparation within the public right of way
- Landscaping and plantings, benches, lighting, decorations, and similar amenities; and
- Public water and sanitary and storm improvements

C. Construction of Project Improvements.

The construction of the public and private infrastructure improvements described above will occur simultaneously with the construction of the hotel and mixed-use building. Consequently, there must be close cooperation and coordination between the construction of

those improvements, especially with respect to timing and the efficient use of machinery on-site. The Developer will finance and construct the public and private improvements, subject to normal city approval and specifications as part of the construction. Occupancy of the hotel and mixed-use project shall not occur until substantial completion of the public improvements. It is anticipated that any future construction and resulting improvements made on the Art Commons space may be delayed until after a fundraising campaign is conducted and therefore will occur after the date of the hotel/mixed-use project improvements.

III. SUMMARY OF SOUTH NINTH STREET FEASIBILITY STUDY

Pursuant to the Funding Agreement approved by the City Commission and dated March 13, 2012, the City retained Springsted Incorporated to perform the feasibility study required by the TIF Act. A copy of the South Redevelopment Project Financial Feasibility Study (the “**Feasibility Study**”) is attached to and, by reference, incorporated in this Plan as **Exhibit H**. The Feasibility Study concludes that the Project is feasible. As described more specifically in **Exhibit H**, the Feasibility Study estimates that total TIF revenues for the South Project over the term of the Project will be \$6,210,276. Total TIF expenses are estimated to be \$7,161,288 (which includes anticipated interest costs calculated using a 5.5% interest rate). In combination with the Developer’s own contributions of equity and private indebtedness, there are sufficient funds to permit the use of tax increment financing. This TIF District is anticipated to be a “pay as you go” TIF District with the Developer paying upfront all infrastructure costs related to the hotel, the City paying all costs associated with Art Commons area, and both taking the risk that sufficient revenues are generated by the TIF District and TDD to repay these amounts advanced.

It should be noted that the study assumed that Transportation Development District (“**TDD**”) would also be formed and that revenues generated by the TDD would be used to help pay the eligible costs. As discussed in more detail below, a TDD will be formed, but the City and the Developer have agreed to use TDD revenues to first help repay the City for costs incurred by the City in the construction of the City-owned parking facility located across the street to the west from the South Project Area.

IV. DESCRIPTION OF SHARING AGREEMENT

In connection with the agreement by the City to remove the South Project from the existing TIF district, the City requested, and the Developer agreed to share certain revenues that are anticipated to be generated from the TIF District and the TDD with the City to assist the City in recovering the costs of the original parking structure built by the City in connection with the creation of the Downtown 2000 TIF District. The basic structure of the proposed sharing agreement can be summarized as follows:

- Developer advances and pays for all eligible costs associated with the public infrastructure costs necessary for the hotel/mixed-use project;
- City advances and pays for all eligible costs associated with the Art Commons project;
- Transportation Development District revenues up to \$850,000 (with no interest factor) are first used to repay the City for costs associated with the construction of the City owned parking garage already located on the west side of New Hampshire;

- A specified percentage, five percent (5%), of the annual revenues generated by the TIF District is to be paid to the City to repay the City for eligible costs advanced towards the purchase of the Art Commons site and related infrastructure, including possible building costs assuming these building costs are eligible costs. To the extent that revenues are available and not otherwise dedicated, the City would be reimbursed at the end of the project funds up to the \$900,000 total for the Arts Commons project.
- The parties do not anticipate that any of the Art Commons project improvements will be taxable or will contribute to the payment of the eligible costs.

V. PROPOSED FINANCING METHODS

Tax increment financing will be used to finance or reimburse redevelopment project costs as follows:

1. Subject to the TIF Cap described in paragraph 5 below, all redevelopment project costs, including interest thereon at the greater of 5.5% of the Prime Rate plus 1% as published in the Wall Street Journal, will be eligible for reimbursement to the fullest extent permitted by Kansas law.
2. The following funds will be collected for a period of twenty (20) years from the date the ordinance approving the Plan is published in the official City newspaper and held in accordance with the TIF Act:
 - a. All incremental real property taxes assessed in the South Project Area during the term of the South Project;
 - b. All incremental real property taxes assessed on the remaining portions of the TIF District, to the extent the increases in real property taxes are caused by the improvements described in this Plan or other activities that do not constitute a new project;
 - i. Any increases in real property taxes caused by a new project will not be included in the TIF fund without the City's approval; and
 - c. All City and County sales taxes paid in the TIF District during the term of the South Project.
3. The Developer has elected to utilize the direct reimbursement method, and will privately finance all public and private improvements described in this Plan.
4. The City shall have the right to inspect such public improvements for compliance with the City Code, etc.
5. To the extent that the TIF Fund has available tax increment, the City shall reimburse all of the Developer's eligible expenses until all such expenses have

been reimbursed, or twenty (20) years, whichever first occurs. Notwithstanding the previous sentence, there shall be a limitation on the reimbursement of the Developer's eligible expenditures (the "**TIF Cap**"), as follows;

- a. Except to reimburse the City's expenses as described in paragraph 7., below, all tax increment shall be available to reimburse up to \$3,500,000 of the Developer's redevelopment project costs (the "**Cap Amount**"). The Cap Amount shall not include interest costs that the Developer is also entitled to recover that shall be at the Developer's actual borrowing rate (but not to exceed the WSJ Prime Rate plus 1%) calculated from the date such eligible costs are advanced by the Developer.
 - b. After the reimbursement of the Cap Amount, any additional TIF revenue shall be allocated to the Developer to repay the Developer for eligible costs associated with the North Project, but in no event shall the cumulative amount of reimbursements paid to the Developer relating directly to the North Project and these additional payments generated by the South Project exceed the lesser Developer's actual redevelopment project costs plus interest thereon associated with the North Project, or the Cap Amount specified in the North Project Redevelopment Plan Agreement.
6. Eligible expenses incurred by the Developer prior to the formation of the District shall be eligible for reimbursement.
 7. The City will be entitled to reimbursement for all of the City's actual and adequately documented expenses, including the City's reasonable attorneys' fees.
 8. The Developer will be entitled to reimbursement for all of the Developer's actual and adequately documented expenses, including the Developer's reasonable attorneys' fees, to the fullest extent permitted by the Act.
 9. All revenues from an additional one percent (1%) sales tax charged by the Project pursuant to a Transportation Development District (the "**TDD**") affecting a portion of the Project Area will be held in the appropriate account in accordance with K.S.A. 12- 17,140 et seq.

This Plan does not contain a relocation assistance plan described in K.S.A. 12-1772(a)(4), because the City will not acquire any real property in the District while carrying out the provisions of the TIF Act. Furthermore, no residential tenants presently occupy any portion of the structures that will be demolished in connection with Project.

V. CONCLUSION

The Project will create approximately 121,908 square feet of new development in Lawrence, which will generate approximately \$6,210,276 in increased real estate and local sales taxes during the twenty (20) year lifespan of the Project. The TDD sales tax will generate an estimated \$1.18 million in additional revenue, of which \$850,000 will first be used to repay the City for its investment in the existing parking structure, and the remaining portion will be used to pay for eligible TDD expenses. There will be approximately \$7.1 million in redevelopment project costs (TIF and TDD), including interest, required to construct the Project. Direct reimbursement from the TIF fund will reimburse redevelopment project costs to the extent tax increment is available, subject to the TIF Cap. The balance of any unpaid redevelopment project costs associated with the South Project will be paid for by Developer, and the balance of any unpaid redevelopment costs associated with the Art Commons project will be paid for by the City.

RESOLUTION NO. 6967

A RESOLUTION OF THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS ESTABLISHING THE DATE AND TIME OF A PUBLIC HEARING REGARDING THE ESTABLISHMENT OF A REDEVELOPMENT DISTRICT PURSUANT TO K.S.A. 12-1770 ET SEQ.

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

Section 1. The City of Lawrence, Kansas (the "City") is considering the establishment of a redevelopment district pursuant to K.S.A. 12-1770 et seq., as amended (the "Act").

Section 2. Notice is hereby given that a public hearing will be held by the City to consider establishment of a redevelopment district on July 24, 2012 in the Commission Meeting Room located in City Hall, 6 East 6th Street, commencing at 6:35 p.m. or as soon thereafter as the public hearing may be held.

Section 3. The proposed redevelopment district is bounded on the north by 8th Street, on the east generally by the alley between New Hampshire and Rhode Island, on the south by 10th Street, and on the west generally by New Hampshire. A map of the redevelopment district is attached hereto as **Exhibit A**. The boundaries of the redevelopment district are legally described as shown on **Exhibit B** hereto.

Section 4. The district plan for the proposed redevelopment district provides for the redevelopment district to include two project areas, which are depicted on the map attached hereto as **Exhibit A**. The buildings and facilities to be constructed within each project area within the redevelopment district are generally described as follows:

North Project Area

Planned mixed-use apartment and banking center with between 90 to 120 apartment units and bank and apartment amenity space located on the first floor with an underground parking facility, and related public and private infrastructure.

South Project Area

Planned mixed-use 81 unit hotel with retail space and hotel lobby on the first floor, underground parking and related public and private infrastructure.

This area will also include a proposed project related to the Lawrence Arts Center, an Arts Commons space. This Arts Commons 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. This space would be located on the Salvation Army tract located directly south of the Arts Center. The space could be a venue for public art exhibitions, theatrical productions, music, film and art-making activities. The green space would also provide space for children attending the arts-based preschool and other educational programs the opportunity to work and play outside. The building, paid for and constructed by the Arts Center through a future capital campaign could help define the public green space and add classroom, preschool, studio and exhibition space. The project includes funding for site acquisition and preparation.

Section 5. A description and map of the proposed redevelopment district are available for inspection and copying in the offices of the City Clerk, City Hall, 6 East 6th Street, Lawrence, Kansas, Monday through Friday (other than holidays) between 8:00 a.m. and 5:00 p.m.

Section 6. The Governing Body will consider the findings necessary for the establishment of a redevelopment district after conclusion of the public hearing.

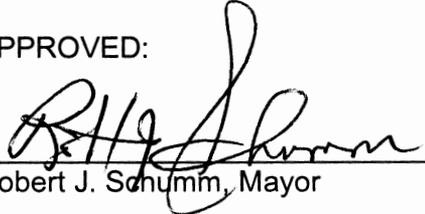
Section 7. The City Clerk is hereby authorized and directed to publish this resolution once in the official city newspaper not less than one week or more than two weeks preceding July 24, 2012, the date set for the public hearing. The City Clerk is also authorized and directed to mail a copy of this resolution via certified mail, return receipt requested to the board of county commissioners, the board of education of any school district levying taxes on property within the proposed redevelopment district, and to each owner and occupant of land within the proposed redevelopment district, not more than 10 days following the date of the adoption of this Resolution.

Section 8. This Resolution shall become effective upon its adoption by the Governing Body.

ADOPTED by the Governing Body on June 19th, 2012.

SIGNED by the Mayor on June 19th, 2012.

APPROVED:


Robert J. Schumm, Mayor

ATTEST:

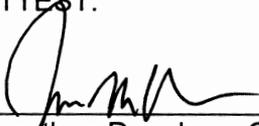

Jonathan Douglass, City Clerk

EXHIBIT A

MAP OF PROPOSED REDEVELOPMENT DISTRICT

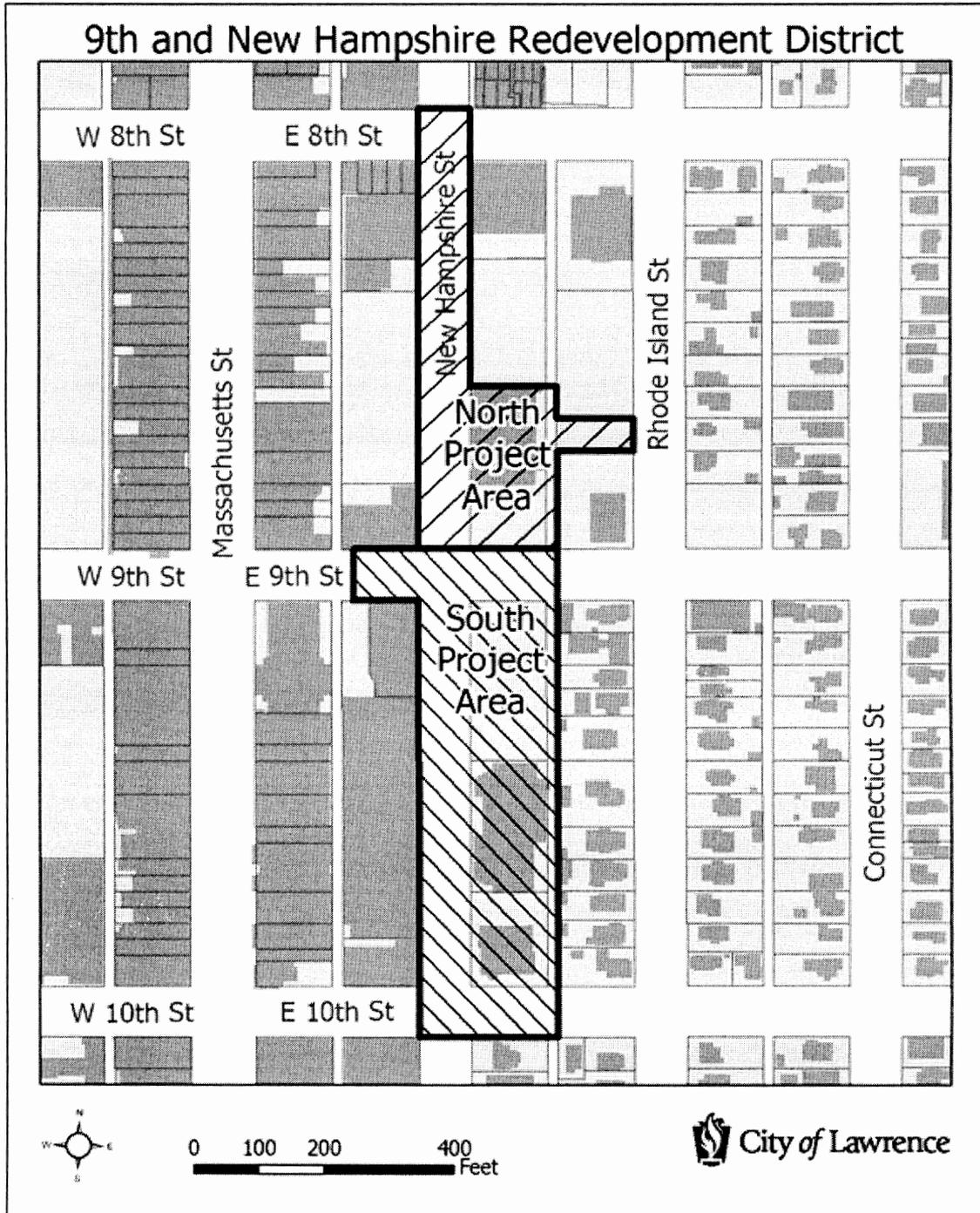


EXHIBIT B

LEGAL DESCRIPTION OF PROPOSED REDEVELOPMENT DISTRICT

North Project Area

Lots 60, 62, 64, 66, and 68 New Hampshire Street, and Lot 61 Rhode Island Street, City of Lawrence, Douglas County, Kansas and adjacent right-of-way of alley to the east, and adjacent right-of-way of New Hampshire Street to the west and extending north from northern boundary of the project area through the 8th Street intersection.

South Project Area

Lots 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, and 92 New Hampshire Street, City of Lawrence, Douglas County, Kansas, and adjacent right-of-way of alley to the east, adjacent right-of-way of 9th Street to the north, extending approximately 100 feet west from the 9th and New Hampshire Street intersection, and adjacent right-of-way of New Hampshire Street to the west, extending south from 9th Street through the 10th Street intersection.

RESOLUTION NO. 6968

A RESOLUTION OF THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS MAKING CERTAIN FINDINGS AND DECLARATIONS REGARDING CERTAIN PROPERTY WITHIN THE CITY LIMITS.

WHEREAS, it is desirable and in the public interest that the City make surveys and prepare plans in order to undertake and carry out redevelopment in that area proposed as a redevelopment district situated in the City which is delineated on the map attached hereto as **Exhibit A**, which is attached to and made a part of this Resolution, and legally described in **Exhibit B**, which is attached to and made a part of this Resolution; and

WHEREAS, the area as depicted in **Exhibit A** and **Exhibit B** is part of an enterprise zone since such area was part of the area of the City designated as an enterprise zone prior to July 1, 1992 by resolution of the City pursuant to K.S.A. 12-17,107 through 12-17,113 prior to its repeal and the conservation, development or redevelopment of such area is necessary to promote the general and economic welfare of the City.

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS:

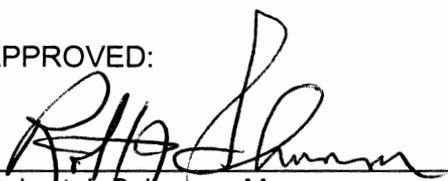
Section 1. The Governing Body finds that the area described in **Exhibits A and B** attached hereto was part of the area of the City designated as an enterprise zone prior to July 1, 1992 by resolution of the City pursuant to K.S.A. 12-17,107 through 12-17,113 prior to its repeal.

Section 2. The redevelopment of the area described in **Exhibits A and B** attached hereto is necessary for the general and economic welfare of the City, and that the undertaking by the City of surveys and plans for a redevelopment district in the proposed area is hereby approved.

ADOPTED by the Governing Body on June 19th, 2012.

SIGNED by the Mayor on June 19th, 2012.

APPROVED:


Robert J. Schumm, Mayor

ATTEST:


Jonathan Douglass, City Clerk

EXHIBIT A

MAP OF PROPOSED REDEVELOPMENT DISTRICT

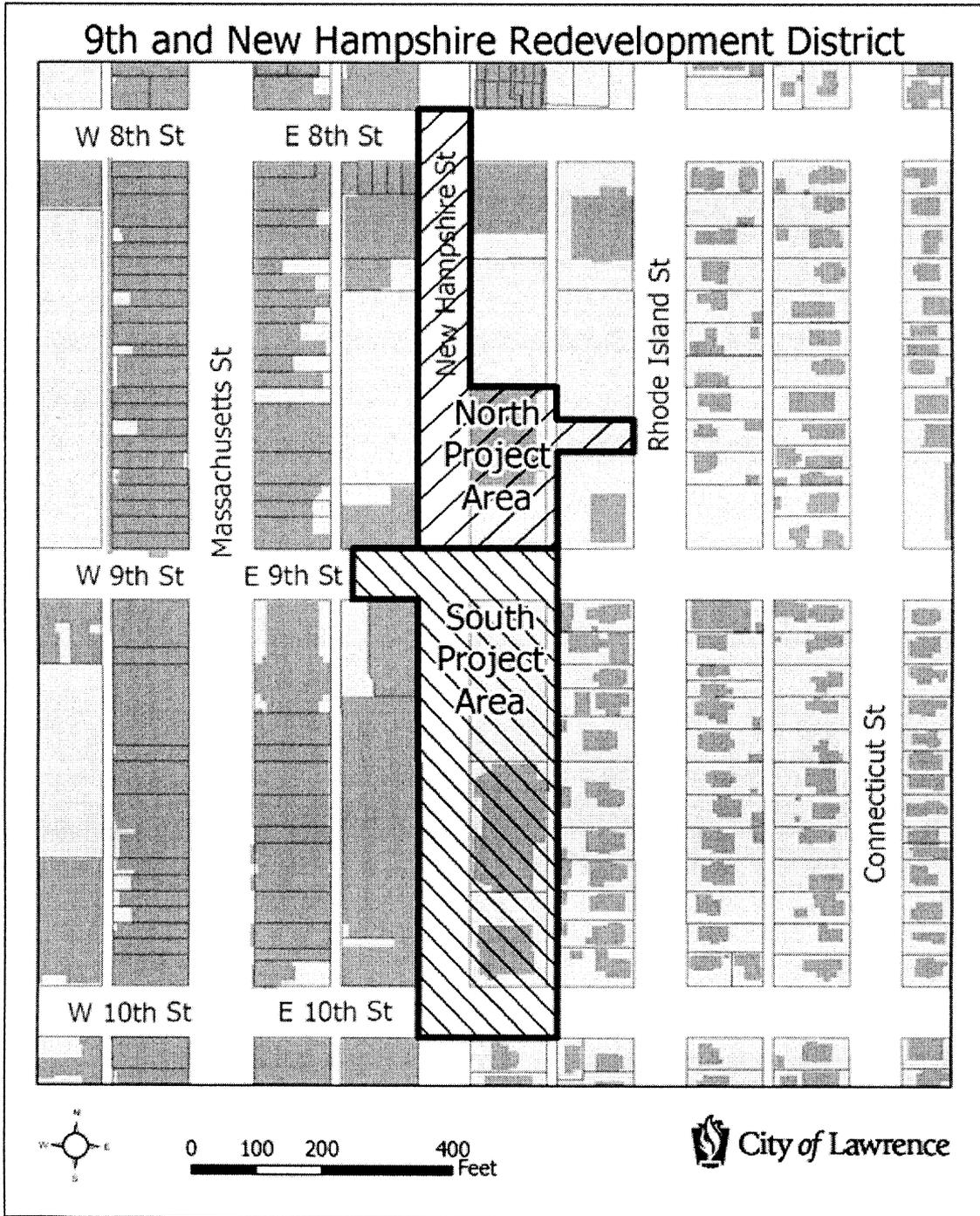


EXHIBIT B

LEGAL DESCRIPTION OF PROPOSED REDEVELOPMENT DISTRICT

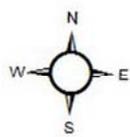
North Project Area

Lots 60, 62, 64, 66, and 68 New Hampshire Street, and Lot 61 Rhode Island Street, City of Lawrence, Douglas County, Kansas and adjacent right-of-way of alley to the east, and adjacent right-of-way of New Hampshire Street to the west and extending north from northern boundary of the project area through the 8th Street intersection.

South Project Area

Lots 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, and 92 New Hampshire Street, City of Lawrence, Douglas County, Kansas, and adjacent right-of-way of alley to the east, adjacent right-of-way of 9th Street to the north, extending approximately 100 feet west from the 9th and New Hampshire Street intersection, and adjacent right-of-way of New Hampshire Street to the west, extending south from 9th Street through the 10th Street intersection.

9th and New Hampshire Redevelopment District



ORDINANCE NO. 8728

AN ORDINANCE OF THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS MAKING FINDINGS AND REMOVING CERTAIN PROPERTY FROM THE REDEVELOPMENT DISTRICT PURSUANT TO K.S.A. 12-1770 ET SEQ., AND AMENDMENTS THERETO (900 NEW HAMPSHIRE).

WHEREAS, pursuant to the provisions of K.S.A. 12-1770 et seq., as amended (the "Act"), the City of Lawrence, Kansas (the "City") is authorized to establish redevelopment districts within a defined area of the City which is an "eligible area" as said term is defined in the Act; and

WHEREAS, pursuant to the Act and Ordinance No. 7127 adopted on August 3, 1999, the governing body established a redevelopment district in City (the "Redevelopment District") consisting of both the East and West Side of New Hampshire Street from 9th Street to 10th; and

WHEREAS, pursuant to the Act and Ordinance No. 7207 adopted on April 11, 2000, the governing body approved a redevelopment plan (the "Redevelopment Plan") for the Redevelopment District; and

WHEREAS, pursuant to the Act the City desires to remove certain property from the Redevelopment District and has prepared a feasibility study (the "Feasibility Study") that shows that the tax increment revenue from the resulting Redevelopment District is expected to be sufficient to pay the redevelopment project costs under the Redevelopment Plan; and

WHEREAS, the City desires to remove the property shown on **Exhibit A** and legally described on **Exhibit B** from the Redevelopment District;

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

Section 1. The Governing Body hereby finds that the Feasibility Study presented to the Governing Body satisfies the provisions of K.S.A. 2010 Supp. 12-1771(i)."of the Act.

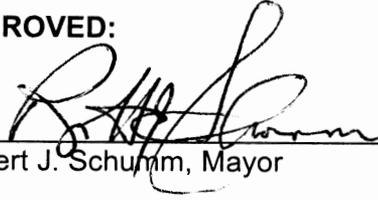
Section 2. The Governing Body hereby removes the property legally described on **Exhibit B** from the Redevelopment District.

Section 3. The City Clerk is directed to give notice to the Douglas County Clerk and Appraiser to revise the base year assessed valuation of the Redevelopment District in accordance with the Act.

Section 4. This Ordinance shall take effect and be in force from and after its passage by the Governing Body, and its publication once in the official City newspaper.

PASSED by the governing body of the City on July 24th, 2012 and **APPROVED AND SIGNED** by the Mayor.

APPROVED:



Robert J. Schumm, Mayor

ATTEST:



Jonathan Douglass, City Clerk

EXHIBIT A

MAP OF REMOVED PROPERTY FROM REDEVELOPMENT DISTRICT

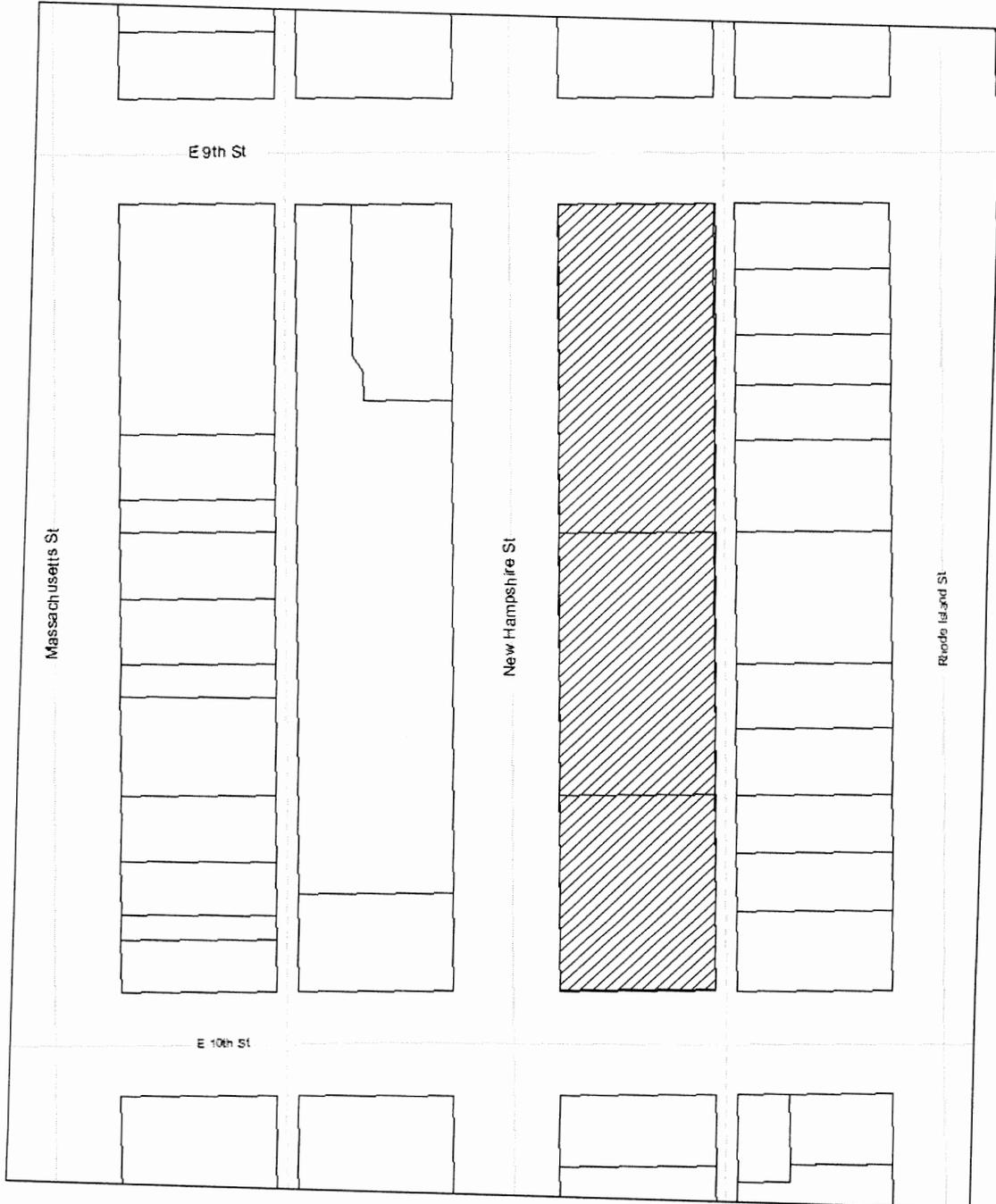


EXHIBIT B

LEGAL DESCRIPTION OF REMOVED PROPERTY FROM REDEVELOPMENT

DISTRICT

Lots 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, and 92 New Hampshire Street, City of Lawrence, Douglas County, Kansas, and adjacent right-of-way of alley to the east, and adjacent right-of-way of 9th Street to the north and adjacent right-of-way of New Hampshire Street to the west

ORDINANCE NO. 8768

AN ORDINANCE OF THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS MAKING FINDINGS AND ESTABLISHING A REDEVELOPMENT DISTRICT PURSUANT TO K.S.A. 12-1770 ET SEQ., AND AMENDMENTS THERETO.

WHEREAS, pursuant to the provisions of K.S.A. 12-1770 et seq., as amended (the "Act"), the City of Lawrence, Kansas (the "City") is authorized to establish redevelopment districts within a defined area of the City which is found by the City to be an "enterprise zone" as defined in the Act, and is therefore an "eligible area" as said term is defined in the Act; and

WHEREAS, the Governing Body adopted Resolution No. 6967 on June 19, 2012 calling for a public hearing considering the establishment of a redevelopment district to be held by the Governing Body on July 24, 2012; and

WHEREAS, the Governing Body adopted Resolution No. 6968 making a finding that the area of the proposed Redevelopment District as hereinafter described was properly designated as an enterprise zone prior to July 1, 1992 by resolution of the City pursuant to K.S.A. 12-17,107 through 12-17,113 prior to its repeal; and

WHEREAS, notice of the public hearing was given as required by the Act, except that the Douglas County Commission and the Board of Education of USD #497 have each waived the required notice to them under the Act; and

WHEREAS, the public hearing was held on July 24, 2012 and closed on the same day; and

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

SECTION 1. The Governing Body hereby finds that the real property described in **Exhibits A and B** (the "Redevelopment District") attached hereto is an eligible area for being designated as a redevelopment district pursuant to the Act because the real property was found by the governing body to have been designated as an enterprise zone prior to July 1, 1992 by resolution of the City pursuant to K.S.A. 12-17,107 through 12-17,113 prior to its repeal.

SECTION 2. The Governing Body hereby finds that the conservation, development or redevelopment of the Redevelopment District is necessary to promote the general and economic welfare of the City.

SECTION 3. The Governing Body hereby establishes the Redevelopment District, which shall include two project areas as depicted on the map attached hereto as **Exhibit A**. The district plan is hereby approved, and consists of buildings and facilities to be constructed within each project area, generally described as follows:

North Project Area

Planned mixed-use apartment and banking center with between 90 to 120 apartment units and bank and apartment amenity space located on the first floor with an underground parking facility, and related public and private infrastructure.

South Project Area

Planned mixed-use 81 unit hotel with retail space and hotel lobby on the first floor, underground parking and related public and private infrastructure.

This area will also include a proposed project related to the Lawrence Arts Center, an Arts Commons space. This Arts Commons 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. This space would be located on the Salvation Army tract located directly south of the Arts Center. The space could be a venue for public art exhibitions, theatrical productions, music, film and art-making activities. The green space would also provide space for children attending the arts-based preschool and other educational programs the opportunity to work and play outside. The building, paid for and constructed by the Arts Center through a future capital campaign could help define the public green space and add classroom, preschool, studio and exhibition space. The project includes funding for site acquisition and preparation.

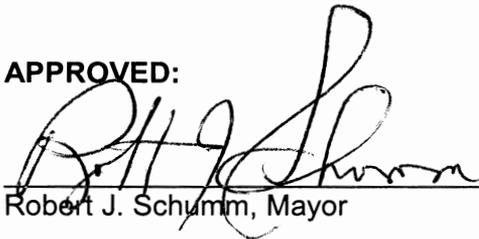
SECTION 4. If any section, clause, sentence, or phrase of this ordinance is found to be unconstitutional or is otherwise held invalid by any court of competent jurisdiction, it shall not affect the validity of any remaining parts of this ordinance.

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

PASSED by the Governing Body this 7th day of August, 2012.

SIGNED by the Mayor this 7th day of August, 2012.

APPROVED:


Robert J. Schumm, Mayor

ATTEST:


Jonathan M. Douglass, City Clerk

EXHIBIT A

**MAP OF REDEVELOPMENT DISTRICT
AND PROJECT AREA**

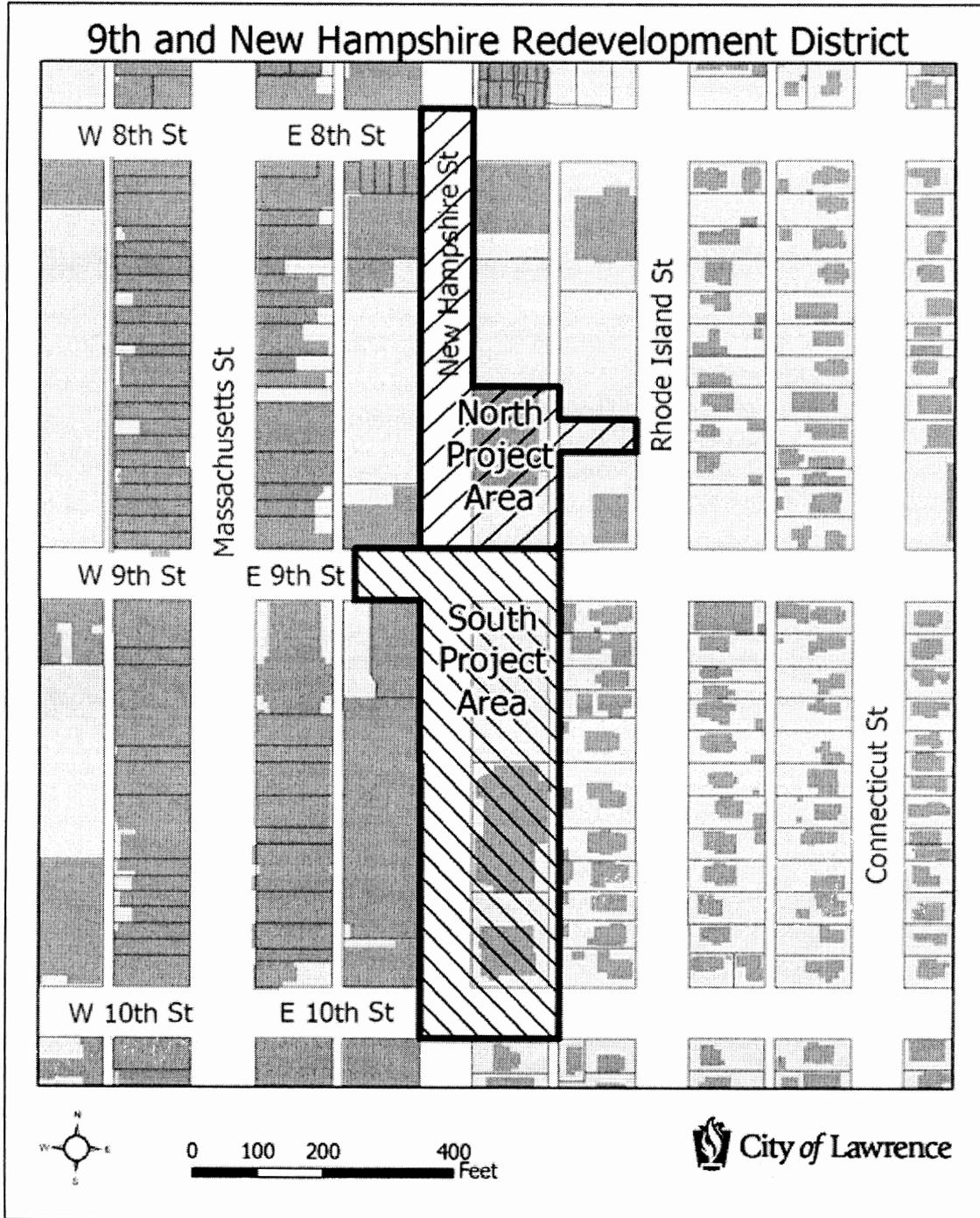


EXHIBIT B

LEGAL DESCRIPTION OF REDEVELOPMENT DISTRICT

North Project Area

Lots 60, 62, 64, 66, and 68 New Hampshire Street, and Lot 61 Rhode Island Street, City of Lawrence, Douglas County, Kansas and adjacent right-of-way of alley to the east, and adjacent right-of-way of New Hampshire Street to the west and extending north from northern boundary of the project area through the 8th Street intersection.

South Project Area

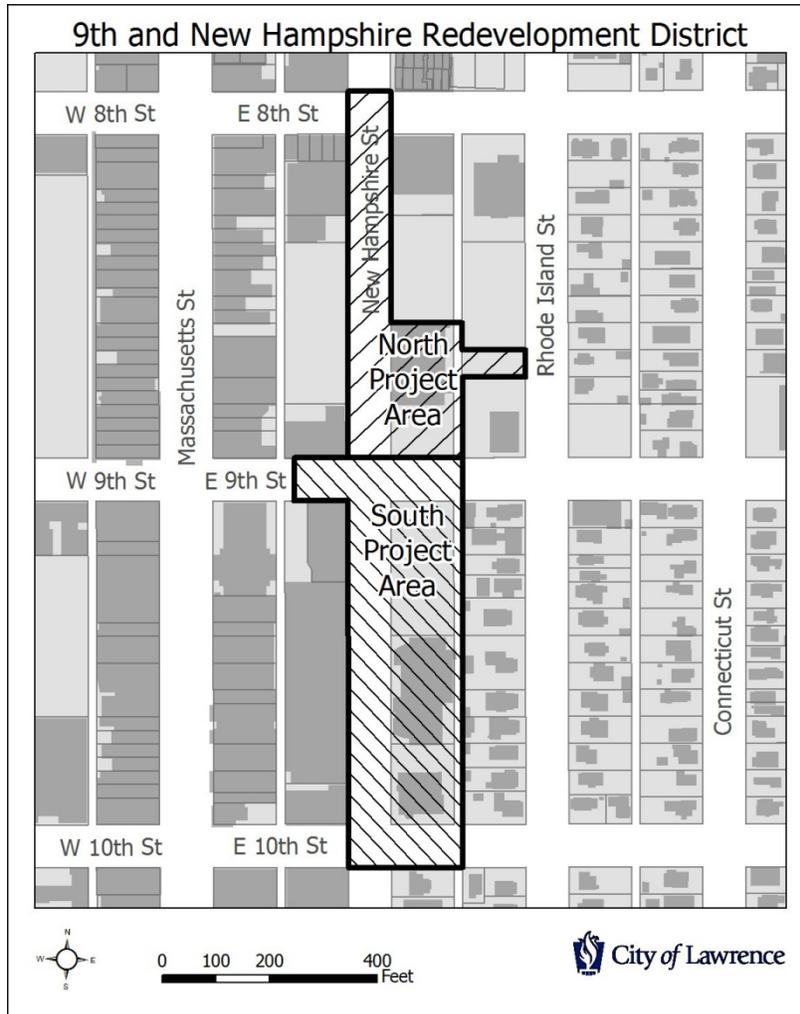
Lots 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, and 92 New Hampshire Street, City of Lawrence, Douglas County, Kansas, and adjacent right-of-way of alley to the east, adjacent right-of-way of 9th Street to the north, extending approximately 100 feet west from the 9th and New Hampshire Street intersection, and adjacent right-of-way of New Hampshire Street to the west, extending south from 9th Street through the 10th Street intersection.

EXHIBIT E: ILLUSTRATION AND DESCRIPTION OF TIF PROJECT BUILDINGS AND STRUCTURES





EXHIBIT F: MAP AND LEGAL DESCRIPTION OF SOUTH PROJECT AREA



South project area legal description:

Lots 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, and 92 New Hampshire Street, City of Lawrence, Douglas County, Kansas, and adjacent right-of-way of alley to the east, adjacent right-of-way of 9th Street to the north, extending approximately 100 feet west from the 9th and New Hampshire Street intersection, and adjacent right-of-way of New Hampshire Street to the west, extending south from 9th Street through the 10th Street intersection.

Exhibit G: Pre-Design Public and Private Infrastructure Construction Cost Estimates

Parking Garage	
General Conditions	\$105,099.00
Underground Concrete Structure (89 Spaces)	\$1,400,000.00
Excavation	\$290,000.00
(2) Overhead Doors w/Access Control System	\$37,000.00
Electrical Distribution to Space	\$60,000.00
Heat/Vent	\$65,000.00
Steel Beams/Stairs/Misc.	\$110,000.00
Elevator/Stops	\$25,000.00
Dry Sprinkler system	\$30,000.00
Subtotal	\$2,122,099.00
2% Cont.	\$42,441.98
5% OH&P	\$106,104.95
5% Arch.	\$106,104.95
Sub-total	\$2,376,750.88
Interest Carry Costs	\$130,721.30
TOTAL Approximate Value	\$2,507,472.18
Site Improvement Costs	
Permit Cost	\$52,000.00
Bond Costs	\$3,000.00
Insurance	\$1,750.00
Project Manager	\$1,500.00
Superintendent	\$4,750.00
Assistant Superintendent	\$3,000.00
Street Lights	\$60,000.00
Dumpsters	\$10,000.00
Job Site Sign	\$1,900.00
Layout	\$5,960.00
Landscaping	\$23,000.00
Paving	\$75,000.00
Site Utilities	\$155,000.00
Safety	\$2,650.00
Equipment	\$2,575.00
Engineering	\$9,050.00
Phase II	\$4,000.00
Westar Fees	\$150,000.00
Wastewater Fees (1.5", 1.5", 1.5", 2",3")	\$83,160.00
Meter Fees, (1.5", 1.5", 1.5", 2",3")	\$67,080.00
Subtotal	\$715,375.00
2% Cont.	\$14,307.50
5% OH&P	\$35,768.75
5% Arch.	\$35,768.75
Sub-total	\$801,220.00
Interest Carry Costs	\$44,067.10
TOTAL Approximate Value	\$845,287.10
Total Parking Costs (from above)	\$2,507,472.18

Total Site Improvement Costs (from above)

\$845,287.10
\$3,352,759.28



Redevelopment Project Financial Feasibility Study

For the 9th and New Hampshire Redevelopment District

City of Lawrence, Kansas

Final June 27, 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 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 \$17,042,639, and the total assessed value at \$2,229,903. 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
\$15,042,639	RES/11.50%	<u>1,729,903</u>
	Original Assessed Value	<u>(250,000)</u>
	Increased Assessed Value	1,979,903

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 4 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>	TIF Eligible Mill Rate <u>(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 10 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 \$4,430,765. The cumulative amount of property tax increments projected for the entire District is \$7,820,419.

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 9 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 \$10,641,041.

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 \$4,430,765 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 \$4,430,765. 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 \$1,120,360 to complete the site improvements and parking garage, including financing costs related to debt issued to initially construct the project.

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 \$1,120,360 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

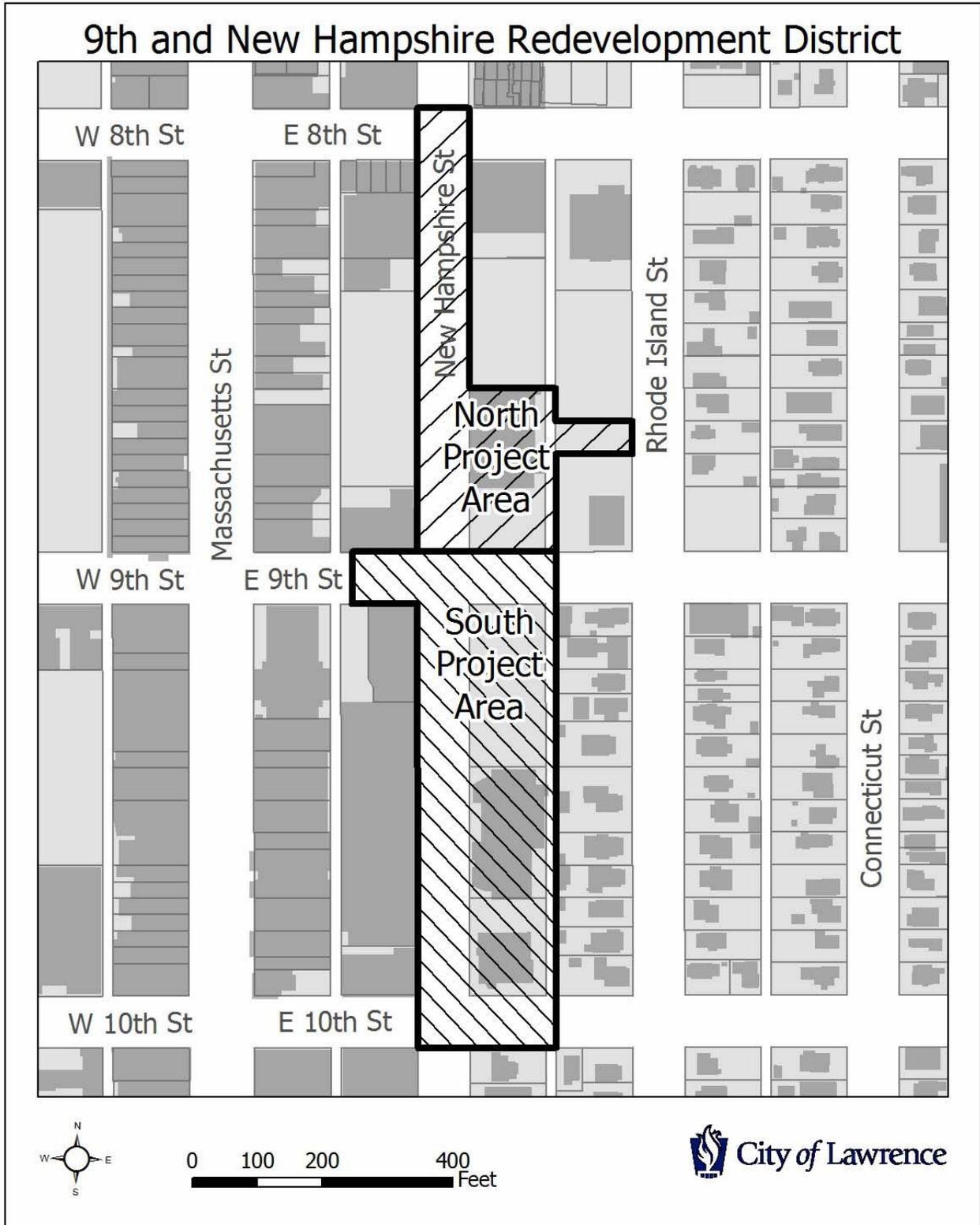


Exhibit II
TIF District and Redevelopment Project Area Assumptions

**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>	<u>Total</u>	<u>TIF Applicable</u>
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%	

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

Original Assessed Value (1/1/12)	250,000	
<hr/>		
<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>		
<hr/>		
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>	<u>Total</u> <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>	<u>Total</u> <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	<u>Total</u> <u>Assessed</u>	<u>Original</u> <u>Assessed</u>	<u>Captured</u> <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>	<u>Commercial Uses</u>	<u>Parking Uses</u>	<u>Total</u>
	<i>114 units</i>			114
Estimated Square Footage	106,500	22,500	included in	129,000
Estimated Appraised Value per Unit/SF ¹⁾	\$131,953	\$89	NA	
Total Appraised Value	15,042,639	2,000,000	included in	17,042,639
Total Assessed Value	1,729,903	500,000	included in	2,229,903

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 Appraised</u>
January 1, 2013	0	0	included in	0
January 1, 2014	7,521,320	1,000,000	included in	8,521,320
January 1, 2015	15,042,639	2,000,000	included in	17,042,639

Estimated Assessed Value	<u>Apartment Units</u>	<u>Commercial Uses</u>	<u>Parking Uses</u>	<u>Total Assessed</u>
January 1, 2013	0	0	included in	0
January 1, 2014	864,952	250,000	included in	1,114,952
January 1, 2015	1,729,903	500,000	included in	2,229,903

Tax Increment	<u>Total Assessed</u>	<u>Original Assessed</u>	<u>Captured Assessed</u>
Assess 2013/Distrib 2014	250,000	250,000	0
Assess 2014/Distrib 2015	1,114,952	250,000	864,952
Assess 2015/Distrib 2016	2,229,903	250,000	1,979,903

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		Sales Tax Rates				
Existing Project Sales Taxes:	NA			<i>City of Lawrence</i>	1.55%	
				<i>Douglas County</i>	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:	Estimated % of Total	Estimated Taxable Sales	TIF Sales Tax	TDD Sales Tax		
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	Assess & Tax Levy Year	Tax Distrib. Year	Total Assessed (a)	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	Assess & Tax Levy Year	Tax Distrib. Year	Total Assessed (a)	Original TIF Assessed Value	(3) - (4) Increased Assessed Value	Projected Property Tax Increment (b)	Projected Taxable Sales (c)	Projected Sales Tax Increment	Projected Total Increment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(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	1,114,952	250,000	864,952	89,802	0	0	89,802
3	2015	2016	2,229,903	250,000	1,979,903	205,560	0	0	205,560
4	2016	2017	2,274,502	250,000	2,024,502	210,190	0	0	210,190
5	2017	2018	2,319,992	250,000	2,069,992	214,913	0	0	214,913
6	2018	2019	2,366,391	250,000	2,116,391	219,730	0	0	219,730
7	2019	2020	2,413,719	250,000	2,163,719	224,644	0	0	224,644
8	2020	2021	2,461,994	250,000	2,211,994	229,656	0	0	229,656
9	2021	2022	2,511,234	250,000	2,261,234	234,768	0	0	234,768
10	2022	2023	2,561,458	250,000	2,311,458	239,983	0	0	239,983
11	2023	2024	2,612,687	250,000	2,362,687	245,301	0	0	245,301
12	2024	2025	2,664,941	250,000	2,414,941	250,726	0	0	250,726
13	2025	2026	2,718,240	250,000	2,468,240	256,260	0	0	256,260
14	2026	2027	2,772,605	250,000	2,522,605	261,904	0	0	261,904
15	2027	2028	2,828,057	250,000	2,578,057	267,662	0	0	267,662
16	2028	2029	2,884,618	250,000	2,634,618	273,534	0	0	273,534
17	2029	2030	2,942,310	250,000	2,692,310	279,524	0	0	279,524
18	2030	2031	3,001,156	250,000	2,751,156	285,633	0	0	285,633
19	2031	2032	3,061,180	250,000	2,811,180	291,865	0	0	291,865
20	2032	2033	3,122,403	250,000	2,872,403	149,111	0	0	149,111
Totals						\$4,430,765		\$0	\$4,430,765

(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