

Memorandum

City of Lawrence

City Manager's Office

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

Introduction

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

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

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

The following presents details and analysis of that proposal.

Proposal Overview

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

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

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

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

Request for Support

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

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

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

Review of Neighborhood Revitalization Area (NRA) and City Policy

Description of NRA and Purpose

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

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

Typical Rebate Amounts & Duration

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

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

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

¹ Resolution 6954, Section 4: Amount of Rebate

Project Eligibility

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

State Requirements

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

Health & Safety Need

Economic Need

*Preservations of
Community/Historical
Asset*

City Requirements

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

Analysis

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

Cost-Benefit Analysis

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

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

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

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

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

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

Approx. break even for City

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

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

Project Type and Model Considerations:

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

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

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

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

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

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

Property Tax Implications:

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

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

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

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

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

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

“But For” Analysis

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

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

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

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

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

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

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

⁴ Return on Equity: ROE = Cash Flow/Equity

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

Performance Agreement

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

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

Conclusion

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

Eligibility Summary:

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

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

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

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

CBA Summary:

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

"But For" Summary:

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

Recommendation

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

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

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

Property Market Value:

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

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

Minimal Cash Expense:

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

No reduction in tax base:

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

Intangible benefits:

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

Requested Action

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

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

RFP – 1106 RHODE ISLAND PROJECT

LAWRENCE, KANSAS

March 28, 2014



March 28, 2014

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

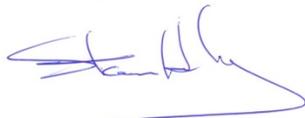
Re: RFP – 1106 Rhode Island Project

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

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

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

Sincerely,



Stan Hernly

1. PROJECT SCOPE

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

PROPERTY DESCRIPTION:

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

PROPOSED REHABILITATION:

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

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

PROPOSED USES:

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

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

REQUIRED ADMINISTRATIVE PROCESSES:

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

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

PROJECT COSTS:

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

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

PROJECT FUNDING:

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

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

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

PROJECT PRO FORMA:

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

ECONOMIC DEVELOPMENT INCENTIVES:

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

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

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

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

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

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

2. TIMELINE

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

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

TIMEFRAME:

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

3. HISTORIC PRESERVATION STATEMENT

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

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

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

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

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

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

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

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

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

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

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

4. STATEMENT OF ABILITY

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

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

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

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

List of Similar Projects Completed in Last Three Years

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

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

5. CONCEPT DESIGN

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

6. PUBLIC SPACE IMPROVEMENTS

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

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

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

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

7. PURCHASE PROPSAL

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

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

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

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

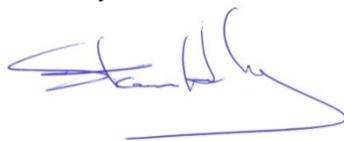
Our rehabilitation plan is dependent on two key issues:

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

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

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

Sincerely,



Stan Hernly

May 30, 2014

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

Re: 1106 Rhode Island Street Property

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

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

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

PROJECT FUNDING:

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

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

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

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

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

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

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

CASH FLOW:

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

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

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

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

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

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

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

Sincerely,



Stan Hernly

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



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

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

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

Application Tips:

Enter contact information for the company representative completing this application.

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

Application Tips:

Applicable Terms:

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

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

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

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

Application Tips:

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

Link for NAICS code lookup:

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

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

Application Tips:

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

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

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

Application Tips:

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

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

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

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

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

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

Application Tips:

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

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

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

Application Tips:

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

Additional Community Benefits

Describe Other Local Economic Benefits Resulting From Project:

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

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

Application Tips:

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

Describe Other Quality of Life Benefits Resulting From Project:

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

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

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

Application Tips:

Enter 0 if project is new or relocation.

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

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

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

Jobs at End of Incentives Period:

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

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

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

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

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

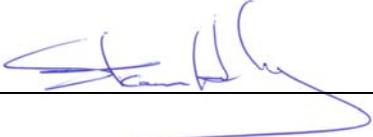
City of Lawrence
Attn: Economic Development Coordinator
6 East 6th Street
Lawrence, KS 66044
Fax: 785-832-3405
Email: bcano@lawrenceks.org

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

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

Applicant/Representative: Stanley C. Hernly

(Please Print)

Signature: 

Date: May 30, 2014

RESOLUTION NO. 6954

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

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

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

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

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

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

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

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

SECTION THREE: CRITERIA:

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

2. STATUTORY FINDINGS AND OTHER CRITERIA:

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

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

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

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

SECTION FOUR: AMOUNT OF REBATE:

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

SECTION FIVE: PROCESS:

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

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

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

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

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

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

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

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

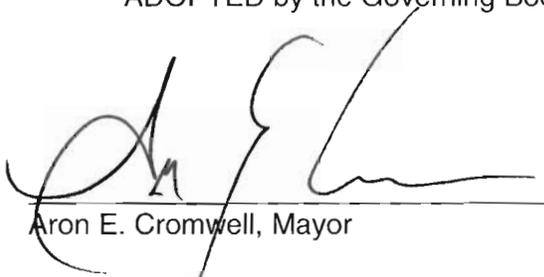
SECTION SIX: PUBLIC INCENTIVES REVIEW COMMITTEE AND GOVERNING BODY ANNUAL REVIEW OF THIS POLICY: Annually, the Public Incentives Review Committee and the Governing Body shall review this policy.

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

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

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

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



Aron E. Cromwell, Mayor

ATTEST:



Jonathan M. Douglass, City Clerk

**REAL PROPERTY APPRAISAL
SUMMARY REPORT**

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

*Effective Date of Valuation
September 26, 2013*

*Date of the Report
September 30, 2013*

Prepared for

*Mr. R. Scott Wagner
City of Lawrence*

Prepared by

KELLER AND ASSOCIATES

File Number 13-729

September 30, 2013

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

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

Dear Mr. Wagner,

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

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

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

**KELLER &
ASSOCIATES**

**REAL ESTATE
APPRAISERS AND
CONSULTANTS**

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

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

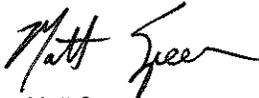
Current Market Value As Is

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

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

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

Sincerely,
Keller & Associates, Inc.



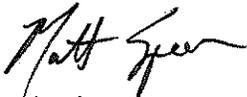
Matt Speer
State Certified General Appraiser, Kansas No. G-2925
mspeer@kellerappraisal.com



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

CERTIFICATION

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



Matt Speer

State Certified General Appraiser, Kansas No. G-2925

CERTIFICATION

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



Timothy J. Keller, MAI

State Certified General Appraiser, Kansas No. G-911

EXECUTIVE SUMMARY



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

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

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

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

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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

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

INTRODUCTION

Identification of the Property

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

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

Ownership and Sales History

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

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

Identification of the Appraisal Problem

Purpose and Property Rights Appraised

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

Effective Date

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

Date of Report

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

Client and Intended Use

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

Appraiser Competency

No steps were necessary to meet the competency provisions established under USPAP. Please refer to the Appraiser Qualifications at the end of our report.

Scope of Work

Based on conversations with the client and the intended use of the report, a Summary report applying the Sales Comparison Approach to value to estimate the underlying land value was considered appropriate to produce a credible report. There is not considered to be any contributory value from the improvements given their condition. As support for our conclusion, the appraisers have cross checked our analysis by reviewed sales of residences in similar condition to the subject.

As part of this appraisal, we completed a thorough investigation and analysis of the data considered pertinent to valuing the subject property. This report was prepared to conform to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) as well as the guidelines set forth in the Financial Institutions Reform Recovery Enforcement Act (FIRREA). The investigation included:

- an inspection of the exterior of the improvements. The interior of the improvements were inspected on a previous occasion;
- discussion with Lynne Braddock Zollner with the City of Lawrence Planning Department;
- disclosure, analysis, reconciliation of all sales, agreements of sale, offers, options or listings of the subject property within three (3) years prior to the effective date of the appraisal report;
- analysis of the highest and best use;
- disclosure of tax assessments information, current and forecasted property taxes;
- the gathering of information on local market conditions and trends, comparable land and improved sales, and depreciation;
- confirmation and analysis of the data, including the application of the Sales Comparison Approach.

This Summary Appraisal Report is a brief recapitulation of our data, analyses, and conclusions. Supporting documentation is retained in our file.

Definitions

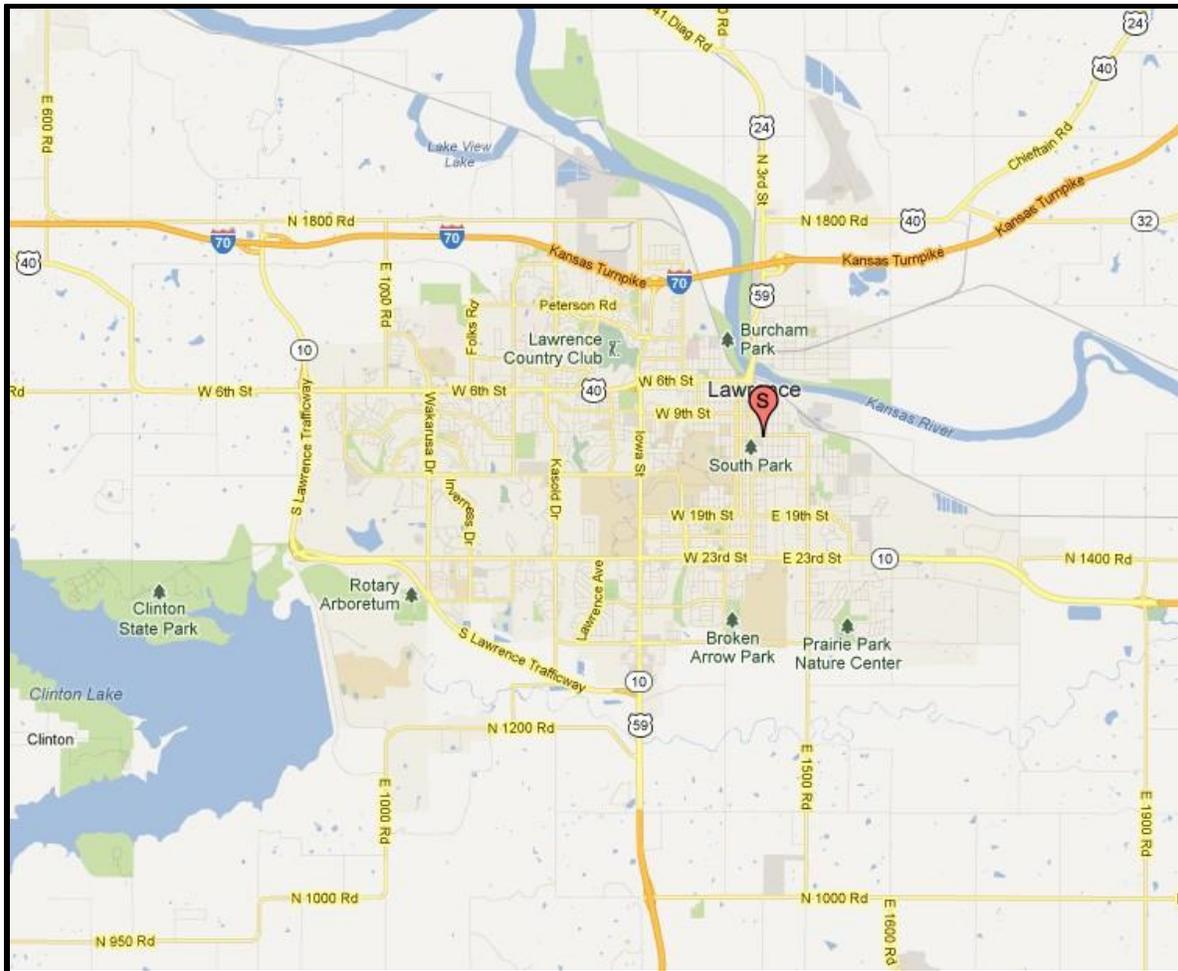
Pertinent definitions, including the definition of market value, are included in the Glossary, located in the Addenda to this report.

AREA AND NEIGHBORHOOD

Area Overview

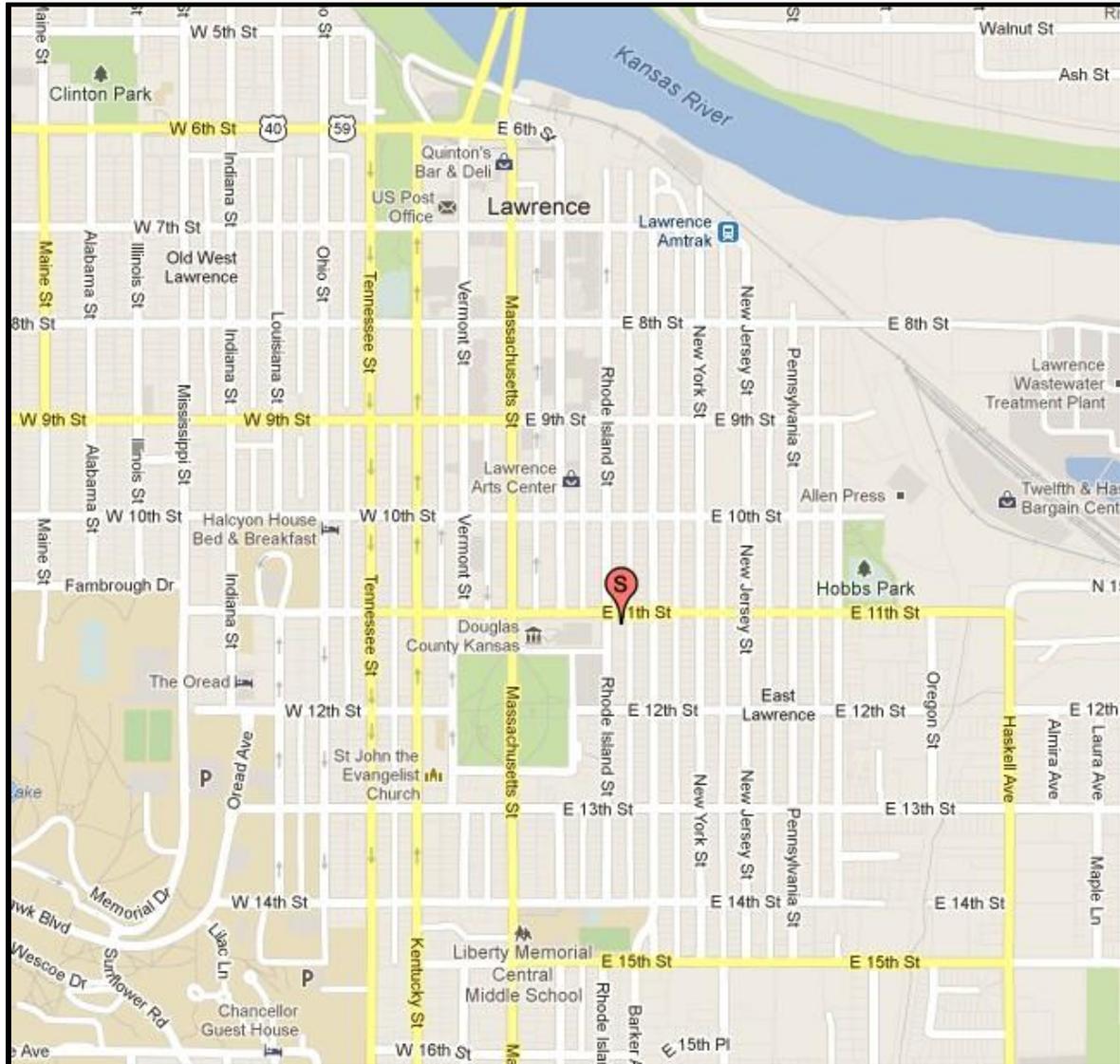
The subject is located in Lawrence, Kansas. The City of Lawrence is roughly half the distance between Topeka and Kansas City. It is also the main campus of the University of Kansas.

Area Map



Additional information about Lawrence can be found in the addenda to this report.

Neighborhood Overview



For purposes of this report, the neighborhood boundaries are best described as follows:

- North** 6th Street (Kansas River)
- South** 19th Street
- East** Connecticut Street
- West** Tennessee Street

The neighborhood is primarily influenced by retail shops and offices located in the CBD and its proximity to the main campus of the University of Kansas. The buildings in the CBD can be characterized as historic in style and nature.

Modifications to exteriors of these buildings must be presented to an historic commission for approval before the city will issue a building permit. This area is considered the core-shopping district for the city and efforts have been concentrated to insure that this continues to be a viable and thriving area.

Neighborhood land use includes a mix of retail, office, restaurant and residential. Most of the commercial use is located on Massachusetts, New Hampshire, and Vermont Streets. The surrounding areas are primarily residential. The residential stock is primarily older, pre-World War II era, but some newer stock is noted. There are some smaller multifamily developments noted on Kentucky and Tennessee. The county court house and Judicial Center together with South Park are also in the immediate area. However, it is of note that the city has recently begun looking for a new site for a new police station.

Access to the area is provided by Massachusetts Street. Massachusetts Street is a major north/south arterial traveling through the center of the CBD. It is two lanes with diagonal parking on both sides. Massachusetts Street connects with Sixth Street (US Highway 40), 1-½ blocks north, which is a major east/west arterial traveling through the north part of the city. After Massachusetts Street crosses the Kansas River at Sixth Street, the street becomes North 2nd Street. Approximately one mile north of the subject, North 2nd Street intersects with Interstate 70, an interstate highway that crosses through Kansas connecting Kansas City with Topeka.

Properties immediately adjacent to the subject property are summarized below:

Direction	Zoning	Use
North	RM12	Apartment
South	RM12	Single Family
East	RS7	Single-Family
West	GPI	Lawrence Law Enforcement Center

While downtown underwent substantial redevelopment in the late 1990s and early part of this decade, the pace of redevelopment has slowed in the mid to late part of the decade but has since picked back up. Currently, there are several projects worthy of note:

- Former Palace Cards- This building at the corner of 8th and Massachusetts was converted to a noodle shop restaurant. Both the sales price and rental rate set new highs for the downtown corridor.
- Standard Mutual Life Building-This historic office building containing 15,000 square feet of rental space was purchased by members of the Fritzel family and was renovated and expanded.
- Former Arensberg Shoes- This former Montgomery Ward Department store building has been converted in to a multi-tenant building. Two gift shops have opened on the main floor of this building with apartments on the upper level.

- Public Library- In November 2010, a mill levy proposal on the public library was passed by voters and a \$18,000,000 renovation is planned. Construction has recently began on the library and an adjacent structured parking garage.
- Construction of the 901 New Hampshire Building at the southwest corner of 9th and New Hampshire has been completed. The first floor contains a gym, the second floor is office space, and the third through sixth floors contain a total of 55 apartment units. The project asking rents are some of the highest found in the market ranging from \$1.20 to \$1.30 per month.
- Treanor Architects recently completed renovations and additions to a building on the 1000 block of Vermont Street, which they have consolidated their offices to a downtown headquarters..
- Dillon's recently opened a new store just north of 19th & Massachusetts. Additionally, there are plans to demolish and rebuild the Kwik Shop convenience store at the northeast corner of 19th and Massachusetts. Though the timeline for the Kwik Shop is not currently known.

Finally, the City of Lawrence has recently established a redevelopment district which runs along the east side of New Hampshire from 8th Street to 10th Street. The developers of 901 New Hampshire are proposing a seven-story building on the northeast corner of 9th and New Hampshire. The proposed development would include 90 to 120 apartment units on upper floors, while the ground-level would have room for a 6,000 SF bank, a 6,000 SF clubhouse for the apartments, and 5,000 SF of retail space. The project also proposes two levels of below-ground parking. The same developer is also proposing an extended stay hotel with additional apartments at the southeast corner of 9th and New Hampshire. The redevelopment area will also include a proposed project related to the Lawrence Arts Center, an Arts common space. This space would be located on the Salvation Army tract located at the corner of 10th & New Hampshire which is directly south of the Arts Center. This area is intended to serve as a public arts space, managed and curated by the Arts Center, featuring a park-like setting and perhaps a built structure. The building would be paid for and constructed by the Arts Center through a future capital campaign.

Finally, the building at 8th & New Hampshire is currently under renovation and will be occupied by Peoples Bank and Sandbar Subs.

The appraisers have performed a 3-ring analysis, which shows demographic information in 1, 3, and 5 miles rings surrounding the subject. The supporting data is included in the appraisers work file.

Demographic Analysis			
Current Year	2012		
Forecast Year	2017		
Trade Ring (miles)	1	3	5
Current Population	14,527	64,341	90,157
Forecast Population	14,781	66,082	94,063
Annual Percent Change	0.35%	0.54%	0.85%
Current No. Households	5,916	25,517	35,982
Forecasted No. of Households	6,052	26,361	37,745
Annual Percent Change	0.46%	0.65%	0.96%
Median Household Income	\$28,219	\$38,373	\$43,836
Forecasted Median Household Income	\$31,516	\$45,963	\$54,335
Annual Percent Change	2.24%	3.68%	4.39%
Current Median U.S. Household Income		\$50,157	

As can be seen in the above table, the population is fairly stable with a projected growth of under 1% per year. The median household income is well below the median household income for the US as a whole. This can at least partially be attributed to the large student population from the University of Kansas.

The neighborhood appears to be in the mature to redevelopment stage of its life cycle. Recent development activity has been in the form of buildings going through a transformation from one use to the next or to an upgrade in general condition. The trend in redevelopment slowed in the middle of this decade but has recently picked up. Given the history of the neighborhood and the growth trends noted in the area analysis, it is our opinion the outlook for the neighborhood is positive. However, the trend away from traditional retailing to restaurants and bars continue as local retailers lose market share to national tenants. Several national tenants located downtown have closed their operations or have gone bankrupt, these include Talbot, Eddie Bauer and Abercrombie & Fitch, and American Eagle Outfitters. However, other tenants such as Urban Outfitters, and The Gap remain open as of this writing and a Joseph Banks, an outlet retailer has leased the former Talbot's Space. Along with the evolution is the trend towards more residential units in the central business district as more and more residents are attracted to the urban feel of living downtown.

MARKET OVERVIEW

The subject is zoned for multifamily, so the appraisers have included a multifamily market overview.

The Lawrence apartment market can be divided into four quadrants using Iowa Street and 15th Streets as the dividing lines. The northeast quadrant includes the campus of the University of Kansas and the Central Business District. This area is characterized by older small apartment projects. There are few vacant sites available for new apartment construction in this area. The southeast quadrant is characterized by large two-story and two and one-half story apartment projects constructed in the 1960's and 1970's. Some large sites are available at the edges of the city. However, the Wakarusa River flood plain restricts development to the southeast. The southwest quadrant has seen considerable apartment development in the past ten years especially along Clinton Parkway. The northwest quadrant has also seen considerable apartment development in the past ten years along west 6th Street including a recently completed retirement living project at the corner of Folks Rd and Overland Drive.

Supply

In 2012, the Lawrence Apartment market contained over 11,000 units in complexes of ten units or more. In addition there are a large number of smaller complexes and duplexes in this market, which are not included in this total. The market has a limited number of large apartment complexes as shown below:

Project Size in Units	# Projects	Total Units
400-500	1	500
300-399	3	999
200-299	5	1104
100-199	29	3,526
10*-99	118	5,141
Total	156	11,270

Source: Keller and Associates, (*)-after 2003 only 16+ unit buildings are included

Construction

The following chart shows the number of building permits issued for single family residences, multi-family units and total units on a per year basis.

New Multi Family Permits												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	Total	Average
2-4 units	220	161	82	94	31	32	20	8	6	14	668	67
5+ Units	102	112	87	147	550	172	220	355	184	374	2303	230
Total Units	322	273	169	241	581	204	240	363	190	388	2971	297
	*Through August 2013											

Source: City of Lawrence Planning Department

The pace of new multi-family construction has varied over the time period shown. In 2009, the only multi-family permits issued were an apartment complex at Inverness and 24th Place called The Grove. In 2010, the only permits issued were for the Boardwalk Apartments and senior citizen apartments at Overland Drive and Folks. In 2011, an increase was noted in multi-family units built, 300 of the 355 units constructed are located in Hunter's Ridge at 550 Stoneridge Drive. However, the overall number of new multi-family units has been below average since 2008. As of June 2012, permits for 184 units of 5 or more unit properties had been issued for the year with plans for many more.

Demand

The populations of both the City of Lawrence and Douglas County increased at a strong pace for many years. However, this trend has slowed. For example, the 2000 census population for Lawrence was 80,098, a 21.5% increase over the 1990 census population. Current estimates put Douglas County's population in 2010 at 110,826 people, a 10.9% increase since 2000, and Lawrence's population at 87,643 people, a 9.4% increase. 2011 estimates report Lawrence with a population of 88,927.

While there has been up and down swings, KU enrollment overall trend at Lawrence is flat. A cause for concern is the dip in enrollment in the last few years. Historical enrollment for the Lawrence campus is highlighted below.

Year	1990	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
On Campus Enrollment	25,024	23,948	23,891	24,499	25,009	25,437	25,420	25,270	24,819	25,490	26,826	26,266	25,448	24,577

Source: KU Office of Institutional Research and Planning, represents Lawrence on-campus enrollment only

Absorption

In the past, new apartment complexes and new units have typically been absorbed in the fall as students move back to school. Most new apartment complexes try to be completed and ready for occupancy by August 1st of each year.

During the 1990's absorption was approximately 250 units per year. This pace has continued in the last decade from 2000 to 2011.

Rental Rates

Rental rates vary widely depending upon age, condition, and size of unit and location. From the third to the fourth quarter of 2012, Keller and Associates surveyed 46 apartment complexes with 2,374 units throughout Lawrence. Management or owners surveyed report the following:

2012 Rental Rates						
	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$0.69	\$0.57	\$0.54	\$0.68	\$0.62	\$0.61
Maximum	\$1.22	\$1.14	\$1.05	\$0.96	\$1.05	\$1.19
Average	\$0.89	\$0.80	\$0.78	\$0.74	\$0.72	\$0.82

2011 Rental Rates						
	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$0.66	\$0.52	\$0.54	\$0.66	\$0.57	\$0.61
Maximum	\$1.53	\$1.10	\$1.05	\$0.96	\$1.08	\$1.19
Average	\$0.89	\$0.77	\$0.75	\$0.77	\$0.75	\$0.83

The minimum rental rates per square foot have not changed much since 2011. Average rates have only varied by a maximum of \$0.03 per square foot while some averages have remained unchanged. If the data is analyzed on a monthly rate basis it is apparent that minimum rents lowered for some units and increased for others. This can be attributed in part to the difference in unit sizes surveyed this year compared to the previous year.

2012 Monthly Rental Rates

	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$440	\$530	\$645	\$630	\$725	\$855
Maximum	\$680	\$788	\$1,049	\$995	\$1,150	\$1,149
Average	\$544	\$637	\$802	\$734	\$860	\$985

2011 Monthly Rental Rates

	1br 1ba	2br 1ba	3br 1ba	2br 2ba	3br 2ba	4br 2ba
Minimum	\$448	\$415	\$595	\$605	\$675	\$825
Maximum	\$743	\$900	\$1,049	\$1,013	\$995	\$1,820
Average	\$552	\$627	\$769	\$769	\$850	\$1,118

Rental rates have shown mixed trends. Average rates for one bed one bath and two bed two bath units have experienced slight declines, while two bed one bath and three bed two bath units are showing slight increases over 2011.

Vacancy

The overall vacancy rate has improved by a little less than 1% in the last year in Lawrence. This statement can be misleading due to the fact a large majority of complexes have lowered asking rents, included utilities with rent, reduced security deposits, and offered rent concessions in order to gain occupancy. Conversations with property managers and owners prove that the one bedroom apartments seem to be in the highest demand while three and four bedroom demand has dwindled. Some complexes have been closing off bedrooms in 2, 3, and 4 bedroom apartments and leasing them as a one bedroom in order to gain occupancy.

Year	Vacancy
2008	6.1%
2009	7.1%
2010	6.0%
2011	8.0%
2012	7.3%

There is a substantial variance in vacancy by quadrant. The northeast and northwest quadrants have more students living in them because they are located closer to the University of Kansas. However, the KU bus system has seemed to increase the appeal of newer units located further from campus. The vacancy rate in these areas has declined likely due to decreased rental rates and concessions offered across the board.

A comparison of the vacancy rate by region for 2011 and 2011 is provided below:

Quadrant	2012 Units	2012 Avg # of Units	2012 Vacancy	2011 Vacancy
Northeast	731	39	5.2%	5.3%
Northwest	674	67	5.2%	7.3%
Southeast	333	48	6.0%	10.1%
Southwest	560	70	13.0%	12.7%

The vacancy rate decreased in every quadrant in Lawrence with the exception of the southwest quadrant. The most notable decrease has been in the southeast quadrant with a decrease of 4.1% in the one year time frame. This decrease could be the variation in the properties included in our most recent survey. Many of the apartments surveyed in the southeast quadrant were just south of 15th Street and are considered very near KU campus.

Though not included in our survey, there is also a fairly substantial rent by the room market in Lawrence. There are approximately 1,000 units. These units are fully furnished, with the price built into the rent. The proposed Aspen Heights Cottages appears to have been put on hold.

Sales Activity

The market has not been very active, as information tracked by Keller & Associates shows there have only been two apartment sales since January 1, 2012. The sales averaged \$39,167 per unit. The sales include a six plex at 1145 Indiana and a 12 unit apartment building located at 711 Rockledge.

Recent Construction –

The following apartments (16+ units) have been built since 2000:

YOC	PROJECT	LOCATION	NO. UNITS	COMMENTS
2001	Aberdeen South	SW	128	
2001	Parkway Commons	SW	124	
2001	Country Club	NW	24	
2002	Antioch Place	NW	16	
2002	Briarwood	NE	48	
2000-02	Chase Court	SE	168	Three phase project started in 2000
2002	Crosswind	SE	54	
2002	Canyon court	NW	71	
2003	Tuckaway II	NW	16	Addition to 132-unit project
2003	The Legends	SW	200	632 bedroom student oriented "rent by bedroom"
2003-04	Hutton Farm	NW	212	Single-family, duplex and townhouse rentals
2004	Ironwood	SW	108	
2004	Crossgate Village	SW	54	Tax credit senior apartments
2006	Meadowbrook	NW	130	Part of existing property

2006	Saddlebrook	NW	52	Part of new PUD with office and SF
2007	Park West Apartments	NW	71	
2008	Camson Villas	NW	36	All 1 bedroom units
2008	Windgate	NE	38	All 1 bedroom units
2008	Alvadora	NW	108	In lease up
2008	Grand Townhomes	SE	18	Townhome units in complex
2009	Remington Square	SW	224	All studios
2009	The Grove	SW	172	Student Oriented Project
2009	The Exchange	SE	326	Up to 888 units in total
2011	Boardwalk (552 Frontier)	NW	192	Replaced former complex which burnt down in 2005.
2011	Meadowlark Estates	NW	124	Retirement Living
2011	Northwind Expansion	NE	16	1 bedroom units North Michigan
2011	Crossgate Drive Casitas	SW	46	5 - 6-unit and 2 - 8-unit TH's and 1 office
2011	SWC of 9 th & New Hampshire	NE	55	7-story downtown structure with top five floors for apartment use.
2012	Poehler Building- 619 E 8 th Street	SE	49	Former warehouse being converted to retail, office and loft living spaces

Current Construction –

PROJECT	LOCATION	NO. UNITS	COMMENTS
Varsity House	1043 Indiana	51	Multi-story apartment with structured parking
Hunter's Ridge	NE Stoneridge & 6 th St	522	Phase I under construction
Westfield Place Apartments	204 Eisenhower	131	One and Two Bedroom Units
Camson South	Congressional and Overland Drive	88	Two-bedroom Units
One Bedroom Apartments	6 th Street and Congressional (545 Congressional)	286	All One-Bedroom Units

Planned Construction -

The following apartment projects are planned:

PROJECT	LOCATION	NO. UNITS	COMMENTS
The Links	251 Queens Road	630	This project is also set to include a 9-hole golf course.

Aspen Heights	1900 West 31 st Street	304	Mobile Home park to be demolished for future 350 unit complex. This student oriented project has been cancelled.
9 th and NH Apartments	NEC of 9 th and New Hampshire	121	7-Story Apartment building with retail on the first floor. Plans are for construction to begin in March 2013.
Langston Heights	West of George Williams, south of 6 th Street	82	20 4-plex units, 62 row home units

Conclusions

Apartment market trends are summarized as follows:

- Lawrence remains a student oriented apartment market.
- Most apartment leases expire in either July or August.
- Student population is stable to declining in the last two years.
- A bright spot is the incoming class of freshman for 2012 increased in size for the first time since 2008.
- The population continues to increase but at a slower pace.
- Construction of multi-family units continues at an average of 227 units per year.
- 2012 could see the largest number of units being permitted this decade, all of which are in the northwest quadrant.

Single Family Market Overview

The appraisers have also shown a market overview for the single family properties. Shown below is the amount of new single family building permits issued per year over the last ten years. As can be seen, there was a large slowdown in new construction starting in 2007. New construction appears to have bottomed out in 2011, and there is a large increase noted in 2013. The annualized total for single family permits would be 161, which would be the highest amount of new permits since 2007.

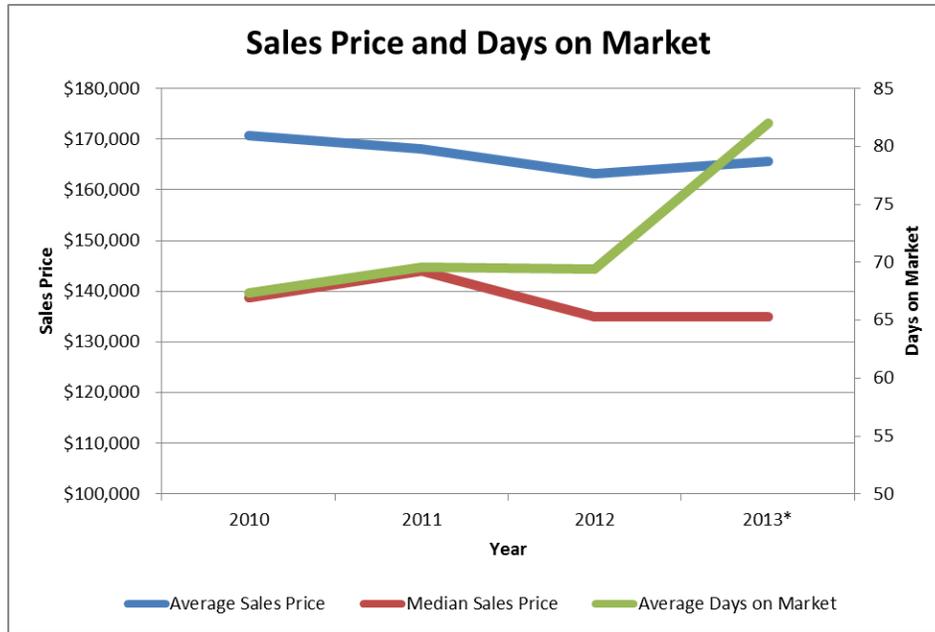
New Single Family Permits												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	Total	Average
Single Family	313	232	247	166	102	110	146	95	123	114	1534	170
*Through August 2013 - Annualized would be 171												

For the following data, the appraisers have relied on the local Lawrence MLS. The appraisers have shown a summary of activity in the LA2 submarket, which generally consists of properties north of 15th Street and east of Iowa.

All City Single Family Sales in LA2 MLS Market									
	Number of Sales	Average Size	Min	Max	Average Price	Median Price	Average Price per SF	Median Price per SF	Days on Market
2010	120	1,582	\$35,000	\$675,000	\$170,797	\$138,700	\$107.13	\$107.38	67
2011	63	1,474	\$39,500	\$541,000	\$168,078	\$144,000	\$111.31	\$110.53	70
2012	124	1,673	\$38,000	\$813,000	\$163,195	\$135,000	\$97.62	\$97.92	69
2013*	94	1,601	\$32,000	\$665,000	\$165,548	\$134,900	\$103.29	\$104.24	82

*Current Through September 27, 2013

As can be seen there has generally been a downward trend in sales prices over the past four years, though 2013 appears to be stabilizing to improving. The days on market have increased in 2013 however. The number of sales has been fairly stable with the exception of 2011. For comparison purposes, the annualized number of sales for 2013 would be 125.

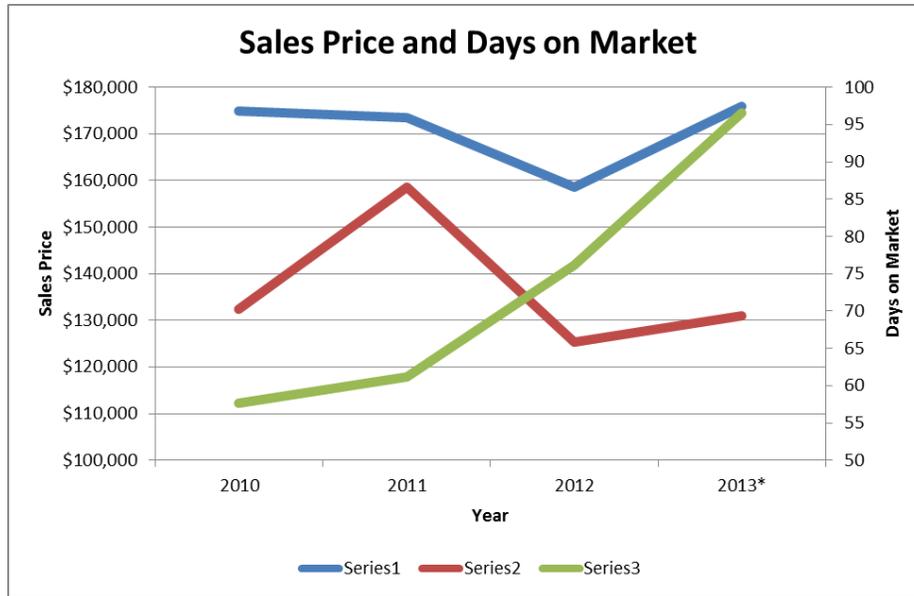


Next the appraisers reviewed sales in the submarket that were older than 61 years old, which is the age category that would describe the subject.

Sales of Homes 61 Years or Older									
	Number of Sales	Average Size	Min	Max	Average Price	Median Price	Average Price per SF	Median Price per SF	Days on Market
2010	64	1,593	\$35,000	\$485,000	\$174,909	\$132,450	\$109.76	\$111.06	58
2011	33	1,387	\$39,500	\$541,000	\$173,547	\$158,500	\$115.45	\$115.66	61
2012	64	1,729	\$38,000	\$475,000	\$158,525	\$125,400	\$100.87	\$99.14	76
2013*	49	1,575	\$32,000	\$665,000	\$175,821	\$131,000	\$108.25	\$105.56	97

*Current Through September 27, 2013

As can be seen, similar trends are noted.

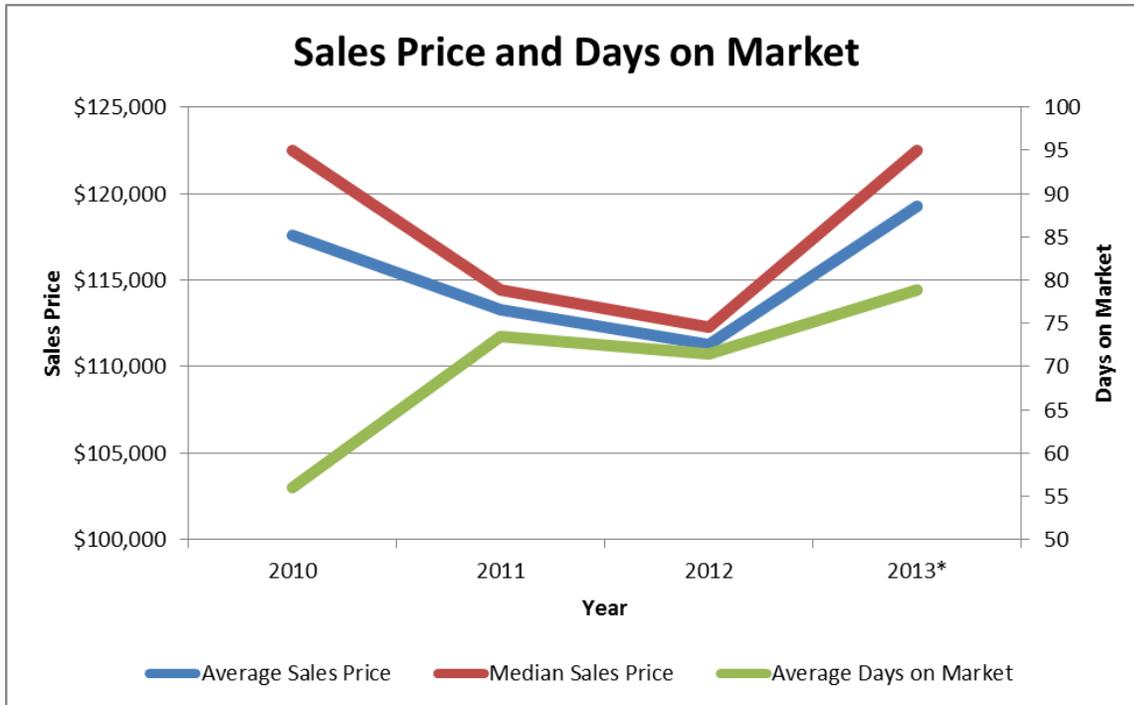


Finally, the appraisers have narrowed the data down to houses that sold for \$200,000 or less.

Sales of Homes 61 Years or Older that Sold for \$200,000 or Less									
	Number of Sales	Average Size	Min	Max	Average Price	Median Price	Average Price per SF	Median Price per SF	Days on Market
2010	48	1,622	\$35,000	\$190,000	\$117,558	\$122,500	\$98.41	\$104.18	56
2011	22	1,475	\$39,500	\$192,500	\$113,273	\$114,450	\$103.96	\$95.85	73
2012	48	1,782	\$38,000	\$200,000	\$111,294	\$112,250	\$94.79	\$92.65	71
2013*	38	1,560	\$32,000	\$192,650	\$119,275	\$122,500	\$100.03	\$102.63	79

*Current Through September 27, 2013

A larger improvement in average and median sales prices is noted in the houses less than \$200,000. The number of sales has remained fairly consistent except for a large drop in 2011. The annualized sales for 2013 would be roughly 51 sales. The days on market has increased in 2013, and is well above 2010 averages.



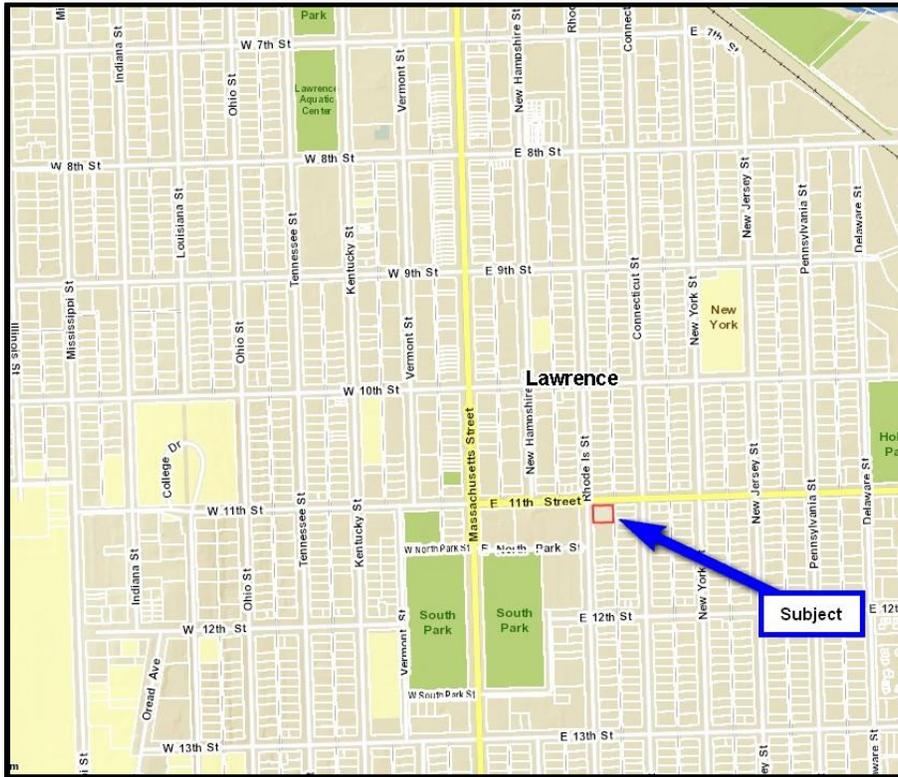
Therefore, new construction in the market appears to be increasing. The majority of the new construction is occurring in west Lawrence. More locally, in the subject's submarket, the market appears to have stabilized, with sales prices stable to slightly increasing over 2012. The properties are being marketed on average for a little longer than in previous years.

PROPERTY DATA

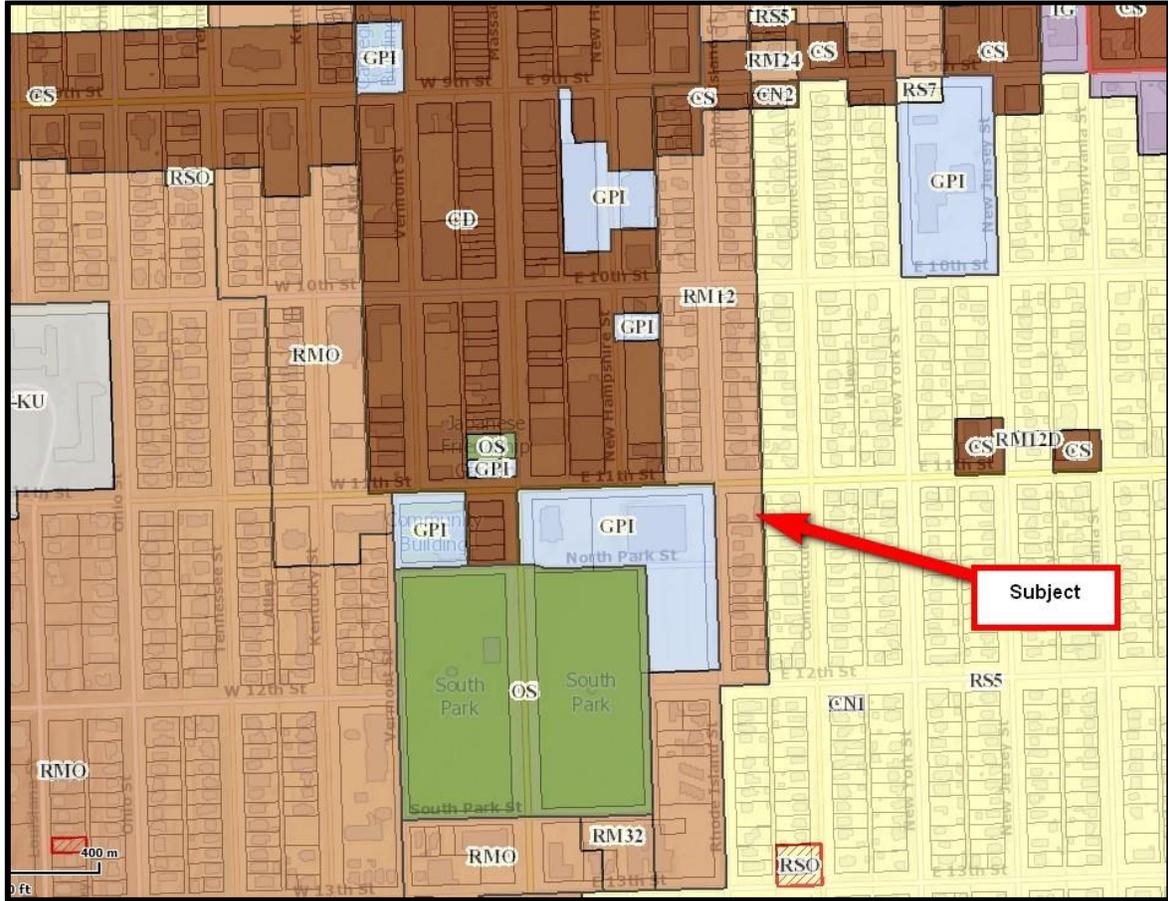
Site Description

Location	1106 Rhode Island, Lawrence, Douglas County, Kansas
Legal Description	Rhode Island Street Lots 118 and 120 in the City of Lawrence, Douglas County, Kansas
Size	Approximately 0.27 acres, or 11,700 square feet
Configuration	Rectangular (see following parcel map)
Topography	Level; at grade with surrounding streets
Drainage	Appears adequate
Flood Plain	The subject is not located in the floodplain.
Flood Zone	X
Flood Map #	20045C0178D, effective August 5, 2010
Frontage	There is 117' of frontage along E 11th Street, and 100' of frontage along Rhode Island Street
Access	There is a curb cut along E 11th Street as well as a curb cut on Rhode Island. Access would also be available from the rear alley, but the current improvements go from the north property line to the south property line, which does not allow for ingress or egress.
Traffic Count	According to traffic counts provided by the City of Lawrence, there is roughly 6,115 vehicles per day along 11 th Street in front of the subject. Also, according to the KDOT traffic count map dated November 2010, there are roughly 14,848 vehicles per day at the 11 th and Connecticut intersection just east of the subject property.
Zoning	RM12, Multifamily, 12 units per acre
Conformance	The existing improvements appear to be legally conforming.
Utilities	Adequate utilities, including water, sewer, electricity and gas, are available and in place at the site. There is a water well on the site.
Easements, Encumbrances, Moratoriums	The appraisers were provided with a title commitment performed August 15, 2013. This title commitment does not indicate any easements, encumbrances, or moratoriums that would negatively impact the subject property.
Environmental	The subject is located in the North Rhode Island historic preservation district. It is considered a contributing property to the district, which is similar to being on the National Historic Registry. As such, it is eligible for tax credits for improvements. Up to 45% (25% through State and 20% through Federal) of the cost to repair the improvements can be eligible for tax credits. Additionally, the property is subject to approval from the Historic Resources Commission before any improvements could be made to the property, be it rehabbing the property or demolishing the property. An environmental study has not been done on the property. The appraisers are not aware of any environmental issues that would negatively impact the subject property.

Parcel Maps



Zoning Map



Flood Plain Map



Traffic Count Map



Improvement Description

The subject improvements are described in the following outline format. It is of note that the interior description is from a prior interior inspection on March 16, 2013. The interior was not inspected as part of this assignment. The interior pictures shown at the end of this section are also from the previous inspection.

General

Design/Use:	Single Family Residential
Building Size:	GBA: 1,163 square feet
Year Built:	1871
Building Height:	1.5 Stories
Est. Effective Age:	55
Est. Economic Life:	55
Construction Type:	Class D - Wood Frame building (per Marshall Valuation Service)
Land to Building Ratio:	10.06

Exterior/Structural

Construction Type:	Wood Frame
Quality:	Average
Exterior Walls:	Wood Siding
Foundation Type:	Stone. There is a full basement. The foundation on the original portion of the building appeared to be in average condition, but the foundation to the addition onto the rear of the building was in need of repairs.
Roof Type:	Pitched
Roof Material:	Composition shingle.

Interior/Finish

Layout:	The subject is a one and one half story single family residence in poor condition. The original portion of the house is two stories, with a later addition being a single story. The first floor has a living room, a dining room, a kitchen, and a bathroom. The second floor has two bedrooms. The kitchen is included in the addition. During the inspection, the gas and electricity were not turned on, and it does not appear that any HVAC system was in working condition.
Interior Walls:	Plaster
Floor Cover:	Hardwood
Window Type:	Wood Frame. Some of the glass is original to the building.
Ceiling:	The ceiling is plaster. The plaster on the second floor has mostly cracked and fallen down.

Other Improvements

Garage:	The subject is improved with a garage that measures 810 square feet. The garage is in poor condition, with the roof partially collapsed. Termite damage was also noted on the eastern wall.
Barn:	There is a 600 square foot barn attached to the garage. The barn is in fair condition, with a concrete foundation. The pitched roof needed repair, but had not collapsed. This building has a partial second floor. There is also a 160 square foot shed attached to the north end of the barn.
Other:	There is a small storage shed measuring 96 square feet in poor condition, with the roof falling in. There is also an old outhouse measuring 36 square feet.

Parking and Site Improvements

Surface Type: The majority of the yard is covered in gravel, as it has been used for automobile storage for several years.

Other Site Improvements: Other improvements include perimeter wooden fencing that is collapsing. The landscaping is overgrown, and will most likely need to be redone. There is also a water well in the middle of the site that will likely need to be plugged.

Condition/Deferred Maintenance: The property is in poor condition, and all of the improvements would likely require renovations or demolition.

Functional Utility: The house does not have a stand up shower, and this would be an issue with most residential properties

Subject Photos



Front of Subject



Front of Subject



South Side of Subject



North Side of Subject and Unused Land



Rear of Subject



Rear of Subject



Front of Shed



Rear of Shed



Front of Garage/Barn



South Side of Garage



Rear of Shed/Garage/Barn



Rear of Barn



Rear of Barn



Rear of Garage



Front of Garage



View of Site Looking from Southeast Corner



View of Water Well



View of Site Looking North from House



Kitchen in House



Bathroom in House



First Floor of House



Second Floor of House



First Floor of Barn



Second Floor of Barn



Inside of Garage



Inside of Garage

HIGHEST AND BEST USE

Process – The highest and best use of the property must be determined for both the subject site as though vacant and for the property as currently improved (if applicable). The highest and best use must be:

1. Physically possible for the site.
2. Permitted under the zoning laws and deed restrictions that apply to the site.
3. Economically feasible.
4. The use which will produce the highest net return on investment (i.e. highest value) from among the possible, permissible, and economically feasible uses.

Highest and Best Use (Site as if Currently Vacant)

Physically Possible Use – As detailed in the site description, the subject is generally Level and at grade with surrounding streets. The site is approximately 0.27 acres. There is 117' of frontage along E 11th Street, and 100' of frontage along Rhode Island Street. The subject is not located in the floodplain. Adequate utilities, including water, sewer, electricity and gas, are available and in place at the site. The size, shape, and characteristics of the usable area allow a variety of uses.

Permissible Use – The site is zoned RM12, Multifamily, 12 units per acre. Permissible uses include but are not limited to multifamily uses and religious facilities.

A party that had been interested in purchasing the property intended to convert the barn and garage into an office. This would require a change in zoning to RMO, which would allow for the same uses plus general office uses. It is unclear if this change in zoning is possible, but the potential buyer indicated that the city had been receptive to the idea.

Feasible Use – The subject is located in a primarily developed area. The Lawrence Law Enforcement Center as well as the Douglas County courthouse are located west of the subject property. Residential use surrounds the property to the north, south, and east. A small apartment building is noted north of the building. Two new houses built by Tenants to Homeowners are located immediately south of the subject.

As has been noted, there has been a fairly large amount of recent activity in the downtown area. This includes new multifamily development in the 901 building, and more planned multifamily development at the northeast corner of 9th and New Hampshire.

Limited office development has occurred, and is primarily limited to the office space in the 901 building and the new Treanor Architects office building near 11th and Vermont. There has been a boom of multifamily development in the Lawrence market, with over 1,000 units currently under construction or recently completed, as well as another nearly 1,200 units in various stages of planning.

Given the size of the lot, and the current zoning, a multifamily development with three units could be developed on the site. It is also of note that the parcel immediately south of the subject is 17,550 square feet, and Tenants to Homeowners built five units on the site in 2010.

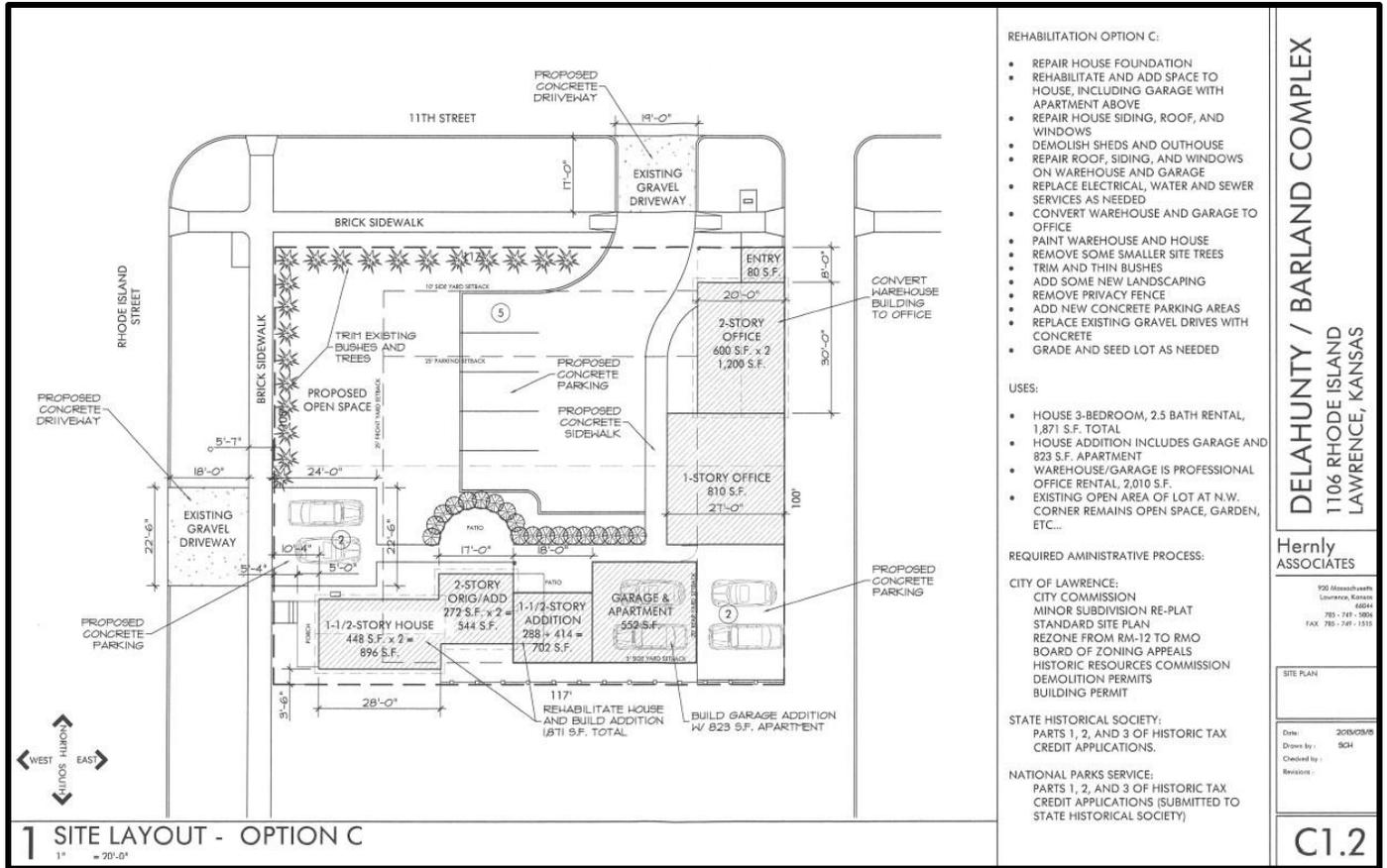
Maximum Profitability – Given the recent trend of multifamily development, multifamily development would be considered the highest and best use as if vacant. Office use could be an alternate use if zoning allowed it, but development would not occur without a user in place.

Highest and Best Use (Site as Currently Improved)

The subject site has been developed with a Single Family Residential property with outbuildings that is currently vacant. The subject property has been vacant for several decades. The property is in poor condition, and it would likely not be feasible to repair the improvements without tax credits. The improvements in its current condition are not considered to contribute any value to the property. Therefore, if possible demolition of the improvements and building a multifamily project to take advantage of the allowable density to the site.

However, it would likely be difficult to get the approvals to demolish the improvements given that it is a contributing property in a historic district. As such, any changes to the property would need to be approved by the Historic Resources Commission. In fact, Lynne Braddock Zollner with the Lawrence Douglas County Planning Department noted that the department would recommend against allowing demolition.

It is of note that a potential buyer is interested in using tax credits to convert the garage/barn into an office building and restore the single family residence and convert it to a rental property. The plans include adding a 702 square foot addition to the property as well as a two car garage. As part of the renovation plan, the second floor of the barn would be lowered so that both floors are usable, and there is 1,200 square feet of office space as well as 810 square foot of office in the garage. The total costs for the proposed project are estimated at \$890,583, which includes a roughly \$75,000 developer's profit incentive. See the proposed plan below:



- REHABILITATION OPTION C:
- REPAIR HOUSE FOUNDATION
 - REHABILITATE AND ADD SPACE TO HOUSE, INCLUDING GARAGE WITH APARTMENT ABOVE
 - REPAIR HOUSE SIDING, ROOF, AND WINDOWS
 - DEMOLISH SHEDS AND OUTHOUSE
 - REPAIR ROOF, SIDING, AND WINDOWS ON WAREHOUSE AND GARAGE
 - REPLACE ELECTRICAL, WATER AND SEWER SERVICES AS NEEDED
 - CONVERT WAREHOUSE AND GARAGE TO OFFICE
 - PAINT WAREHOUSE AND HOUSE
 - REMOVE SOME SMALLER SITE TREES
 - TRIM AND THIN BUSHES
 - ADD SOME NEW LANDSCAPING
 - REMOVE PRIVACY FENCE
 - ADD NEW CONCRETE PARKING AREAS
 - REPLACE EXISTING GRAVEL DRIVES WITH CONCRETE
 - GRADE AND SEED LOT AS NEEDED

- USES:
- HOUSE 3-BEDROOM, 2.5 BATH RENTAL, 1,871 S.F. TOTAL
 - HOUSE ADDITION INCLUDES GARAGE AND 823 S.F. APARTMENT
 - WAREHOUSE/GARAGE IS PROFESSIONAL OFFICE RENTAL, 2,010 S.F.
 - EXISTING OPEN AREA OF LOT AT N.W. CORNER REMAINS OPEN SPACE, GARDEN, ETC...

- REQUIRED ADMINISTRATIVE PROCESS:
- CITY OF LAWRENCE:
- CITY COMMISSION
 - MINOR SUBDIVISION RE-PLAT
 - STANDARD SITE PLAN
 - REZONE FROM RM-12 TO RMO
 - BOARD OF ZONING APPEALS
 - HISTORIC RESOURCES COMMISSION
 - DEMOLITION PERMITS
 - BUILDING PERMIT

- STATE HISTORICAL SOCIETY:
- PARTS 1, 2, AND 3 OF HISTORIC TAX CREDIT APPLICATIONS.

- NATIONAL PARKS SERVICE:
- PARTS 1, 2, AND 3 OF HISTORIC TAX CREDIT APPLICATIONS (SUBMITTED TO STATE HISTORICAL SOCIETY)

DELAHUNTY / BARLAND COMPLEX
 1106 RHODE ISLAND
 LAWRENCE, KANSAS

Hernly ASSOCIATES
 150 Massachusetts
 Lawrence, Kansas
 66044
 785 - 747 - 3000
 FAX 785 - 747 - 1333

SITE PLAN

Date: 2/05/09
 Drawn by: SCA
 Checked by:
 Revision:

C1.2

A discussion with Lynne Braddock Zollner indicated that converting the barn/garage to office use would likely be recommended for approval as changes in use are allowed as long as the structure remains generally similar with respect to the influence of the neighborhood. Without government assistance, this project would not be feasible. The prospective developer is estimating that this project is worth roughly \$565,000 upon completion after spending \$890,000 on the project.

It is our opinion that the improvements in their current condition do not contribute value above and beyond the underlying land value. However, it would likely be difficult to demolish the improvements due to the historic nature of the property. It is difficult to determine what the ultimate use of the property will be, but some possibilities would include:

- Renovating the property in its current configuration.
- Demolishing the garage and barn, and building a duplex on the north lot. This could also be difficult, as Ms. Zollner indicated the department would recommend against demolishing the garage and barn.
- Renovating the property into a mixed use office/residential property, as was detailed above.
- Demolishing the entire property and building a small multifamily development, such as a triplex. This would require the developer to successfully argue that it is not feasible to renovate the property.

It is of note that all of the options other than the last option would require public incentives to be feasible.

Real Estate Taxes

Real estate taxes in the State of Kansas are assessed at 11.50% for residential and 25.00% of appraised value for commercial properties. Vacant land is assessed at 12.00% of appraised value. Agricultural land is assessed at 30.00% of appraised value. For the subject, the county has assigned a parcel identification number of 023-079-31-0-30-14-001.00-0.

The historical taxes for the subject are provided below:

Tax Year	2011	2012	2013
Land	\$ 41,190	\$ 41,190	\$ 41,190
Improvements	\$ 39,990	\$ 41,400	\$ 45,110
Tax Market Value	\$ 81,180	\$ 82,590	\$ 86,300
Assessment Ratio	11.5%	11.5%	11.5%
Assessed Value	\$ 9,336	\$ 9,498	\$ 9,925
Taxable Value	\$ 9,336	\$ 9,498	\$ 9,925
Tax Rate	0.120400184	0.119968203	Not Determined
Real Estate Taxes	\$ 1,124.02	\$ 1,139.44	Not Determined
Special Assessments	\$ -	\$ -	Not Determined
Total Taxes	\$ 1,124.02	\$ 1,139.44	Not Determined
Payment Status	Paid	Paid	
Amount Due	\$ -	\$ -	

There are no specials assessed against the subject property, nor do the appraisers anticipate any specials to be assessed in the near future. As will be shown herein our estimate of value is slightly above the county's estimate of value.

SITE VALUATION

The appraisers do not believe that the improvement contribute any value to the underlying land. As such, the appraisers have analyzed land sales in the area. In evaluating the comparable sales, we selected price per SF as the primary unit of comparison. This is the unit of comparison most commonly used for this type of property in the marketplace. A summary of the sales follows.

Land Sales

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
CompID	609018	306721	609028	609029	609030	609031
Name	Barland Property	Vacant Lot	Single Family Lot	Residential Lot	Single Family Lot	Double Single Family Lot
Address	1106 Rhode Island	1700 Tennessee	942 Pennsylvania	1200 Pennsylvania	929 Delaware	1230 New York Street
City	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence
Sale Price	N/A	\$84,500	\$44,500	\$52,000	\$49,920	\$73,000
Date of Sale	N/A	3/24/2010	9/19/2012	12/27/2012	10/12/2012	2/15/2013
Adjusted Sale Price	N/A	\$84,500	\$49,500	\$52,000	\$49,920	\$73,000
Land Sq Ft	11,700	5,850	5,850	8,775	4,379	11,700
Price / SF of Land	N/A	\$14.44	\$8.46	\$5.93	\$11.40	\$6.24
Land Acres	0.269	0.134	0.134	0.201	0.101	0.269
Price / Acre	N/A	\$629,188.00	\$368,583.00	\$258,134.00	\$496,578.00	\$271,785.00
Zoning Code	RM12	RM-32	RS5	RS5	RS5	RS5
Zoning Description	Multifamily, 12 units per acre	MultiFamily	Single Family	Single Family	Single Family	Single Family

Elements of Comparison -- Related to the Transaction

We have evaluated the comparable sales based on differences in various elements of comparison. The first of these are elements that must be compared in every analysis and are related to the property rights conveyed, the terms/financing and conditions of the sale. The property rights, terms/financing, and conditions involved in the sales did not appear to have a significant impact on the prices, and no adjustments were required.

The five sales transacted between 3/24/2010 and 2/15/2013. Available market data does not indicate any significant change in land prices during this period, and no adjustments for market conditions were required.

Elements of Comparison -- Related to the Real Estate

In addition, it is necessary to evaluate the sales based on location, physical and economic characteristics. The elements of comparison considered most appropriate for this analysis are discussed individually in the following paragraphs.

Location/Access

The subject is located on a corner lot at 11th and Rhode Island. Sale 1 is also located on a corner lot, but is located closer to campus, and was adjusted downwards. Sales 2, 3, 4, and 5 are located in the same neighborhood as the subject, though the subject is located closer to downtown. Sale 3 is also located on a corner lot, and was considered similar. The other sales are interior lots, and were adjusted upwards.

Zoning/Density

The subject is zoned RM-12, which allows for 12 units per acre. Given the subject's size this would allow for three units. Sale 1 is zoned RM-32, which allows for 32 units per acre. It was considered superior. Sales 2, 3, 4, and 4 are zoned for single family. They were considered inferior.

Size

Generally there is an inverse relationship between the size of a parcel, and the amount that can be obtained per square foot. Sales 1, 2, and 4 are smaller than the subject, and were adjusted downwards. Sales 3 and 5 were considered similar.

Entitlements/Restrictions

The subject has improvements in poor condition. The subject is a contributing property in the North Rhode Island Historic District. As such, tax credits could be available to offset some of the renovation costs. However, there are increased risks with being in a historic district for potential approvals. Also, there is risk that the state tax credit program could be cancelled in the future based on the Kansas Government's attempt to rework the income tax program. All of these risks shrink the pool of potential investors, and the appraisers have made a downward adjustment to the comparables. Sale 2 had a single-family residence on site at the time of sale that had to go through the process for demolition. It was considered similar.

Land Sale Adjustments

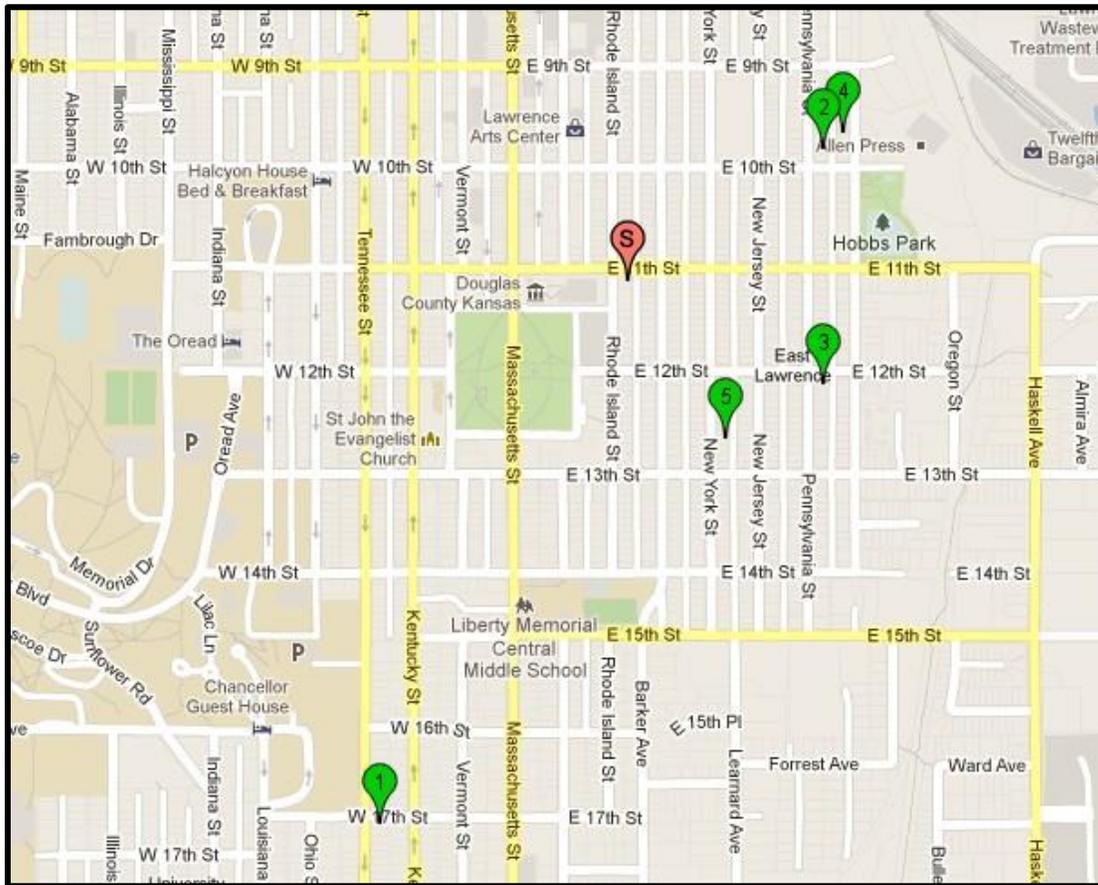
	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Property Name	Barland Property	Vacant Lot	Single Family Lot	Residential Lot	Single Family Lot	Double Single Family Lot
Address	1106 Rhode Island	1700 Tennessee	942 Pennsylvania	1200 Pennsylvania	929 Delaware	1230 New York Street
City	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence
Land Area SF	11,700	5,850	5,850	8,775	4,379	11,700
Land Area in Acres	0.269	0.134	0.134	0.201	0.101	0.269
Ratio - Comp to Subject	N/A	0.50	0.50	0.75	0.37	1.00
No. of Units	3	2.00	1.00	1.00	1.00	2.00
Density (Units/Acre)	11.17	14.89	7.45	4.96	9.95	7.45
Lots	2	1	1	1	1	1
Density (Lots/Acre)						
Zoning	RM12	RM-32	RS5	RS5	RS5	RS5
Sale Price	N/A	\$84,500	\$44,500	\$52,000	\$49,920	\$73,000
Land Sq Ft	11,700	5,850	5,850	8,775	4,379	11,700
Unadjusted Price/SF	N/A	\$14.44	\$7.61	\$5.93	\$11.40	\$6.24
Property Rights		Similar	Similar	Similar	Similar	Similar
Terms/Financing		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Conditions of Sale		Similar	Similar	Similar	Similar	Similar
Time/Market Conditions		Mar-10	Sep-12	Dec-12	Oct-12	Feb-13
Time Adjusted Price/SF		\$14.44	\$7.61	\$5.93	\$11.40	\$6.24
Location/Access		Superior	Inferior	Similar	Inferior	Inferior
% Adjustment		-15.0%	5.0%	0.0%	5.0%	5.0%
\$ Adjustment		-\$2.17	\$0.38	\$0.00	\$0.57	\$0.31
Zoning/Density		Superior	Inferior	Inferior	Inferior	Inferior
% Adjustment		-10.0%	10.0%	10.0%	10.0%	10.0%
\$ Adjustment		-\$1.44	\$0.76	\$0.59	\$1.14	\$0.62
Size		Superior	Superior	Similar	Superior	Similar
% Adjustment		-10.0%	-10.0%	0.0%	-10.0%	0.0%
\$ Adjustment		-\$1.44	-\$0.76	\$0.00	-\$1.14	\$0.00
Entitlements/Restrictions		Superior	Similar	Superior	Superior	Superior
% Adjustment		-5.0%	0.0%	-5.0%	-5.0%	-5.0%
\$ Adjustment		-\$0.72	\$0.00	-\$0.30	-\$0.57	-\$0.31
Total Adjustments						
Net % Adjustments		-40.0%	5.0%	5.0%	0.0%	10.0%
Net \$ Adjustments		-\$5.78	\$0.38	\$0.30	\$0.00	\$0.62
Total % Adjustments		40.0%	25.0%	15.0%	30.0%	20.0%
Total \$ Adjustments		\$5.78	\$1.90	\$0.89	\$3.42	\$1.25
Adjusted Price/SF		\$8.66	\$7.99	\$6.23	\$11.40	\$6.86
Adjusted Price Indications		Concluded Value				
Minimum Adjusted Price / SF	\$6.23	\$8.50/SF				
Maximum Adjusted Price / SF	\$11.40	\$99,450				
Average Adjusted Price / SF	\$8.23	\$100,000				

Value Conclusion -- Land

The adjustments are summarized in the following "Summary Grid of Adjustments". The five sales provide an adjusted range of value indications from \$6.23 to \$11.40 per SF with an average of \$8.23 per SF. These two sales are on the low end of the range. Based on the preceding analysis, we have estimated the value for the subject site to be \$8.50 per SF. The estimated value for the subject land is calculated as follows:

$$11,700 \text{ Land SF} \times \$8.50 \text{ per SF} = \$99,450$$

$$\text{or } \$100,000 \text{ (Rounded)}$$



It is of note that if we looked at these comparables on a per buildable unit basis, they would have an unadjusted range from \$31,688 to \$47,424 per buildable unit with an average of \$40,497 per buildable unit. Similar adjustments for location would be required. No adjustments for zoning would be required since the zoning impacts the amount of buildable units. Sale 3 is an oversized lot, but could only have one unit based on zoning. It was considered superior. The subject has improvements in poor condition. The subject is a contributing property in the North Rhode Island Historic District. As such, tax credits could be available to offset some of the renovation costs. However, there are increased risks with being in a historic district for potential approvals. Also, there is risk that the state tax credit program could be cancelled in the future based on the Kansas Government's attempt to rework the income tax program. All of these risks shrink the pool of potential investors, and the appraisers have made a downward adjustment to the comparables. Sale 2 had a single-family residence on site at the time of sale that had to go through the process for demolition. It was considered similar. Finally, the subject would need to be replatted in order

to attain the allowable density under current zoning. Sale 5 would also need to be replatted, and was considered similar. All of the other comparables were adjusted downwards by 5%.

Land Sale Adjustments

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5
Property Name	Barland Property	Vacant Lot	Single Family Lot	Residential Lot	Single Family Lot	Double Single Family Lot
Address	1106 Rhode Island	1700 Tennessee	942 Pennsylvania	1200 Pennsylvania	929 Delaware	1230 New York Street
City	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence	Lawrence
No. of Units	3	2	1	1	1	2
Zoning	RM12	RM-32	RS5	RS5	RS5	RS5
Sale Price	N/A	\$84,500	\$44,500	\$52,000	\$49,920	\$73,000
Land Sq Ft	3	2	1	1	1	2
Unadjusted Price/ Buildable Unit	N/A	\$42,250.00	\$44,500.00	\$52,000.00	\$49,920.00	\$36,500.00
Property Rights		Similar	Similar	Similar	Similar	Similar
Terms/Financing		Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.	Cash Equiv.
Conditions of Sale		Similar	Similar	Similar	Similar	Similar
Time/Market Conditions		Mar-10	Sep-12	Dec-12	Oct-12	Feb-13
Time Adjusted Price/ Buildable Unit		\$42,250	\$44,500	\$52,000	\$49,920	\$36,500
Location/Access		Superior	Inferior	Similar	Inferior	Inferior
% Adjustment		-15.0%	5.0%	0.0%	5.0%	5.0%
\$ Adjustment		-\$6,338	\$2,225	\$0	\$2,496	\$1,825
Zoning/Density		Similar	Similar	Similar	Similar	Similar
Size		Similar	Similar	Superior	Similar	Similar
% Adjustment		0.0%	0.0%	-5.0%	0.0%	0.0%
\$ Adjustment		\$0	\$0	-\$2,600	\$0	\$0
Entitlements/Restrictions		Superior	Similar	Superior	Superior	Superior
% Adjustment		-5.0%	0.0%	-5.0%	-5.0%	-5.0%
\$ Adjustment		-\$2,113	\$0	-\$2,600	-\$2,496	-\$1,825
Replating		Superior	Superior	Superior	Superior	Similar
% Adjustment		-5.0%	-5.0%	-5.0%	-5.0%	0.0%
\$ Adjustment		-\$2,113	-\$2,225	-\$2,600	-\$2,496	\$0
Total Adjustments						
Net % Adjustments		-25.0%	0.0%	-15.0%	-5.0%	0.0%
Net \$ Adjustments		-\$10,563	\$0	-\$7,800	-\$2,496	\$0
Total % Adjustments		25.0%	10.0%	15.0%	15.0%	10.0%
Total \$ Adjustments		\$10,563	\$4,450	\$7,800	\$7,488	\$3,650
Adjusted Price/SF		\$31,688	\$44,500	\$44,200	\$47,424	\$36,500
Adjusted Price Indications			Concluded Value			
Minimum Adjusted Price / Buildable Unit	\$31,688	\$35,000/ Buildable Unit				
Maximum Adjusted Price / Buildable Unit	\$47,424	\$105,000				
Average Adjusted Price / Buildable Unit	\$40,862	\$105,000				

Sale 1 is the only multifamily zoned lot, and it makes up the low end of the range. A value on the lower end of the range was selected. As can be seen, the subject on a per buildable unit basis provides a slightly higher value, but is also more speculative.

Our site valuation on a per square foot basis was relied upon, but the valuation on a buildable unit basis generally supports this indication.

SALES COMPARISON APPROACH

Given that the improvements are located in a historic district they will be difficult to demolish even though they are at the end of their useful life. Therefore, the appraisers have also reviewed sales of properties improved with single family residences also at the end of their useful life. The adjustment grid for the three sales is shown on the next page.

Our explanation of adjustments is shown below:

Site Size – As was shown previously, the value of the underlying land for the subject property was estimated at \$100,000. All of the comparables are smaller single-family lots. The appraisers have estimated the site value for Sales 1 and 2 at \$50,000, and Sale 3 at \$40,000. Sale 3 was estimated at a lesser value due to its smaller size. Therefore, there is a difference in site value from \$50,000 to \$60,000 between the subject and the comparables. However, given that the subject is improved with a single-family residence, it is unlikely that a buyer would value the surplus land on a 1:1 basis. Therefore, the appraisers have made an adjustment of 50% of this amount.

Condition – The subject is considered to be in poor condition. Sales 1 and 2 were also in poor condition, and were considered similar. Sale 3 was in fair condition at the time of sale, according to the listing agent. The appraisers have made a downward 10% adjustment to Sale 3 for condition.

Above Grade Baths – The subject has one bathroom. The comparables all have two bathrooms, and a downward adjustment was made to the comparables.

Gross Living Area – The appraisers have adjusted the comparables by \$10 per square foot for the difference in size with the subject. This is considered reasonable given the condition of the subject.

Car Storage/Outbuildings – The subject has a two car garage, barn, and shed that are all considered to be in poor condition. The appraisers have not provided any allowance for these items. The garage included in Sale 1 was also in poor condition, and no adjustment was made.

The three sales provide an adjusted range from \$79,450 to \$91,730 with an average of \$84,760. The appraisers have selected a value of \$90,000 for the subject property. It is of note that the most recent sale is on the high end of the range.

SALES COMPARISON APPROACH											
ITEM		SUBJECT		COMPARISON 1		COMPARISON 2		COMPARISON 3			
Address		1106 Rhode Island Lawrence, KS 66044		1312 Vermont Lawrence, KS 66044		1028 Rhode Island Lawrence, KS 66044		1109 Connecticut Street Lawrence, KS 66044			
Proximity to Subject											
Data Source/ Verification				County Records MLS: 131762		County Records Buyer		County Records MLS/Selling Agent			
Original List Price		\$		\$ 80,000		\$		\$ 79,900			
Final List Price		\$		\$ 80,000		\$		\$ 79,900			
Sale Price		\$		\$ 80,000		\$ 65,000		\$ 63,000			
Sale Price % of Original List		%		100.0 %		%		78.8 %			
Sale Price % of Final List		%		100.0 %		%		78.8 %			
Closing Date				8/22/2013		8/1/2012		8/9/2012			
Days On Market								31			
Price/Gross Living Area		\$		35.71		\$		33.03			
		\$		49.49		\$		33.03			
		\$		33.03		\$		49.49			
		DESCRIPTION		DESCRIPTION		+(-) Adjustment		DESCRIPTION		+(-) Adjustment	
Financing Type				Cash				Cash			
Concessions				None				None			
Contract Date				8/22/2013				8/1/2012			
Location		Corner Lot		Interior Lot				Interior Lot			
Site Size		11,700 SF(100K)		5,850 SF (50 K)		+25,000		5,850 SF (50 K)		+25,000	
Site Views/Appeal		Res/Govt		Residential				Residential			
Design and Appeal		1 1/2 Story		1 1/2 Story				2 Story			
Quality of Construction		Average		Average				Average			
Age		142 Years		103 Years				102 Years			
Condition		Poor		Poor				Poor			
Above Grade Bedrooms		Bedrooms 2		Bedrooms 5				Bedrooms 4			
Above Grade Baths		Baths 1		Baths 2		-2,500		Baths 2		-2,500	
Gross Living Area		1,163 Sq.Ft.		2,240 Sq.Ft.		-10,770		1,968 Sq.Ft.		-8,050	
Below Grade Area		Partial Basement		Partial				Full Basement			
Below Grade Finish		None		None				None			
Other Area											
Functional Utility		Average		Average				Average			
Heating/Cooling		N/A		FAG/CAC				FAG/CAC			
Car Storage		2-Car Detached		1-car Detached				None			
Outbuildings		Barn/Shed		None				None			
Net Adjustment (total)				<input checked="" type="checkbox"/> + <input type="checkbox"/> -		\$ 11,730		<input checked="" type="checkbox"/> + <input type="checkbox"/> -		\$ 14,450	
Adjusted Sale Price				Net Adj. 14.7%				Net Adj. 22.2%			
				Gross Adj. 47.8%		\$ 91,730		Gross Adj. 54.7%		\$ 79,450	
Prior Transfer History				None in previous year				None in previous year			
Comments and reconciliation of the sales comparison approach:											
Indication of Value by Sales Comparison Approach						\$ 90,000					

RECONCILIATION

Value by All Approaches

In order to estimate the market value of the subject property, the data pertaining to the property has been analyzed by the Cost and Sales Comparison Approaches. The value estimates indicated by the 2 approaches are as follows:

Site Value	\$100,000
Sales Comparison Approach	\$90,000

Final Estimate of Value

Given the condition of the improvements, they are not considered to have any contributory value. However, since the subject is a contributing property in a historic district there is significant risk associated with the property, which can at least somewhat be offset by tax credits. As such, the appraisers have reviewed comparable land sales with a similar highest and best use as if vacant as well as three improved sales that are of the same vintage and similar condition to the subject. One of the sales was still in livable condition, while the other two were not. In fact, this appraisal indicates that the subject would be worth more as vacant than in its current condition due to the subject being a large corner lot with multifamily zoning. The appraisers have selected a value in the middle of the two approaches, as there is at least some possibility that the improvements could be removed.

It is also of note that there was recently an offer on the property for \$90,000.

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

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

Marketing Time and Exposure Period

We believe the concluded market value for the subject property is consistent with an anticipated marketing time of 12 months and exposure period of 12 months or less.

ADDENDA

APPRAISER QUALIFICATIONS
GLOSSARY
AREA DATA
LAND SALES
IMPROVED SALES
CLIENT'S LETTER OF ENGAGEMENT

Keller & Associates, Inc.

APPRAISER QUALIFICATIONS

MATT SPEER

120 E 9th Street, Suite 201

Lawrence, Kansas 66044

Phone: (785) 841-0110 Fax: (785) 841-0148

mspeer@kellerappraisal.com

Real estate appraiser

WORK EXPERIENCE

*Keller & Associates, Lawrence, Kansas, appraiser
since 2009*

EDUCATION

University of Kansas, BS in Business Administration, 2009

Successful Completion of 300 hours of pre-licensure appraisal courses including Basic Appraisal Principles, Basic Appraisal Procedures, National USPAP, Business Practices and Ethics, General Appraiser Sales Comparison Approach, General Appraiser Site Valuation and Cost Approach, General Appraiser Report Writing and Case Studies, General Appraiser Income Approach Parts I and II, General Appraiser Market Analysis and Highest and Best Use, Real Estate Finance Statistics and Valuation Marketing

APPRAISAL EXPERIENCE

*Commercial properties including retail, office, industrial,
and apartments.*

*Land including commercial land, rural/urban development
land, and large acreage tracts.*

*Residential properties including single family and
multi-family properties.*

Before and After Appraisals for Eminent Domain

TIMOTHY J. KELLER, MAI

120 E 9th, Suite 201

Lawrence, Kansas 66044

Phone: (785) 841-0110

Fax: (785) 841-0148

tkeller@kellerappraisal.com

real estate appraiser . consultant
property developer. expert witness. instructor

WORK EXPERIENCE

Keller & Associates, Lawrence, Kansas, appraiser
since 1996

Nunnink & Associates, Westwood, Kansas appraiser
1989-1996

Four Farmers, Miami, Florida general manager
1987-89

Keller Leopold Insurance, Garden City, Kansas controller
1984-87

Koch Industries, Wichita, Kansas accountant for special projects
1982-83

US Department of the Treasury, Comptroller of the
Currency, Kansas City, Missouri financial intern
1978-81

SPECIAL ASSIGNMENTS

Various Kansas Department of Transportation Projects

Various Douglas County Public Work Projects

Various City of Lawrence and Eudora Projects

Douglas County Court Appointed Appraiser

Kansas Supreme Court Appointed Appraiser

Bulk Active Pilot Plant, Kansas

Topeka State Hospital & Grounds, Kansas

Security Benefit Tower, Kansas

Regional shopping malls in Kansas, Missouri, Colorado,

Indiana, Florida, Texas, Nevada, South Carolina,

Montana, Ohio, Virginia, and Maryland

Industrial parks in Kansas, Missouri, Colorado

Shopping centers in Kansas, Missouri and Illinois

Office towers in Kansas, Ohio, Nebraska and Missouri

Big Box Retailers in Kansas, Missouri, Michigan and Maryland

PROFESSIONAL DESIGNATIONS/CERTIFICATIONS

Member of the Appraisal Institute (MAI 10473)
Certified General Real Property Appraiser, Kansas (G-911); Missouri (RA 002814);
Successful completion, Certified Public Accountant Examination, 1984

EDUCATION

University of Notre Dame, MBA, 1984
Fort Hays State University, BS in Accounting, cum laude, 1982

CIVIC GROUPS

Kansas Real Estate Appraisal Board, former board member and former chair
Greater Kansas City Chapter, Appraisal Institute,
past chapter president, past board chair
Wakarusa Valley Development, Inc.,
current board member
Sertoma Club of Lawrence,
past president, past board chair
Leadership Northeast Johnson County,
past board member
Fort Hays State Alumni Association
University of Notre Dame Alumni Association

Keller & Associates, Inc.

GLOSSARY

GLOSSARY

Unless otherwise noted, the following definitions are taken from The Dictionary of Real Estate Appraisal, Fifth Edition, published by the Appraisal Institute in 2010.

Appraisal

The act or process of developing an opinion of value; an opinion of value. (p. 10)

Depreciation

In appraising, the loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date. (p. 56)

Exposure Time

Estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP)

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. (USPAP)

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (p. 78)

Furniture, Fixtures and Equipment (FF&E)

The movable property of a business enterprise not classified as stock or inventory or leasehold improvements; frequently found in the ownership of hotels or motels, restaurants, assisted-living facilities, service stations, car washes, greenhouses and nurseries, and other service-intensive properties. Furniture, fixtures, and equipment frequently wears out much more rapidly than other components of those properties.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternately, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value. (p. 93)

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis. (USPAP)

Investment Value

The value of a property interest to a particular investor or class of investors based on the investors specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (p. 105)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e. a lease) held by a landlord with the rights of use and occupancy conveyed by lease to others. (p. 111)

Leasehold Interest

The tenant's possessory interest created by a lease. (p. 112)

Liquidation Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (p. 115-116)

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 or the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) (p. 121)

Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (p. 123)

Neighborhood

A group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises. (p. 133)

Replacement Cost

The estimated cost to construct, at current prices, as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (p. 168)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (p. 169)

Use Value

In real estate appraisal, the value a specific property has for a specific use; may be the highest and best use of the property or some other use specified as a condition of the appraisal. (p. 204)

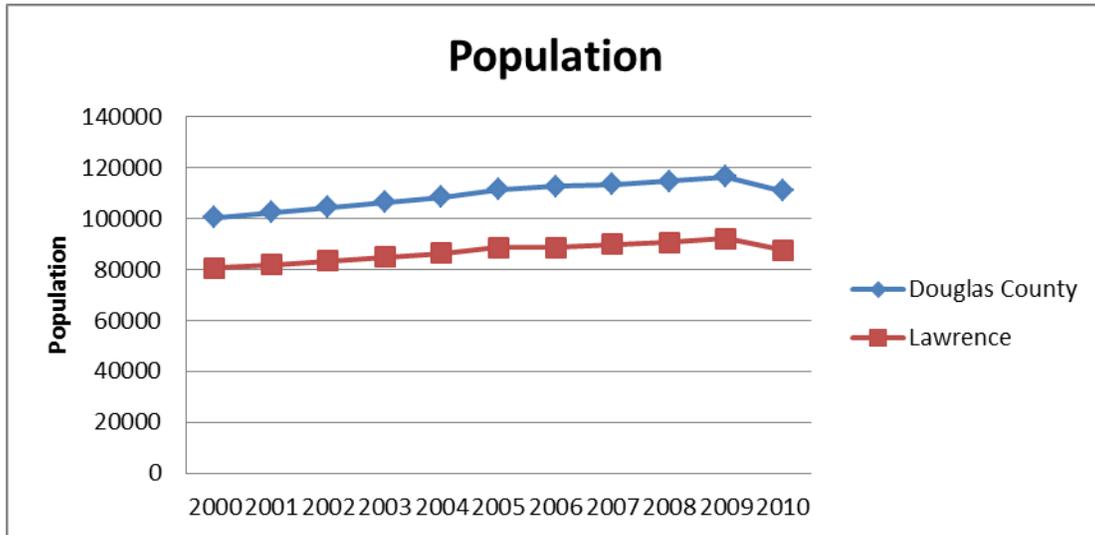
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AREA DATA

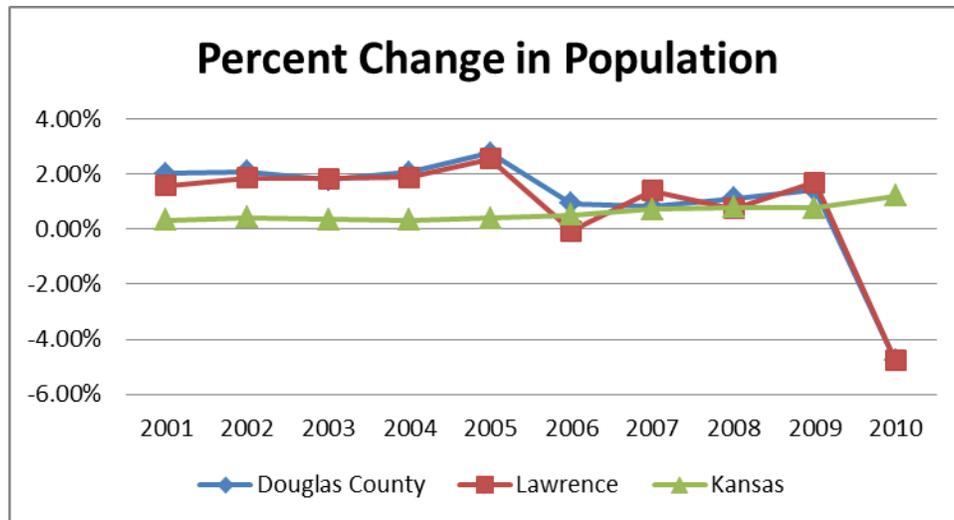
Area Defined

The subject is located in Lawrence, in northeastern Kansas. Lawrence is the county seat of Douglas County and is situated 40 miles west of Kansas City and 25 miles east of Topeka.

Demographics



Source: 2010 U.S. Census



Source: 2010 U.S. Census

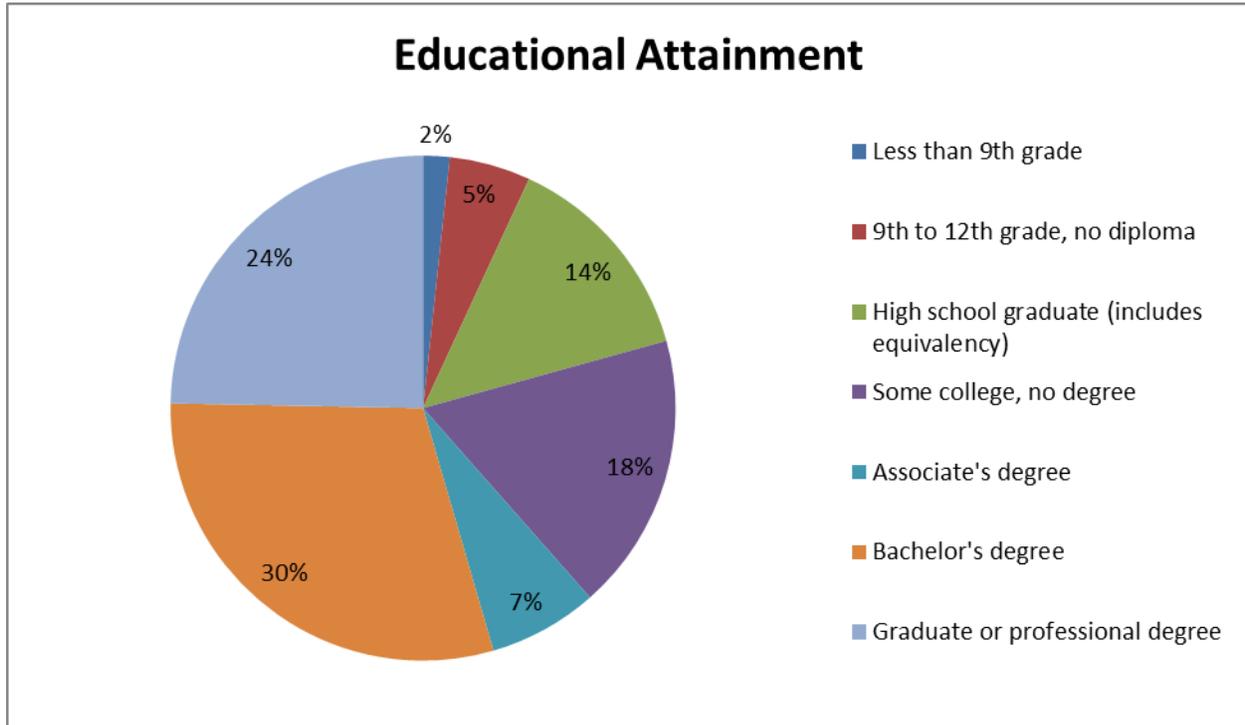
Since 2000 the city population has increased by 7,135 persons. Douglas County has grown at a similar rate as can be seen in the population graph. Population growth for the City of Lawrence has averaged 0.87% over the time period. Comparably, Douglas County has averaged 1.02% growth and Kansas has averaged 0.58% growth. The sharp decline in population from 2009 to 2010 can be attributed to the release of the more accurate figures from the 2010 census.

Education

Lawrence is home to two universities: The University of Kansas and Haskell Indian Nations University. Approximately 25,500 +/- students attend KU's main campus in Lawrence. The University offers degrees in Liberal Arts and Sciences, Architecture, Business Administration, Education, Engineering, Fine Arts, Journalism and Mass Communication, Law and Pharmacy.

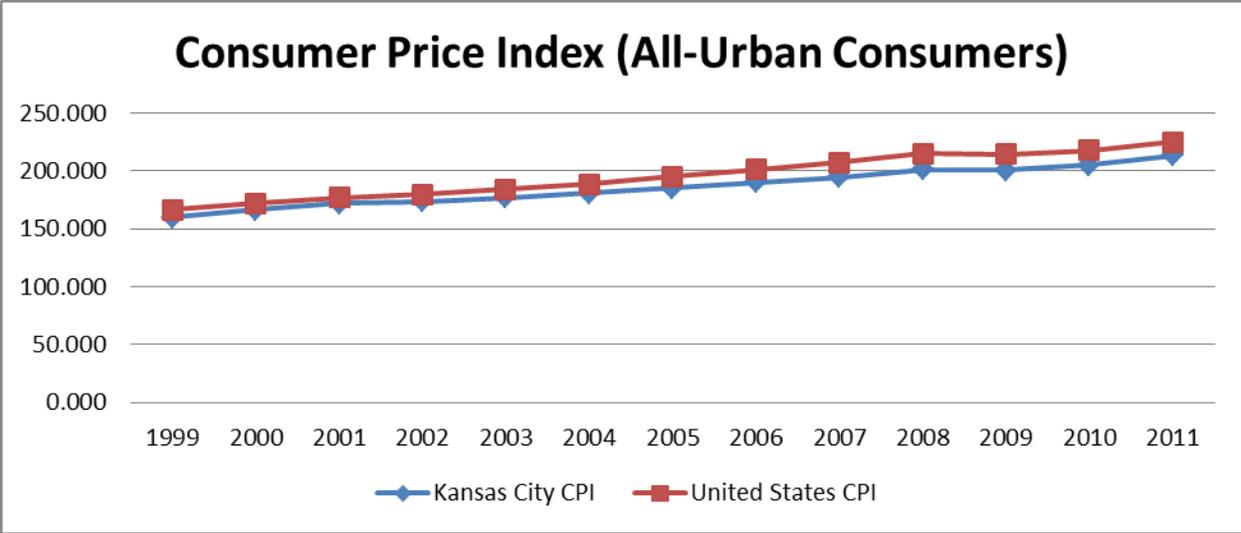
Haskell Indian Nations University (1,000 students) is the nation's only tribal inter-tribal university for Native Americans. Haskell's students represent more than 150 tribes from all across the country. The Haskell Indian Nations University derives much of its support from the federal government. Additionally, Baker University, a private institution, is located in Baldwin City, in southern Douglas County, and has an enrollment of approximately 2,000 students.

Lawrence Public School District No. 497, accredited by the North Central Accreditation Association, includes 18 elementary schools, four junior highs and two high schools. Like most communities, the district is dealing with significant funding issues.

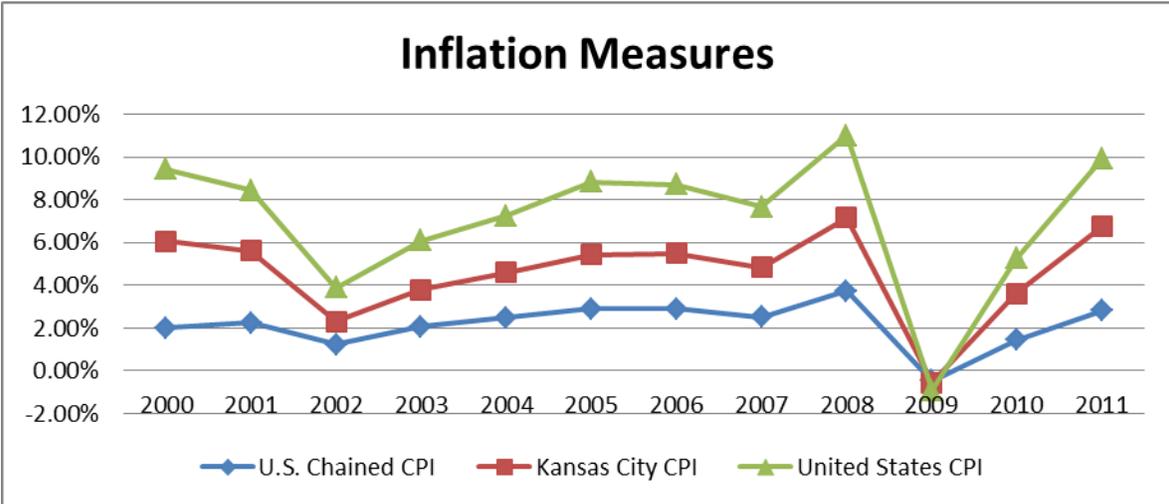


Educational attainment for Lawrence is substantially higher than the rest of the state. The percentage of residents that have completed a 4-year degree or more is 55% in Lawrence. State and national percentages are under 30%.

Income and Expenses



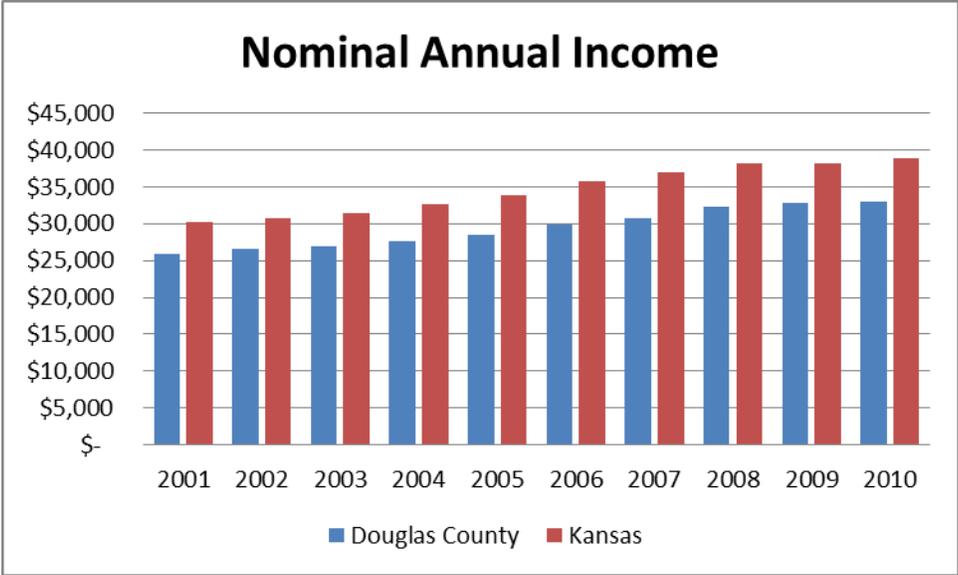
Source: Bureau of Labor Statistics



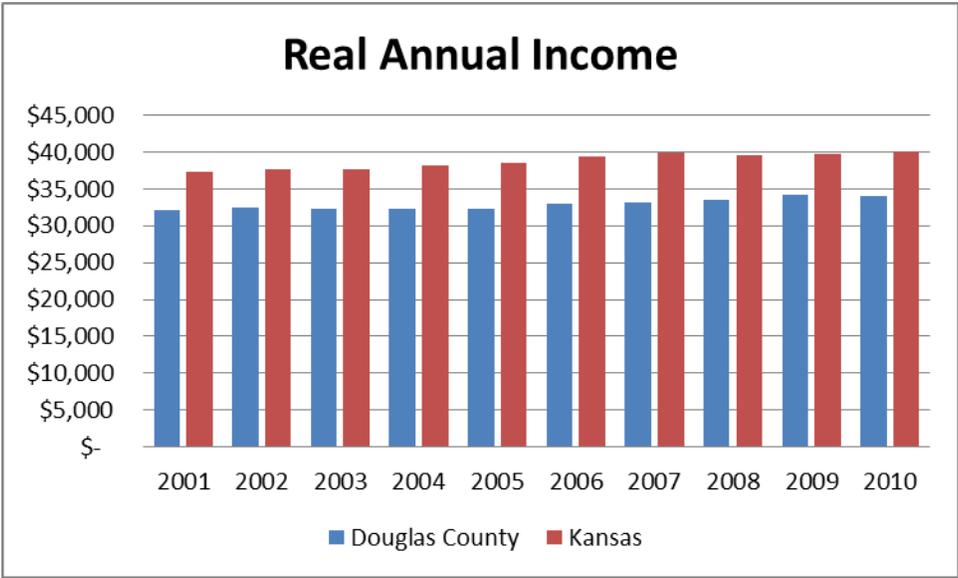
Source: Bureau of Labor Statistics

In 2009, the nation and the Kansas City area experienced slight deflation for the first time in decades, with Kansas City experiencing deflation of 0.1% and the nation 0.3%. However, the economy rebounded in 2010, with inflation of approximately 2%. In 2011 inflation continued to rise to 3.9% for the KC Metro and 4.4% for the nation.

The nominal annual income for Douglas County in 2010 was \$33,062. Douglas County's income is 15.11% less than the nominal annual income for the State. The difference is also shown when comparing real annual income, which accounts for the effects of inflation. Since 2001, the average annual growth rate for Douglas County has been 0.64% compared to a statewide average of 0.78%. It should be noted that Douglas County is low due in part to the disproportionate number of college students.

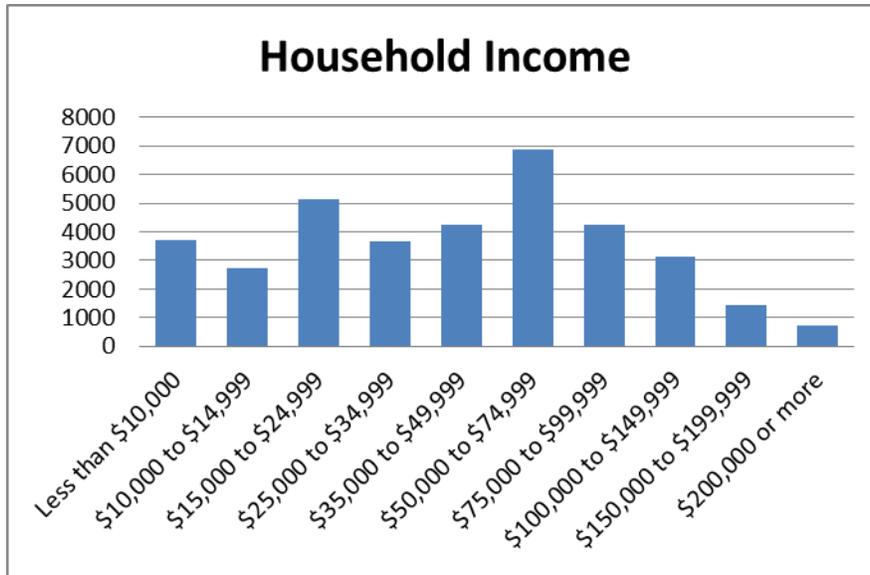


Source: Bureau of Labor Statistics



Source: Bureau of Labor Statistics, calculations made by Keller & Associates

Income and benefits in Lawrence have a typical distribution, with the exception of the lower income range. A more substantial proportion of households have incomes below \$25,000. Thirty-two percent of households in Lawrence have incomes below \$25,000. This is higher than the state percentage of 25%. The majority of households have incomes between \$25,000 and \$100,000. Lawrence averages 53.01% in this range while the state reports 59%



Source: 2010 American Community Survey

The cost of living in Lawrence is below that of other Midwestern cities. In addition, Lawrence ranks favorably when compared to Kansas City. However, Topeka is relatively less expensive to live in. This discrepancy is due mainly to housing costs.

ACCRA Cost of Living Index 2011 Annual Average: A sampling of Midwest cities	
Chicago, IL	114.7
Denver, CO	105
Kansas City, MO-KS Metro	99.4
Dallas, TX	96.2
Little Rock, AR	95.78
Lawrence, KS	95
Manhattan, KS	94.2
Topeka, KS	93.3
Des Moines, IA	91.2
Oklahoma City, OK	90.5
Columbis, OH	90.3
Houston, TX	89.8
Springfield, MO	88.8
Omaha, NE	88.5

Source: Greater Topeka Chamber of Commerce

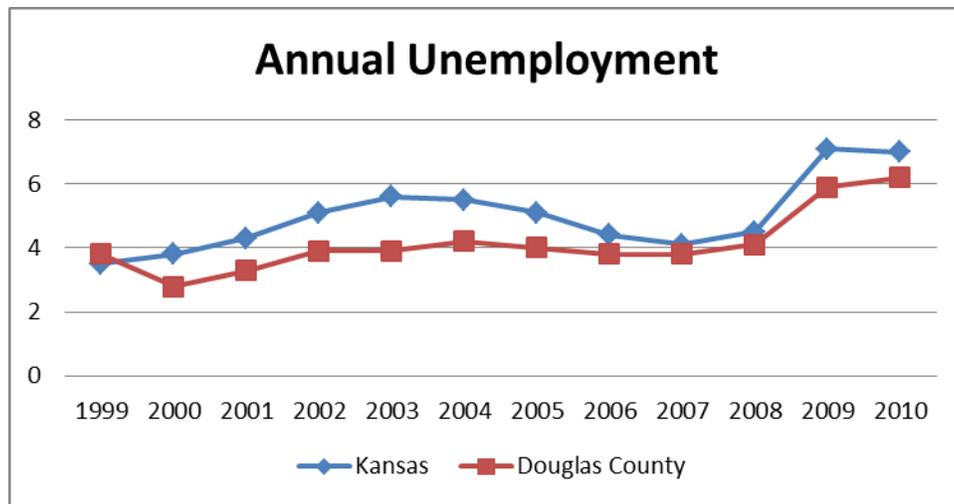
Cultural Attractions

Recreational facilities are abundant in the city and include Clinton Reservoir located four miles southwest of the Lawrence city limits. Clinton Lake consists of approximately 7,000 acres of water with six public recreational areas including a marina, camping and swimming areas. Lake Perry is a 12,000-acre lake located 15 miles northwest of Lawrence.

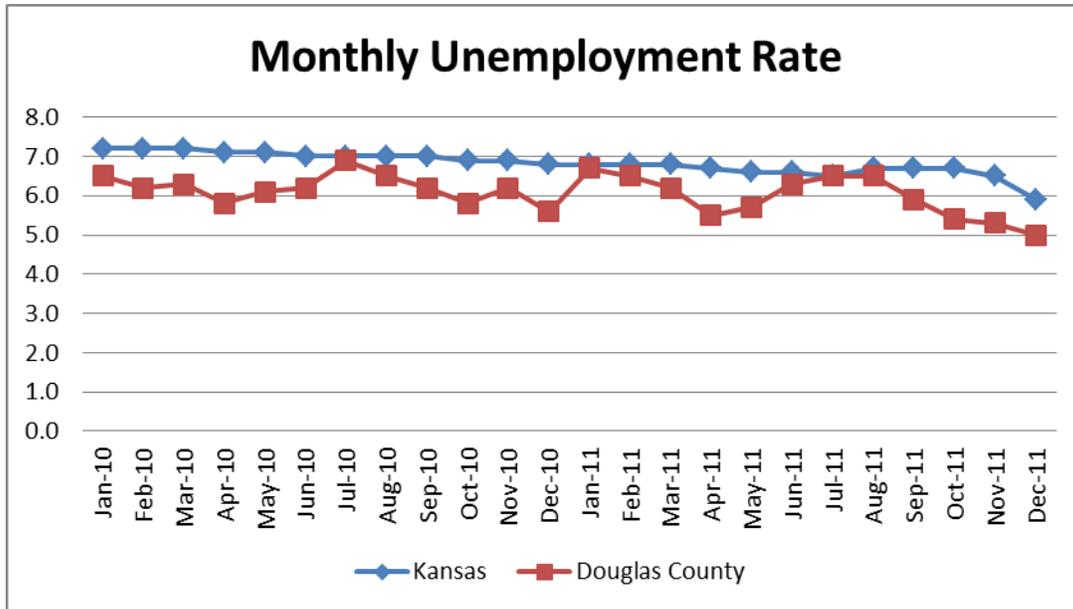
Golf is a favorite pastime among some Lawrence residents. Thirty-six holes are available to two local country clubs. Another 45 holes are available at courses open to the public. A wide variety of spectator sports are also available in Lawrence. Sporting events at KU, Haskell and the Lawrence high schools are popular attractions. Kansas University basketball ranks in the nation in all-time victories.

Lawrence has many cultural advantages due to the University as well as to its proximity to Kansas City. Among the cultural events scheduled each year are the KU Concert Series, KU Chamber of Music Series and the University Theater Series. The University also sponsors several lectures each year from prominent persons. A \$12 million Performing Arts Center of the University of Kansas was constructed in 1990. A new downtown \$7 million Art Center was opened in 2002. Eight local museums are available, including the nationally recognized Dyche Museum of Natural History and the Spencer Art Museum. An expansion of the Lawrence Public Library has been approved by voters to expand the library by 20,000 square feet. The project also includes a parking garage.

Employment and Industry



Source: Bureau of Labor Statistics



Unemployment in Douglas County has trended below Kansas unemployment rate for most of the eleven-year period shown. Annual unemployment jumped in 2010 to 6.2, continuing an upward trend as the nation and region were hit by a recession. Monthly unemployment in Lawrence topped out at 6.8% in July of 2010. The State topped out at 7.2% in January of 2012.

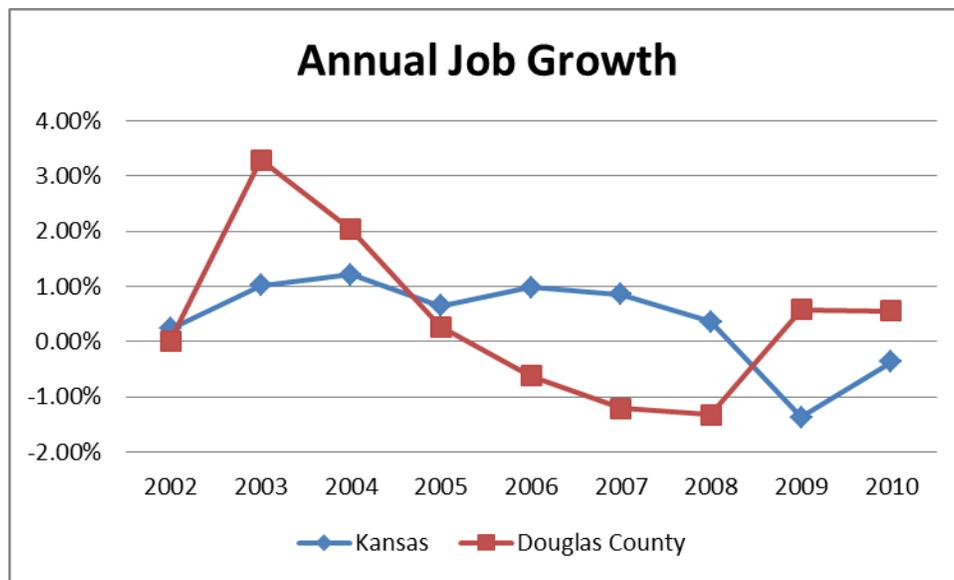
Industry	Employed	% Employed
Agriculture, forestry, fishing and hunting, and mining	188	0.4%
Construction	1,907	3.8%
Manufacturing	3,386	6.8%
Wholesale trade	367	0.7%
Retail trade	6,199	12.5%
Transportation and warehousing, and utilities	1,143	2.3%
Information	1,096	2.2%
Finance and insurance, and real estate and rental and leasing	2,506	5.0%
Professional, scientific, and management, and administrative and waste management services	4,745	9.5%
Educational services, and health care and social assistance	18,612	37.4%
Arts, entertainment, and recreation, and accommodation and food services	5,822	11.7%
Other services, except public administration	2,295	4.6%
Public administration	1,476	3.0%

Source: 2010 American Community Survey

10 Largest Employers in Lawrence, KS		
Company	Description	# of Employees
The University of Kansas	Education	9,872
Lawrence Public Schools	Education	1,634
Vangeant	Information Services	1,500
City of Lawrence	Government	1,020
Lawrence Memorial Hospital	Medical	1,279
Berry Plastics	Manufacturer	739
Hallmark Cards, Inc.	Manufacturer	510
Amarr Garage Doors	Manufacturer	497
Baker University	Education	496
Douglas County	Government	396

Source: Lawrence Chamber of Commerce

Employment by industry in Lawrence is dominated by the educational, health care and social service industries. The University of Kansas employs 9,872 people and three more of the top ten employers fall within this industry group.



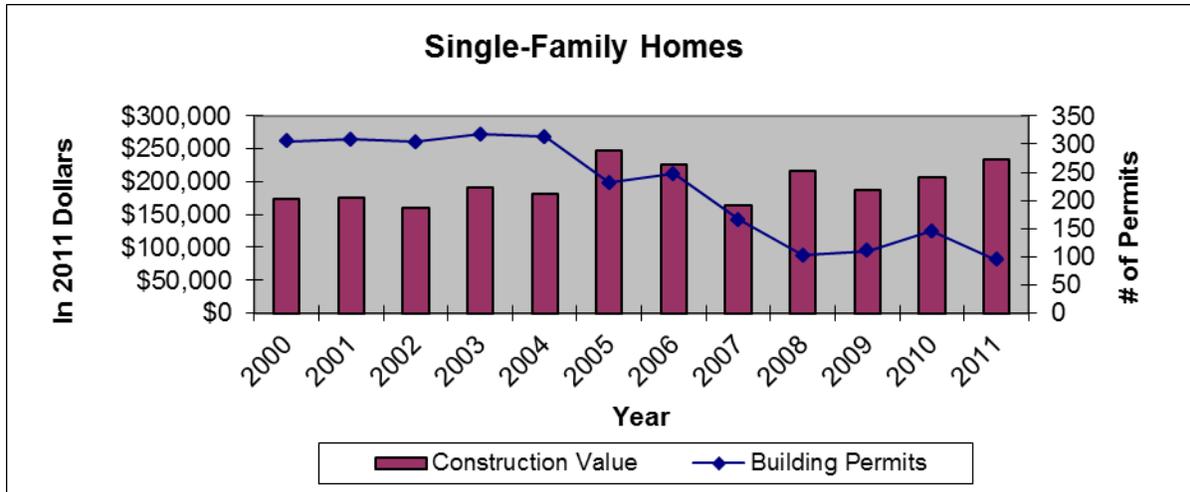
Source: Bureau of Labor Statistics

As shown in the chart above, job growth was positive until 2005, it has been decreasing with a moderate gain in 2010. In 2010, Douglas County employed 59,394 people. The average growth of 0.40% per year in Douglas County matches the rate of the State for the time period shown.

Residential Market

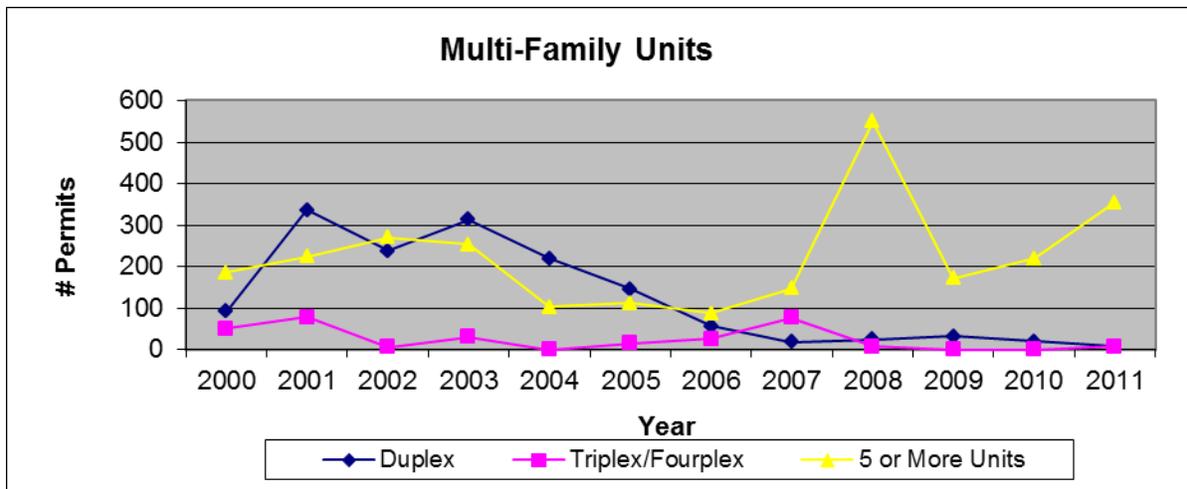
Demand for residential building permits in the City of Lawrence has decreased dramatically since 2006. In 2010 a modest recovery was shown but the number of permits issued dropped again in 2011. From 1999-2005 building permit demand averaged over 300 permits issued per year, since 2005 demand has averaged about 144 permits

issued per year. The cost of constructing new homes has varied over the twelve-year period, but has shown an upward progression. The cost of construction averaged \$169,000 in 2000 and averaged \$200,000 in 2011. The overall residential market is depressed, and there is currently a supply of vacant lots of 5 years +/- based on average annual sales. The discount for bulk lot sales has been increasing.



Source: City of Lawrence Planning Department

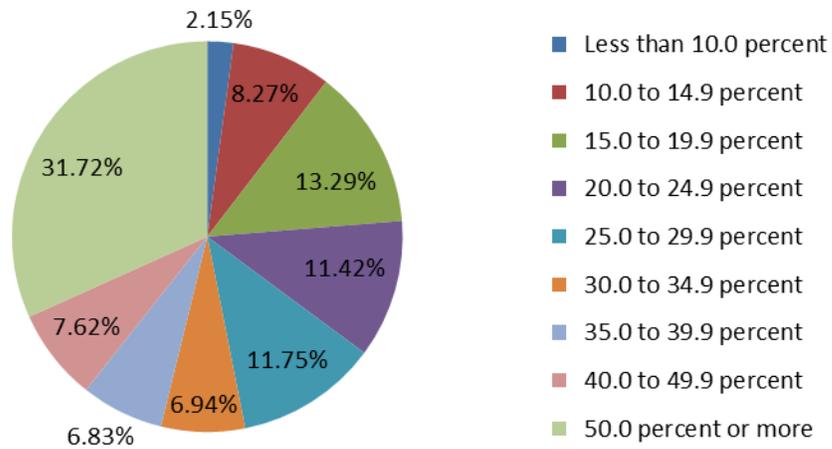
The supply of new multi-family units in Lawrence has fluctuated over the twelve-year period. Since 2003, the supply of new units has decreased precipitously, but in 2008, multiple large complexes were built. The multi-family market is the apartment market, and a recent survey conducted by our firm suggests apartment vacancy rates to be around 8%.



Source: City of Lawrence Planning Department

The median gross monthly rent paid in Lawrence is \$810. 58% of residents pay between \$500 and \$999 per month, but the majority of rent is in the \$700 to \$999 range. For 46% of households, monthly rent consumed 35% or more of their monthly income. This number is substantially higher for Lawrence than other areas throughout Kansas and is most likely due to the high student population.

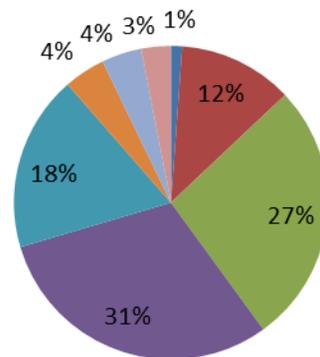
Gross Rent as a percentage of Household Income



Source: 2010 American Community Survey

Gross Monthly Rent

■ Below \$250
 ■ \$250 to \$499
 ■ \$500 to \$749
 ■ \$750 to \$999
■ \$1,000 to \$1249
 ■ \$1,250 to \$1,499
 ■ \$1500 to \$1999
 ■ \$2,000 or more



Source: 2010 American Community Survey

Retail Market

Vacancy decreased in 2011 about 0.7% to 4.6%, and remains at a healthy level. Retail sales were up 4.75% from 2010 to 2011 but are well below the 2008 numbers. The overall pull factor for the community is 1.07. This is up from

the 0.99 pull factor in 2009 and the 1.02 pull factor in 2010. The newest retail development has occurred on West 6th Street, which includes a Wal-Mart, CVS Pharmacy, Burger King, Taco Bell, a car wash, and a small strip center.

Office Market

The office market is flat at this time. Vacancy rates decreased slightly to 10.6% in 2011 down from 10.9% in 2010. A new 20,000 square foot research facility was completed on Kansas University's West Campus. This \$7.25 million facility was funded by the City of Lawrence, Douglas County, the Kansas Bioscience Authority, KU, and the Kansas University Endowment. This building is designed for up to 12 separate laboratory spaces plus additional office space for start-up bioscience companies. This facility will allow the City of Lawrence to be more aggressive in recruiting start-up bioscience companies. It is expected to bring up to 1,000 jobs to the area. The City of Lawrence and Douglas County also purchased a 20,000 square foot research building in West Lawrence, known as West Labs. This building is owned by the City/Council and leased to growing bioscience companies.

Industrial Market

The industrial market has been stable with little change over the last decade. Vacancy has dropped to 6.18% down from 8.05% in 2010. The spike in 2010 was primarily due to the closing of Sauer Danfoss and the closing of Vanguard. It has since been partially offset by Plastikon purchasing a 42,000 square foot facility in the same business park.

Alternative industrial sites are emerging for future industrial expansion. For example, a preliminary 160-acre development near the K-10 Bypass and I-70 was approved by city/county officials, along with a 51-acre site just to the southeast. However, no sewers are available at either site. Also, after several years of consideration, the City of Lawrence has acquired the nearly 467-acre Former Farmland Fertilizer Plant, and is in the process of cleaning up the site. Again, access to I-70 will need to be improved to attract larger industrial users. Berry Plastics is in the process of building a 675,000 square foot warehouse on a 60-acre site 1.5 miles west of the Lecompton interchange on the Farmers Turnpike. County Commissioners have granted a tax abatement of 90% for ten years as part of this project. This will be the largest single structure in Douglas County.

Conclusion of Area Analysis

The Lawrence area has seen slow but steady growth over the last twenty years. Growth rates have averaged just under 1% per year. However, the last two years reveal slower growth and the most recent census reported a decline in the population. The presence of the University of Kansas has contributed to a stable, low unemployment rate and a highly educated population. Also, cultural attractions are abundant for a city the size of Lawrence.

Lawrence has a medium cost of living compared to other cities in Kansas. Relatively high housing costs have propelled Lawrence into this medium range. The housing market experienced high levels of new construction for both multi-family and single-family units from 1999 through 2006. Single-family construction remains well below the high of 2006. Multi-family construction has experienced recent increases but continues to stay well below the substantial number of units built in 2008.

Lawrence residents have relatively lower incomes than many residents do in the state. This statistic is misleading, especially when examining the distribution of family incomes in Lawrence. Incomes have remained stable against the state in recent years and average real income growth is equivalent to the state's real income growth over the last decade. Job growth in Lawrence has exceeded annual job growth for the State. The construction of the new

Bioscience Center on KU's campus, the City's acquisition of West Labs, and the acquisition of the former Farmland Fertilizer Plant could lead to increased job growth in Lawrence in the future.

Keller & Associates, Inc.

LAND SALES

Land Sale No. 1



Location

Property ID	306721	State	Kansas
Property Name	Vacant Lot	Zip Code	66045
Address	1700 Tennessee	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Multi-Family Land
County	Douglas		
Legal Description	SOUTH LAWRENCE DESCRIPTIONS BEG 40 FT S OF SW COR LT 6 BLK 7BABCOCK'S ADD S 50 FT E 117 FTN 50 FT W 117 FT TO BEG		

Land

Tax Parcel Number	023-103-06-0-20-18-002.00-0		
Land Acres	0.13430	Number of Lots	1
Land Sq Ft	5,850	Primary Frontage (Feet)	50.00
Primary Frontage Description	50' on Tennessee and 115' on 17th Street		
Zoning Code	RM-32	Drainage	Adequate
Zoning Description	MultiFamily	In Flood Plain?	No
Access	Adequate	Flood Area %	.00%
Shape	Rectangular	Utilities Description	All available
Topography	Level		

Building

Density (Units/Acre)	14.89	Proposed No. of Units	2
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Building Finish

Additional Building Info	A duplex was subsequently built on site.
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Sale Transaction

Sale Status	Recorded	Book/Page	1060/464
Seller	Carl & Mary Maurer	Recording Number	55200
Buyer	William & Brenda Shulteis	Sale Confirmed By	County Records/Seller
Sale Date	03-24-2010	Sale ID	57402
Sale Price	\$84,500		
Sale Remarks	Property was improved with house, but house caught on fire in Winter 2009. Building was then razed and land sold as vacant lot.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$84,500
Percent Conveyed	100%		

Adjusted Price Indices

Adj Price per Proposed Unit	\$42,250	Adjusted Price per FF	\$1,690.00
Adjusted Price/Acre	\$629,188	Adjusted Price per Lot	\$84,500
Adjusted Price/SF of Land	\$14.44		

Land Sale No. 1

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$42,250	Unadjusted Price/FF	\$1,690.00
Unadjusted Price/Acre	\$629,188	Unadjusted Price/Lot	\$84,500
Unadjusted Price/SF Land	\$14.44		

Land Sale No. 2



Location

Property ID	609028	State	Kansas
Property Name	Single Family Lot	Zip Code	66044
Address	942 Pennsylvania	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	Pennsylvania Street Lot 58		

Land

Tax Parcel Number	023-079-31-0-10-18-008.00-0		
Land Acres	0.13430	Number of Lots	1
Land Sq Ft	5,850	Primary Frontage (Feet)	50.00
Usable Land Percent	.0%		
Primary Frontage Description	along east side of Pennsylvania Street		
Zoning Code	RS5	Drainage	appears adequate
Zoning Description	Single Family	Parcel Type	Interior
Shape	Rectangular	In Flood Plain?	No
Topography	Level	Flood Area %	.00%
Grade	above grade	Utilities Description	All Available

Building

Density (Units/Acre)	7.45	Proposed No. of Units	1
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Sale Transaction

Sale Status	Recorded	Conveyance Document Type	Warranty Deed
Seller	John L. Curry	Book/Page	1093/482
Buyer	Prairie Hearth, LLC	Recording Number	059666
Sale Date	09-19-2012	Sale Confirmed By	Matt Speer
Recording Date	10-05-2012	Sale Confirmed With	County Records/MLS#128106
Sale Price	\$44,500	Sale ID	60799
Sale History	The property has not sold in the previous three years.		
Sale Remarks	The property was improved with a 1.5 story SF residence in poor condition at the time of sale. The improvements were removed subsequent to the sale, and a new building permit was issued on November 29, 2012 for the buyers.		

Analysis

Property Rights Conveyed	Fee Simple	Conditions of Sale Adj Source	Demolition of Improvements
Conditions of Sale Adj \$	\$5,000	Adjusted Sale Price	\$49,500

Adjusted Price Indices

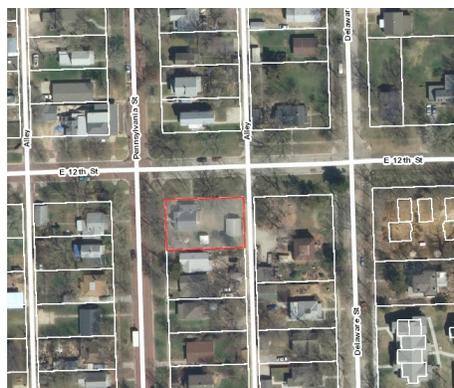
Adj Price per Proposed Unit	\$49,500	Adjusted Price per FF	\$990.00
Adjusted Price/Acre	\$368,583	Adjusted Price per Lot	\$49,500
Adjusted Price/SF of Land	\$8.46		

Land Sale No. 2

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$44,500	Unadjusted Price/FF	\$890.00
Unadjusted Price/Acre	\$331,353	Unadjusted Price/Lot	\$44,500
Unadjusted Price/SF Land	\$7.61		

Land Sale No. 3



Location

Property ID	609029	State	Kansas
Property Name	Residential Lot	Zip Code	66044
Address	1200 Pennsylvania	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	Lot 110 & N 1/2 of Lot 112, Pennsylvania Street		

Land

Tax Parcel Number	023-079-31-0-40-13-002.00-0		
Land Acres	0.20145	Number of Lots	1
Land Sq Ft	8,775	Primary Frontage (Feet)	117.00
Usable Land Percent	.0%	Secondary Frontage (Feet)	75.00
Primary Frontage Description	117' along E 12th Street and 75' along Pennsylvania Street		
Zoning Code	RS5	Parcel Type	Corner
Zoning Description	Single Family	In Flood Plain?	No
Shape	Rectangular	Flood Area %	.00%
Topography	Level	Utilities Description	All Available
Grade	at grade		

Building

Density (Units/Acre)	4.96	Proposed No. of Units	1
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Building Finish

Additional Building Info	The improvements were removed from the site in 2010.		
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Sale Transaction

Sale Status	Recorded	Book/Page	1096/3029
Seller	Ryan Ward	Recording Number	060022
Buyer	Prairie Hearth, LLC	Sale Confirmed By	Matt Speer
Sale Date	12-27-2012	Sale Confirmed With	County Records
Recording Date	12-27-2012	Sale ID	60800
Sale Price	\$52,000		
Financing Description	All Cash		
Sale History	The property previously sold on 6/22/2012 for \$38,000. The county shows this as a valid sale.		
Sale Remarks	According to SVQ, the property was openly marketed.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$52,000
Percent Conveyed	100%		

Land Sale No. 3

Adjusted Price Indices

Adj Price per Proposed Unit	\$52,000	Adjusted Price per FF	\$444.44
Adjusted Price/Acre	\$258,134	Adjusted Price per Lot	\$52,000
Adjusted Price/SF of Land	\$5.93		

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$52,000	Unadjusted Price/FF	\$444.44
Unadjusted Price/Acre	\$258,134	Unadjusted Price/Lot	\$52,000
Unadjusted Price/SF Land	\$5.93		

Land Sale No. 4



Location

Property ID	609030	State	Kansas
Property Name	Single Family Lot	Zip Code	66044
Address	929 Delaware	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	Lower East Side Addition Lot 2		

Land

Tax Parcel Number	023-079-31-0-10-18-012.01-0		
Land Acres	0.10053	Number of Lots	1
Land Sq Ft	4,379	Primary Frontage (Feet)	37.40
Usable Land Percent	.0%		
Primary Frontage Description	along the west side of Delaware Street		
Zoning Code	RS5	Drainage	appears adequate
Zoning Description	Single Family	In Flood Plain?	No
Shape	Rectangular	Flood Area %	.00%
Topography	Level	Utilities Description	All Available
Grade	above grade		

Building

Density (Units/Acre)	9.95	Proposed No. of Units	1
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Sale Transaction

Sale Status	Recorded	Book/Page	1093/2744
Seller	Struct/Restruct, LLC	Recording Number	059709
Buyer	Ann Kuckleman Cobb	Sale Confirmed By	Matt Speer
Sale Date	10-12-2012	Sale Confirmed With	County Records
Sale Price	\$49,920	Sale ID	60801
Conveyance Document Type	Warranty Deed		
Sale History	The property previously sold in 6/2008 for \$47,366		
Sale Remarks	According to the SVQ the property was openly marketed.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$49,920
Percent Conveyed	100%		

Adjusted Price Indices

Adj Price per Proposed Unit	\$49,920	Adjusted Price per FF	\$1,334.76
Adjusted Price/Acre	\$496,578	Adjusted Price per Lot	\$49,920
Adjusted Price/SF of Land	\$11.40		

Land Sale No. 4

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$49,920	Unadjusted Price/FF	\$1,334.76
Unadjusted Price/Acre	\$496,578	Unadjusted Price/Lot	\$49,920
Unadjusted Price/SF Land	\$11.40		

Land Sale No. 5



Location

Property ID	609031	State	Kansas
Property Name	Double Single Family Lot	Zip Code	66044
Address	1230 New York Street	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Residential (Single-Family) Land
County	Douglas		
Legal Description	New York Street Lots 156 & 158		

Land

Tax Parcel Number	023-079-31-0-40-11-010.00-0		
Land Acres	0.26859	Number of Lots	1
Land Sq Ft	11,700	Primary Frontage (Feet)	100.00
Usable Land Percent	.0%		
Primary Frontage Description	along the east side of New York		
Zoning Code	RS5	Drainage	appears adequate
Zoning Description	Single Family	Parcel Type	Interior
Shape	Rectangular	In Flood Plain?	No
Topography	Level	Flood Area %	.00%
Grade	above grade	Utilities Description	All Available

Building

Density (Units/Acre)	7.45	Proposed No. of Units	2
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Building Finish

Additional Building Info	The improvements were removed in 2007 according to a demolition permit filed. However a small shed is still located on the property. It is not considered to have any contributory value.
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Sale Transaction

Sale Status	Recorded	Book/Page	1098/3873
Seller	Felipe DeJesus Del Compo	Recording Number	060204
Buyer	Prairie Hearth, LLC	Sale Confirmed By	Matt Speer
Sale Date	02-15-2013	Sale Confirmed With	County Records
Recording Date	02-15-2013	Sale ID	60802
Sale Price	\$73,000		
Sale History	The property was previously sold in 6/2010 for \$20,000. The county shows this as not-open market		
Sale Remarks	According to the SVQ this was an openly marketed transaction.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$73,000
Percent Conveyed	100%		

Land Sale No. 5

Adjusted Price Indices

Adj Price per Proposed Unit	\$36,500	Adjusted Price per FF	\$730.00
Adjusted Price/Acre	\$271,785	Adjusted Price per Lot	\$73,000
Adjusted Price/SF of Land	\$6.24		

UnAdjusted Price Indices

Unadjusted Price/Proposed Unit	\$36,500	Unadjusted Price/FF	\$730.00
Unadjusted Price/Acre	\$271,785	Unadjusted Price/Lot	\$73,000
Unadjusted Price/SF Land	\$6.24		

Keller & Associates, Inc.

IMPROVED SALES

Multifamily Sale No. 1



Location

Property ID	609823	State	Kansas
Property Name	House in Poor Condition	Zip Code	66044
Address	1312 Vermont	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Single Family Home
County	Douglas		
Legal Description	Vermont Street Lot 172		

Land

Tax Parcel Number	023-079-31-0-30-29-004.00-0		
Land Acres	0.13430	Floor to Area Ratio	0.38
Land Sq Ft	5,850	Usable Land Percent	.0%
Land to Building Ratio	2.61	Primary Frontage (Feet)	50.00
Usable Land to Building Ratio	.00		
Primary Frontage Description	There is 50' of frontage along Vermont Street		
Zoning Code	RM32	Grade	at grade
Zoning Description	Multifamily, 32 units per acre	Drainage	Appears adequate
Access	There is access from Vermont Street as well as a rear alley.	In Flood Plain?	No
Shape	Rectangular	Flood Area %	.00%
Topography	Level	Utilities Description	All Available

Building

GBA	2,240	Year Built	1910
GBA Source	County Records	Number of Stories	2
Rentable Area	2,240	Number of Units	1
Efficiency (RA/GBA)	100.00%	Office Area SF	0
Density (Units/Acre)	7.45	Average Unit SF	2,240

Building Finish

Construction Quality	Average	Exterior Walls	Vinyl Siding
Construction Class	D - Wood Frame	Roof Type	Pitched
Building Condition	Poor	Roof Material	Composition shingle
Additional Building Info	The property is considered to be in poor condition, and has reportedly been vacant for several years. There is also a detached one car garage.		

Multifamily Sale No. 1

Sale Transaction

Sale Status	Recorded	Book/Page	1106/3607
Seller	Libuse Kriz-Fiorito Historical Foundation	Recording Number	061556
Buyer	Gordon W. Sailors Living Trust and Paula C. Kellogg Living Trust	Sale Confirmed By	Matt Speer
Sale Date	08-22-2013	Sale Confirmed With	County Records/MLS#131762
Sale Price	\$80,000	Sale ID	61387
Sale Remarks	The buyer plans to remodel the property with the help of tax credits. Demolishing the improvements would be difficult since the property is a contributing property to a historic district.		

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$80,000
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Cost Analysis

Land Value Per SF	\$.00	Improvements Value Per Acre	\$0
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Adjusted Price Indices

Adjusted Price/SF of GBA	\$35.71	Adjusted Price/Acre	\$595,690
Adjusted Price/SF of RA	\$35.71	Adjusted Price/SF of Land	\$13.68
Adjusted Price/Unit	\$80,000	Adjusted Price per FF	\$1,600.00

UnAdjusted Price Indices

Unadjusted Price/SF of GBA	\$35.71	Unadjusted Price/Acre	\$595,690
Unadjusted Price/SF of RA	\$35.71	Unadjusted Price/SF Land	\$13.68
Unadjusted Price/Unit	\$80,000	Unadjusted Price/FF	\$1,600.00

Multifamily Sale No. 2



Location

Property ID	609824	State	Kansas
Property Name	Single Family House	Zip Code	66044
Address	1028 Rhode Island	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Single Family Home
County	Douglas		
Legal Description	RHODE ISLAND STREET LT 108		

Land

Tax Parcel Number	023-079-31-0-20-32-008.00-0		
Land Acres	0.13430	Floor to Area Ratio	0.34
Land Sq Ft	5,850	Usable Land Percent	.0%
Land to Building Ratio	2.97	Primary Frontage (Feet)	50.00
Usable Land to Building Ratio	.00		
Primary Frontage Description	Rhode Island		
Zoning Code	RM12	Grade	at grade
Zoning Description	MF	In Flood Plain?	No
Access	City Street	Flood Area %	.00%
Shape	Rectangular	Utilities Description	All
Topography	Level		

Building

GBA	1,968	Year Built	1910
GBA Source	County Records	Number of Stories	2
Rentable Area	1,968	Number of Units	1
Efficiency (RA/GBA)	100.00%	Office Area SF	0
Density (Units/Acre)	7.45	Average Unit SF	1,968

Building Finish

Construction Quality	Average	Basement Type	Partial
Construction Class	D - Wood Frame	Roof Type	Pitched
Building Condition	Poor	Roof Material	Composition shingle
Exterior Walls	Wood Siding		

Sale Transaction

Sale Status	Recorded	Conveyance Document Type	Committee Deed
Seller	Keith M Ashman	Book/Page	1090/2393
Buyer	Mark G Eldridge	Sale Confirmed By	Matt Speer
Sale Date	08-01-2012	Sale Confirmed With	County Records
Sale Price	\$65,000	Sale ID	61388
Financing Description	All cash		

Multifamily Sale No. 2

Sale Remarks 1968 sf two story SF home built in 1910 in poor condition to be saved but required significant work to restore

Analysis

Property Rights Conveyed	Fee Simple	Adjusted Sale Price	\$65,000
Percent Conveyed	100%		

Cost Analysis

Land Value Per SF	\$.00	Land Value Per Acre	\$0
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Adjusted Price Indices

Adjusted Price/SF of GBA	\$33.03	Adjusted Price/Acre	\$483,998
Adjusted Price/SF of RA	\$33.03	Adjusted Price/SF of Land	\$11.11
Adjusted Price/Unit	\$65,000	Adjusted Price per FF	\$1,300.00

UnAdjusted Price Indices

Unadjusted Price/SF of GBA	\$33.03	Unadjusted Price/Acre	\$483,998
Unadjusted Price/SF of RA	\$33.03	Unadjusted Price/SF Land	\$11.11
Unadjusted Price/Unit	\$65,000	Unadjusted Price/FF	\$1,300.00

Multifamily Sale No. 3



Location

Property ID	609828	State	Kansas
Property Name	1 1/2 Story House	Zip Code	66044
Address	1109 Connecticut Street	MSA	Lawrence
City/Municipality	Lawrence	Property Use	Single Family Home
County	Douglas		
Legal Description	Connecticut Street S 42' Lot 121		

Land

Tax Parcel Number	023-079-31-0-40-08-004.00-0		
Land Acres	0.11281	Floor to Area Ratio	0.26
Land Sq Ft	4,914	Usable Land Percent	.0%
Land to Building Ratio	3.86	Primary Frontage (Feet)	42.00
Usable Land to Building Ratio	.00		
Primary Frontage Description	There is roughly 42' of frontage along Connecticut Street		
Zoning Code	RS5	Grade	at grade
Zoning Description	Single Family Residential	In Flood Plain?	No
Access	Adequate	Flood Area %	.00%
Shape	Rectangular	Utilities Description	All Available
Topography	Level		

Building

GBA	1,273	Year Built	1900
GBA Source	County Records	Number of Stories	1.5
Rentable Area	1,273	Number of Units	1
Efficiency (RA/GBA)	100.00%	Office Area SF	0
Density (Units/Acre)	8.86	Average Unit SF	1,273

Building Finish

Construction Quality	Average	Building Frame	Wood frame
Construction Class	D - Wood Frame	Basement Type	Partial
Building Condition	Fair	Fire Sprinkler Type	None
Exterior Walls	Wood Siding	Roof Type	Pitched

Sale Transaction

Sale Status	Recorded	Recording Number	059390
Seller	Roger and Heidi Hanzlik	Days on Market	31
Buyer	Victor Milad Shenouda, Trustee	Sale Confirmed By	Matt Speer
Sale Date	08-09-2012	Sale Confirmed With	County Records/Selling Agent
Sale Price	\$63,000	Seller Broker Info	Linn Wiley, McGrew
Book/Page	1090/5319	Sale ID	61391

Keller & Associates, Inc.

CLIENT'S LETTER OF ENGAGEMENT

Matt Speer

From: Scott Wagner <swagner@lawrenceks.org>
Sent: Tuesday, September 10, 2013 8:30 AM
To: Timothy Keller
Cc: Matt Speer
Subject: RE: fee and turn around 1106 Rhode Island

Thanks Tim. Do let me know if you get a site inspection time set up. I may change my mind and join you.



R. Scott Wagner, *Management Analyst* - swagner@lawrenceks.org
City Attorney's Office | [City of Lawrence, KS](#)
P.O Box 708, 6 E. 6th St., Lawrence, KS 66044
office (785) 832-3467 | fax (785) 830-4822

From: Timothy Keller [<mailto:tkeller@kellerappraisal.com>]
Sent: Monday, September 09, 2013 5:05 PM
To: Scott Wagner
Cc: Matt Speer
Subject: fee and turn around 1106 Rhode Island

Scott

Thanks for meeting with us today.

\$2000

Three weeks, but will try to get it done sooner.

\$175 per hour for court and or hearing appearances.

Thanks

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

Project Summary

Capital Investment in Plant:	\$408,800
Annual Local Expenditures by Firm:	\$662,300
Retained Jobs:	2
Average Wage per Retained Job:	\$42,483
Indirect Jobs Created:	1
Economic Value per Indirect Job:	\$55,055
Total New Households:	-
Discount Rate:	6.53%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives

IRB Offered	No
Value of IRB Construction Sales Tax:	\$0
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	\$0
Other Incentives	
Site Infrastructure:	\$0
Facility Construction:	\$0
Loans/Grants:	\$114,081
Value of All Incentives Offered:	\$114,081
Value of All Incentives per Job per Year:	\$2,852
Value of Incentives in Hourly Pay:	\$1.37
Value of Incentives per Dollar Invested:	\$0.28

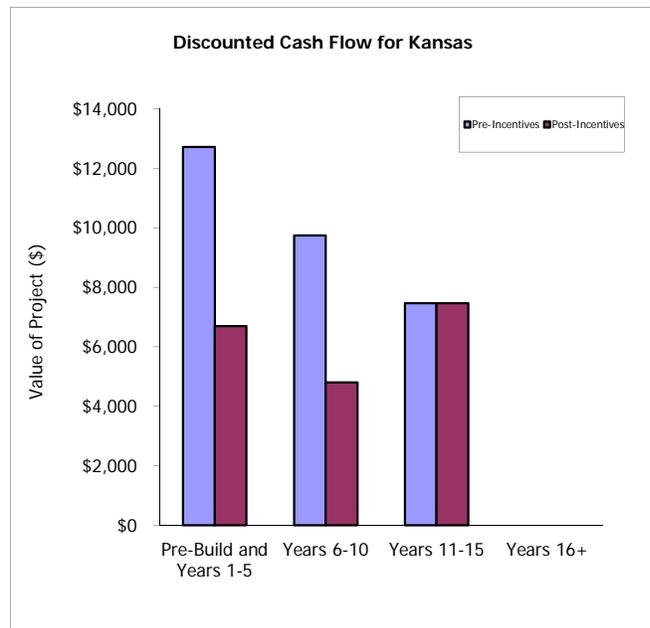
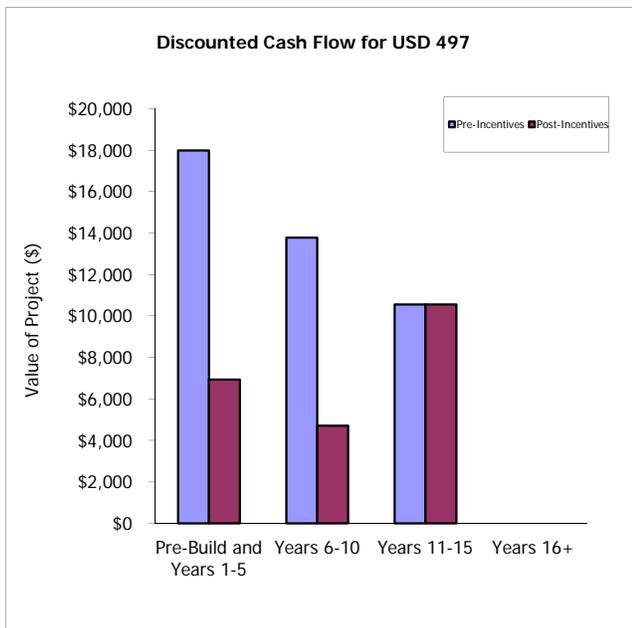
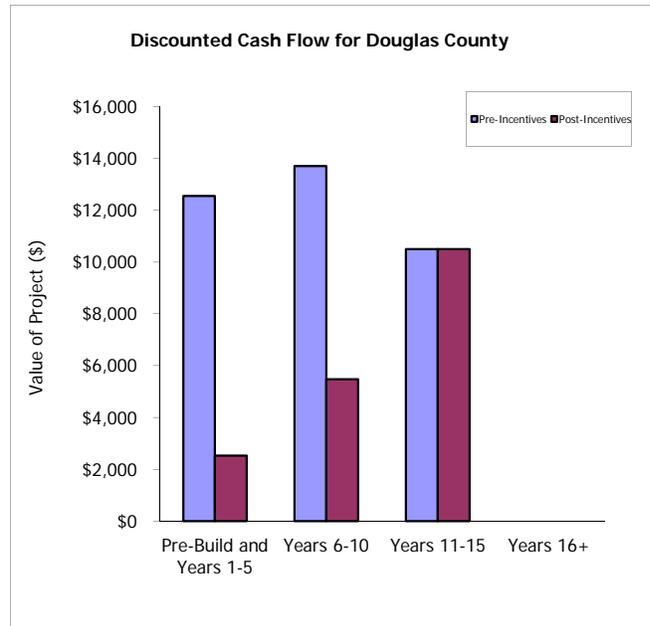
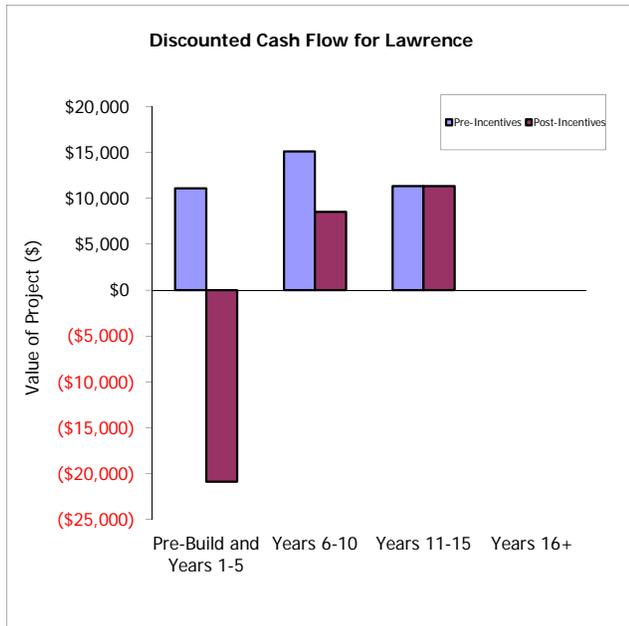
Summary of Results

Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	\$120,032	\$100,784	\$93,606	\$66,175
Costs	\$27,680	\$13,386	\$0	\$0
<i>Revenue Stream, Pre-Incentives</i>	<i>\$92,352</i>	<i>\$87,399</i>	<i>\$93,606</i>	<i>\$66,175</i>
Value of Incentives Offered	\$44,512	\$25,733	\$28,370	\$15,466
Revenue Stream with Incentives	\$47,840	\$61,665	\$65,236	\$50,709

Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.53%			
Discounted Cash Flow, Without Incentives	\$46,177	\$44,776	\$50,391	\$35,624
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>3.55</i>	<i>5.84</i>	<i>#DIV/0!</i>	<i>#DIV/0!</i>
Discounted Cash Flow, With Incentives	\$7,655	\$26,532	\$30,279	\$24,659
Benefit/Cost Ratio, With Incentives	1.42	3.87	#DIV/0!	#DIV/0!

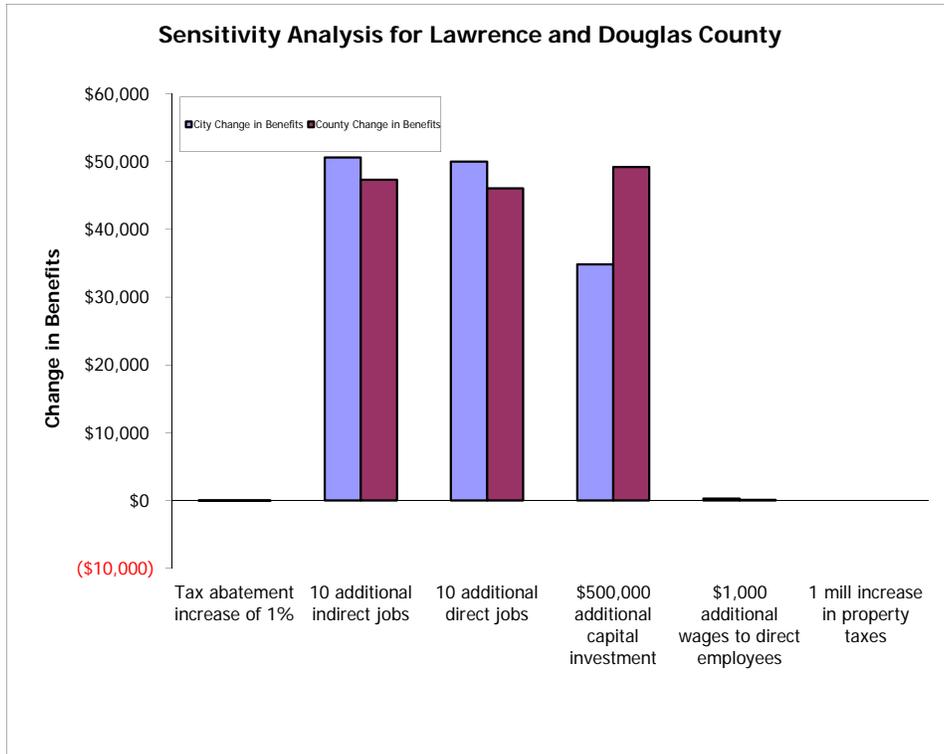
1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

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



1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

Sensitivity Analysis



1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

APPENDIX 1: Annual Results (not Discounted)

<i>Lawrence</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$23,930)	(\$23,930)	(\$23,930)
1	\$4,322	(\$9,252)	(\$1,844)	(\$6,775)	(\$30,705)
2	\$4,799	(\$454)	(\$1,889)	\$2,457	(\$28,248)
3	\$5,960	(\$916)	(\$1,935)	\$3,109	(\$25,139)
4	\$6,019	(\$925)	(\$1,982)	\$3,112	(\$22,027)
5	\$6,080	(\$935)	(\$2,030)	\$3,115	(\$18,912)
6	\$6,140	(\$944)	(\$2,078)	\$3,118	(\$15,794)
7	\$5,895	(\$954)	(\$2,128)	\$2,813	(\$12,981)
8	\$5,850	(\$963)	(\$2,179)	\$2,708	(\$10,273)
9	\$5,909	(\$973)	(\$2,232)	\$2,704	(\$7,569)
10	\$5,968	(\$983)	(\$2,285)	\$2,700	(\$4,868)
11	\$6,027	(\$992)	\$0	\$5,035	\$167
12	\$6,088	(\$1,002)	\$0	\$5,085	\$5,252
13	\$6,149	(\$1,012)	\$0	\$5,136	\$10,388
14	\$6,210	(\$1,022)	\$0	\$5,188	\$15,576
15	\$6,272	(\$1,033)	\$0	\$5,240	\$20,816

<i>Douglas County</i>					
Year	Revenues	Costs	#REF!	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,219	(\$5,638)	(\$2,306)	(\$3,725)	(\$3,725)
2	\$4,422	(\$191)	(\$2,362)	\$1,869	(\$1,856)
3	\$4,698	(\$385)	(\$2,419)	\$1,893	\$38
4	\$4,745	(\$389)	(\$2,478)	\$1,878	\$1,916
5	\$4,792	(\$393)	(\$2,538)	\$1,862	\$3,777
6	\$4,840	(\$397)	(\$2,599)	\$1,845	\$5,622
7	\$4,888	(\$401)	(\$2,661)	\$1,826	\$7,448
8	\$4,937	(\$405)	(\$2,725)	\$1,808	\$9,256
9	\$4,987	(\$409)	(\$2,790)	\$1,788	\$11,043
10	\$5,037	(\$413)	(\$2,857)	\$1,767	\$12,810
11	\$5,087	(\$417)	\$0	\$4,670	\$17,480
12	\$5,138	(\$421)	\$0	\$4,716	\$22,196
13	\$5,189	(\$426)	\$0	\$4,764	\$26,960
14	\$5,241	(\$430)	\$0	\$4,811	\$31,771
15	\$5,293	(\$434)	\$0	\$4,859	\$36,630

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

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

<i>USD 497</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,251	\$0	(\$2,542)	\$1,709	\$1,709
2	\$4,294	\$0	(\$2,604)	\$1,690	\$3,399
3	\$4,337	\$0	(\$2,667)	\$1,670	\$5,068
4	\$4,380	\$0	(\$2,732)	\$1,648	\$6,717
5	\$4,424	\$0	(\$2,797)	\$1,626	\$8,343
6	\$4,468	\$0	(\$2,865)	\$1,603	\$9,946
7	\$4,513	\$0	(\$2,934)	\$1,579	\$11,525
8	\$4,558	\$0	(\$3,004)	\$1,554	\$13,079
9	\$4,603	\$0	(\$3,076)	\$1,527	\$14,607
10	\$4,649	\$0	(\$3,149)	\$1,500	\$16,107
11	\$4,696	\$0	\$0	\$4,696	\$20,803
12	\$4,743	\$0	\$0	\$4,743	\$25,545
13	\$4,790	\$0	\$0	\$4,790	\$30,336
14	\$4,838	\$0	\$0	\$4,838	\$35,174
15	\$4,887	\$0	\$0	\$4,887	\$40,061

<i>State of Kansas</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,005	\$0	(\$1,386)	\$1,619	\$1,619
2	\$3,035	\$0	(\$1,420)	\$1,616	\$3,235
3	\$3,066	\$0	(\$1,454)	\$1,612	\$4,847
4	\$3,096	\$0	(\$1,489)	\$1,607	\$6,454
5	\$3,127	\$0	(\$1,525)	\$1,602	\$8,057
6	\$3,159	\$0	(\$1,562)	\$1,597	\$9,653
7	\$3,190	\$0	(\$1,599)	\$1,591	\$11,244
8	\$3,222	\$0	(\$1,638)	\$1,585	\$12,829
9	\$3,254	\$0	(\$1,677)	\$1,578	\$14,406
10	\$3,287	\$0	(\$1,717)	\$1,570	\$15,977
11	\$3,320	\$0	\$0	\$3,320	\$19,296
12	\$3,353	\$0	\$0	\$3,353	\$22,649
13	\$3,387	\$0	\$0	\$3,387	\$26,036
14	\$3,420	\$0	\$0	\$3,420	\$29,456
15	\$3,455	\$0	\$0	\$3,455	\$32,911

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

APPENDIX 2: Annual Results (Discounted)

<i>Lawrence</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$23,930)	(\$23,930)	(\$23,930)
1	\$4,057	(\$8,685)	(\$1,731)	(\$6,359)	(\$30,289)
2	\$4,229	(\$400)	(\$1,665)	\$2,164	(\$28,125)
3	\$4,929	(\$758)	(\$1,600)	\$2,571	(\$25,554)
4	\$4,673	(\$718)	(\$1,539)	\$2,416	(\$23,137)
5	\$4,431	(\$681)	(\$1,479)	\$2,270	(\$20,867)
6	\$4,200	(\$646)	(\$1,422)	\$2,133	(\$18,734)
7	\$3,785	(\$612)	(\$1,367)	\$1,806	(\$16,928)
8	\$3,526	(\$580)	(\$1,314)	\$1,632	(\$15,296)
9	\$3,343	(\$550)	(\$1,263)	\$1,530	(\$13,766)
10	\$3,169	(\$522)	(\$1,213)	\$1,434	(\$12,332)
11	\$3,005	(\$495)	\$0	\$2,510	(\$9,822)
12	\$2,849	(\$469)	\$0	\$2,380	(\$7,442)
13	\$2,701	(\$445)	\$0	\$2,256	(\$5,186)
14	\$2,560	(\$422)	\$0	\$2,139	(\$3,047)
15	\$2,428	(\$400)	\$0	\$2,028	(\$1,019)

<i>Douglas County</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,960	(\$5,292)	(\$2,164)	(\$3,496)	(\$3,496)
2	\$3,896	(\$168)	(\$2,081)	\$1,647	(\$1,850)
3	\$3,885	(\$319)	(\$2,001)	\$1,566	(\$284)
4	\$3,684	(\$302)	(\$1,924)	\$1,458	\$1,174
5	\$3,492	(\$286)	(\$1,849)	\$1,357	\$2,531
6	\$3,311	(\$272)	(\$1,778)	\$1,262	\$3,793
7	\$3,139	(\$257)	(\$1,709)	\$1,173	\$4,966
8	\$2,976	(\$244)	(\$1,642)	\$1,089	\$6,055
9	\$2,821	(\$231)	(\$1,579)	\$1,011	\$7,066
10	\$2,675	(\$219)	(\$1,517)	\$938	\$8,005
11	\$2,536	(\$208)	\$0	\$2,328	\$10,333
12	\$2,404	(\$197)	\$0	\$2,207	\$12,540
13	\$2,279	(\$187)	\$0	\$2,092	\$14,632
14	\$2,161	(\$177)	\$0	\$1,984	\$16,616
15	\$2,049	(\$168)	\$0	\$1,881	\$18,496

1106 Rhode Island Street: 10-Y, 85% NRA with \$23,930 Dev. Grant

APPENDIX 2: Annual Results (Discounted) (Continued)

<i>USD 497</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,990	\$0	(\$2,386)	\$1,604	\$1,604
2	\$3,783	\$0	(\$2,294)	\$1,489	\$3,093
3	\$3,587	\$0	(\$2,206)	\$1,381	\$4,474
4	\$3,400	\$0	(\$2,121)	\$1,280	\$5,754
5	\$3,224	\$0	(\$2,039)	\$1,185	\$6,939
6	\$3,056	\$0	(\$1,960)	\$1,097	\$8,036
7	\$2,898	\$0	(\$1,884)	\$1,014	\$9,050
8	\$2,747	\$0	(\$1,811)	\$937	\$9,986
9	\$2,604	\$0	(\$1,740)	\$864	\$10,850
10	\$2,469	\$0	(\$1,673)	\$797	\$11,647
11	\$2,341	\$0	\$0	\$2,341	\$13,988
12	\$2,219	\$0	\$0	\$2,219	\$16,207
13	\$2,104	\$0	\$0	\$2,104	\$18,311
14	\$1,995	\$0	\$0	\$1,995	\$20,306
15	\$1,891	\$0	\$0	\$1,891	\$22,198

<i>State of Kansas</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$2,821	\$0	(\$1,301)	\$1,520	\$1,520
2	\$2,674	\$0	(\$1,251)	\$1,424	\$2,944
3	\$2,536	\$0	(\$1,203)	\$1,333	\$4,277
4	\$2,404	\$0	(\$1,156)	\$1,248	\$5,525
5	\$2,279	\$0	(\$1,111)	\$1,168	\$6,692
6	\$2,161	\$0	(\$1,068)	\$1,092	\$7,785
7	\$2,049	\$0	(\$1,027)	\$1,022	\$8,806
8	\$1,942	\$0	(\$987)	\$955	\$9,761
9	\$1,841	\$0	(\$949)	\$893	\$10,654
10	\$1,746	\$0	(\$912)	\$834	\$11,488
11	\$1,655	\$0	\$0	\$1,655	\$13,143
12	\$1,569	\$0	\$0	\$1,569	\$14,712
13	\$1,488	\$0	\$0	\$1,488	\$16,199
14	\$1,410	\$0	\$0	\$1,410	\$17,610
15	\$1,337	\$0	\$0	\$1,337	\$18,947

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

Project Summary

Capital Investment in Plant:	\$408,800
Annual Local Expenditures by Firm:	\$662,300
Retained Jobs:	2
Average Wage per Retained Job:	\$42,483
Indirect Jobs Created:	1
Economic Value per Indirect Job:	\$55,055
Total New Households:	-
Discount Rate:	6.53%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives

IRB Offered	No
Value of IRB Construction Sales Tax:	\$0
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	\$0
Other Incentives	
Site Infrastructure:	\$0
Facility Construction:	\$0
Loans/Grants:	\$121,251

Value of All Incentives Offered: \$121,251

Value of All Incentives per Job per Year:	\$3,031
Value of Incentives in Hourly Pay:	\$1.46
Value of Incentives per Dollar Invested:	\$0.30

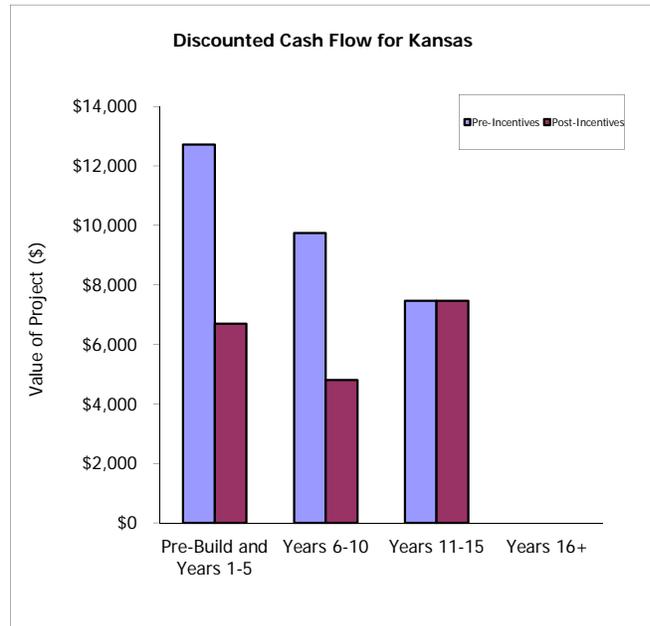
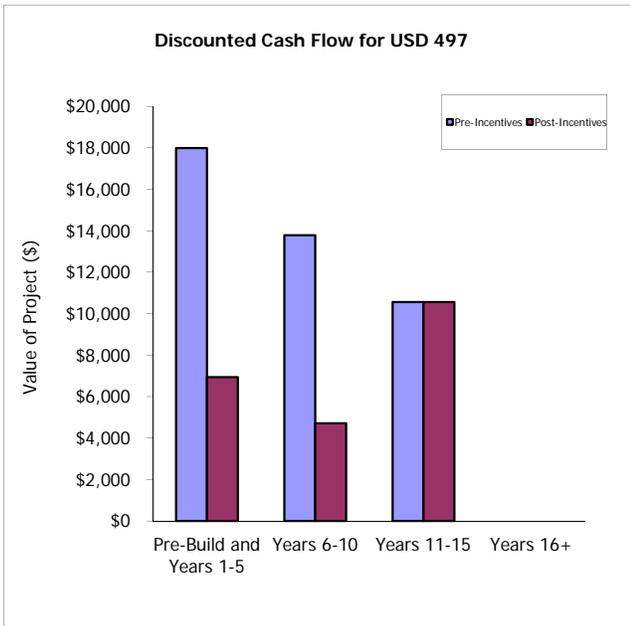
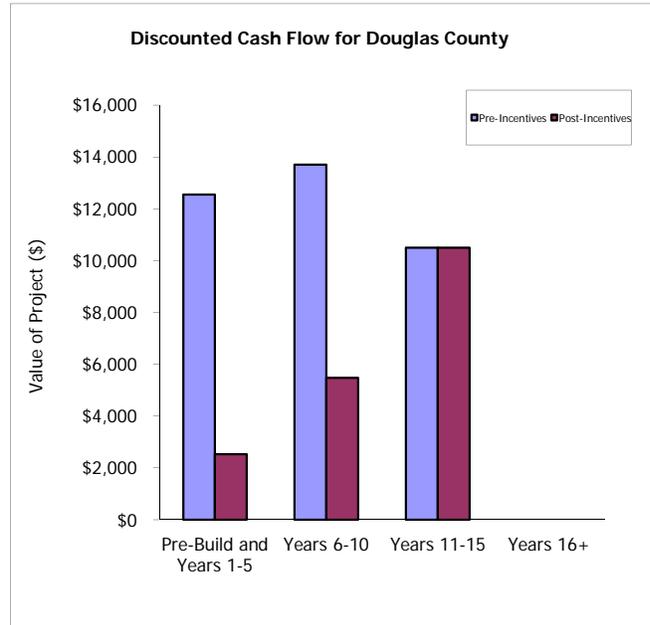
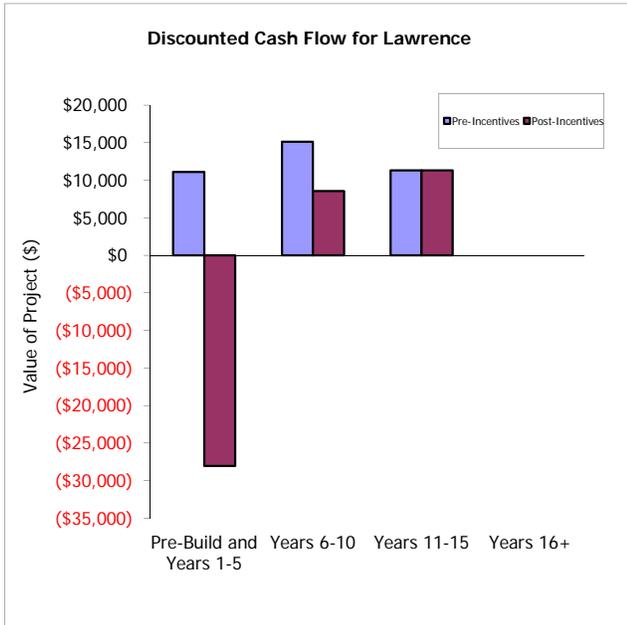
Summary of Results

Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	\$120,032	\$100,784	\$93,606	\$66,175
Costs	\$27,680	\$13,386	\$0	\$0
<i>Revenue Stream, Pre-Incentives</i>	<i>\$92,352</i>	<i>\$87,399</i>	<i>\$93,606</i>	<i>\$66,175</i>
Value of Incentives Offered	\$51,682	\$25,733	\$28,370	\$15,466
Revenue Stream with Incentives	\$40,670	\$61,665	\$65,236	\$50,709

Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.53%			
Discounted Cash Flow, Without Incentives	\$46,177	\$44,776	\$50,391	\$35,624
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>3.55</i>	<i>5.84</i>	<i>#DIV/0!</i>	<i>#DIV/0!</i>
Discounted Cash Flow, With Incentives	\$485	\$26,532	\$30,279	\$24,659
Benefit/Cost Ratio, With Incentives	1.03	3.87	#DIV/0!	#DIV/0!

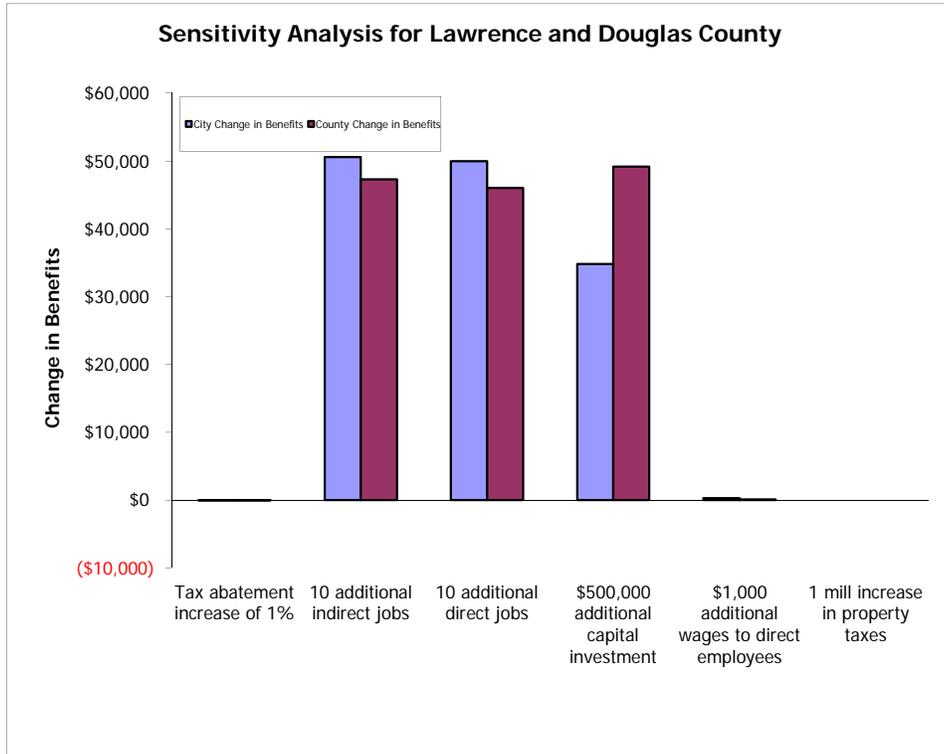
1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

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



1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

Sensitivity Analysis



1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

APPENDIX 1: Annual Results (not Discounted)

<i>Lawrence</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$31,100)	(\$31,100)	(\$31,100)
1	\$4,322	(\$9,252)	(\$1,844)	(\$6,775)	(\$37,875)
2	\$4,799	(\$454)	(\$1,889)	\$2,457	(\$35,418)
3	\$5,960	(\$916)	(\$1,935)	\$3,109	(\$32,309)
4	\$6,019	(\$925)	(\$1,982)	\$3,112	(\$29,197)
5	\$6,080	(\$935)	(\$2,030)	\$3,115	(\$26,082)
6	\$6,140	(\$944)	(\$2,078)	\$3,118	(\$22,964)
7	\$5,895	(\$954)	(\$2,128)	\$2,813	(\$20,151)
8	\$5,850	(\$963)	(\$2,179)	\$2,708	(\$17,443)
9	\$5,909	(\$973)	(\$2,232)	\$2,704	(\$14,739)
10	\$5,968	(\$983)	(\$2,285)	\$2,700	(\$12,038)
11	\$6,027	(\$992)	\$0	\$5,035	(\$7,003)
12	\$6,088	(\$1,002)	\$0	\$5,085	(\$1,918)
13	\$6,149	(\$1,012)	\$0	\$5,136	\$3,218
14	\$6,210	(\$1,022)	\$0	\$5,188	\$8,406
15	\$6,272	(\$1,033)	\$0	\$5,240	\$13,646

<i>Douglas County</i>					
Year	Revenues	Costs	#REF!	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,219	(\$5,638)	(\$2,306)	(\$3,725)	(\$3,725)
2	\$4,422	(\$191)	(\$2,362)	\$1,869	(\$1,856)
3	\$4,698	(\$385)	(\$2,419)	\$1,893	\$38
4	\$4,745	(\$389)	(\$2,478)	\$1,878	\$1,916
5	\$4,792	(\$393)	(\$2,538)	\$1,862	\$3,777
6	\$4,840	(\$397)	(\$2,599)	\$1,845	\$5,622
7	\$4,888	(\$401)	(\$2,661)	\$1,826	\$7,448
8	\$4,937	(\$405)	(\$2,725)	\$1,808	\$9,256
9	\$4,987	(\$409)	(\$2,790)	\$1,788	\$11,043
10	\$5,037	(\$413)	(\$2,857)	\$1,767	\$12,810
11	\$5,087	(\$417)	\$0	\$4,670	\$17,480
12	\$5,138	(\$421)	\$0	\$4,716	\$22,196
13	\$5,189	(\$426)	\$0	\$4,764	\$26,960
14	\$5,241	(\$430)	\$0	\$4,811	\$31,771
15	\$5,293	(\$434)	\$0	\$4,859	\$36,630

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

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

<i>USD 497</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$4,251	\$0	(\$2,542)	\$1,709	\$1,709
2	\$4,294	\$0	(\$2,604)	\$1,690	\$3,399
3	\$4,337	\$0	(\$2,667)	\$1,670	\$5,068
4	\$4,380	\$0	(\$2,732)	\$1,648	\$6,717
5	\$4,424	\$0	(\$2,797)	\$1,626	\$8,343
6	\$4,468	\$0	(\$2,865)	\$1,603	\$9,946
7	\$4,513	\$0	(\$2,934)	\$1,579	\$11,525
8	\$4,558	\$0	(\$3,004)	\$1,554	\$13,079
9	\$4,603	\$0	(\$3,076)	\$1,527	\$14,607
10	\$4,649	\$0	(\$3,149)	\$1,500	\$16,107
11	\$4,696	\$0	\$0	\$4,696	\$20,803
12	\$4,743	\$0	\$0	\$4,743	\$25,545
13	\$4,790	\$0	\$0	\$4,790	\$30,336
14	\$4,838	\$0	\$0	\$4,838	\$35,174
15	\$4,887	\$0	\$0	\$4,887	\$40,061

<i>State of Kansas</i>					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,005	\$0	(\$1,386)	\$1,619	\$1,619
2	\$3,035	\$0	(\$1,420)	\$1,616	\$3,235
3	\$3,066	\$0	(\$1,454)	\$1,612	\$4,847
4	\$3,096	\$0	(\$1,489)	\$1,607	\$6,454
5	\$3,127	\$0	(\$1,525)	\$1,602	\$8,057
6	\$3,159	\$0	(\$1,562)	\$1,597	\$9,653
7	\$3,190	\$0	(\$1,599)	\$1,591	\$11,244
8	\$3,222	\$0	(\$1,638)	\$1,585	\$12,829
9	\$3,254	\$0	(\$1,677)	\$1,578	\$14,406
10	\$3,287	\$0	(\$1,717)	\$1,570	\$15,977
11	\$3,320	\$0	\$0	\$3,320	\$19,296
12	\$3,353	\$0	\$0	\$3,353	\$22,649
13	\$3,387	\$0	\$0	\$3,387	\$26,036
14	\$3,420	\$0	\$0	\$3,420	\$29,456
15	\$3,455	\$0	\$0	\$3,455	\$32,911

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

APPENDIX 2: Annual Results (Discounted)

<i>Lawrence</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$31,100)	(\$31,100)	(\$31,100)
1	\$4,057	(\$8,685)	(\$1,731)	(\$6,359)	(\$37,459)
2	\$4,229	(\$400)	(\$1,665)	\$2,164	(\$35,295)
3	\$4,929	(\$758)	(\$1,600)	\$2,571	(\$32,724)
4	\$4,673	(\$718)	(\$1,539)	\$2,416	(\$30,307)
5	\$4,431	(\$681)	(\$1,479)	\$2,270	(\$28,037)
6	\$4,200	(\$646)	(\$1,422)	\$2,133	(\$25,904)
7	\$3,785	(\$612)	(\$1,367)	\$1,806	(\$24,098)
8	\$3,526	(\$580)	(\$1,314)	\$1,632	(\$22,466)
9	\$3,343	(\$550)	(\$1,263)	\$1,530	(\$20,936)
10	\$3,169	(\$522)	(\$1,213)	\$1,434	(\$19,502)
11	\$3,005	(\$495)	\$0	\$2,510	(\$16,992)
12	\$2,849	(\$469)	\$0	\$2,380	(\$14,612)
13	\$2,701	(\$445)	\$0	\$2,256	(\$12,356)
14	\$2,560	(\$422)	\$0	\$2,139	(\$10,217)
15	\$2,428	(\$400)	\$0	\$2,028	(\$8,189)

<i>Douglas County</i>					
Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,960	(\$5,292)	(\$2,164)	(\$3,496)	(\$3,496)
2	\$3,896	(\$168)	(\$2,081)	\$1,647	(\$1,850)
3	\$3,885	(\$319)	(\$2,001)	\$1,566	(\$284)
4	\$3,684	(\$302)	(\$1,924)	\$1,458	\$1,174
5	\$3,492	(\$286)	(\$1,849)	\$1,357	\$2,531
6	\$3,311	(\$272)	(\$1,778)	\$1,262	\$3,793
7	\$3,139	(\$257)	(\$1,709)	\$1,173	\$4,966
8	\$2,976	(\$244)	(\$1,642)	\$1,089	\$6,055
9	\$2,821	(\$231)	(\$1,579)	\$1,011	\$7,066
10	\$2,675	(\$219)	(\$1,517)	\$938	\$8,005
11	\$2,536	(\$208)	\$0	\$2,328	\$10,333
12	\$2,404	(\$197)	\$0	\$2,207	\$12,540
13	\$2,279	(\$187)	\$0	\$2,092	\$14,632
14	\$2,161	(\$177)	\$0	\$1,984	\$16,616
15	\$2,049	(\$168)	\$0	\$1,881	\$18,496

1106 Rhode Island Street: 10Y, 85% NRA with \$31,100 Dev. Grant

APPENDIX 2: Annual Results (Discounted) (Continued)

USD 497

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$3,990	\$0	(\$2,386)	\$1,604	\$1,604
2	\$3,783	\$0	(\$2,294)	\$1,489	\$3,093
3	\$3,587	\$0	(\$2,206)	\$1,381	\$4,474
4	\$3,400	\$0	(\$2,121)	\$1,280	\$5,754
5	\$3,224	\$0	(\$2,039)	\$1,185	\$6,939
6	\$3,056	\$0	(\$1,960)	\$1,097	\$8,036
7	\$2,898	\$0	(\$1,884)	\$1,014	\$9,050
8	\$2,747	\$0	(\$1,811)	\$937	\$9,986
9	\$2,604	\$0	(\$1,740)	\$864	\$10,850
10	\$2,469	\$0	(\$1,673)	\$797	\$11,647
11	\$2,341	\$0	\$0	\$2,341	\$13,988
12	\$2,219	\$0	\$0	\$2,219	\$16,207
13	\$2,104	\$0	\$0	\$2,104	\$18,311
14	\$1,995	\$0	\$0	\$1,995	\$20,306
15	\$1,891	\$0	\$0	\$1,891	\$22,198

State of Kansas

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$2,821	\$0	(\$1,301)	\$1,520	\$1,520
2	\$2,674	\$0	(\$1,251)	\$1,424	\$2,944
3	\$2,536	\$0	(\$1,203)	\$1,333	\$4,277
4	\$2,404	\$0	(\$1,156)	\$1,248	\$5,525
5	\$2,279	\$0	(\$1,111)	\$1,168	\$6,692
6	\$2,161	\$0	(\$1,068)	\$1,092	\$7,785
7	\$2,049	\$0	(\$1,027)	\$1,022	\$8,806
8	\$1,942	\$0	(\$987)	\$955	\$9,761
9	\$1,841	\$0	(\$949)	\$893	\$10,654
10	\$1,746	\$0	(\$912)	\$834	\$11,488
11	\$1,655	\$0	\$0	\$1,655	\$13,143
12	\$1,569	\$0	\$0	\$1,569	\$14,712
13	\$1,488	\$0	\$0	\$1,488	\$16,199
14	\$1,410	\$0	\$0	\$1,410	\$17,610
15	\$1,337	\$0	\$0	\$1,337	\$18,947

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

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

Limitations of model:

- **Does not consider intangible effects**

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

- **Does not consider private effects**

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

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

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

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

- **Model assumes current effects**

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

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

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

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

Other considerations for decision making:

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

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

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