

**NEIGHBORHOOD REVITALIZATION ACT
PERFORMANCE AGREEMENT for 1101/1115 Indiana Street**

This Agreement (hereinafter "**Agreement**") is entered into this 12th day of August, 2014, by and between the City of Lawrence, Kansas (hereinafter the "**City**"), and HERE Kansas, LLC, a Delaware limited liability company or its assigns (the "**Company**"), with the City and the Company collectively referred to as the "**Parties**" and each a "**Party**."

RECITALS

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

WHEREAS, the Company, which is the owner of the property, requested the formation of a NRA for a redevelopment project located at 1101/1115 Indiana Street in Lawrence (the "**Project**");

WHEREAS, after conducting a public hearing and complying with the publication requirements of K.S.A. 12-17,117 as amended, on July 8, 2014, the City approved Ordinance No. 9021 adopting a neighborhood revitalization district plan (the "**Plan**") in substantially the same form and content as contained in **Exhibit A** attached hereto and incorporated herein by reference (the "**Ordinance**").

WHEREAS, the County and the School District have also each approved the formation of a NRA for the 1101/1115 Indiana Street project subject to the requirements and conditions set forth in the Act, the ordinance referenced above passed by the City of Lawrence, the terms and conditions of the Cooperative Agreement (discussed below) and the terms and conditions of this Agreement;

WHEREAS, each of the City, the County, and the School District have entered into an agreement entitled "Neighborhood Revitalization Act Agreement, Cooperative Agreement for 1101/1115 Indiana Street" dated August 6, 2014, attached as **Exhibit B**; and

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

AGREEMENT

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

1. **Purpose.** The purpose of this Agreement is to provide agreement on the administration of the NRA program for the benefit of the neighborhood revitalization area approved by the City, School District, and County, and set forth the terms and conditions required for the Company to meet the requirement imposed by the NRA law and local ordinance that approved the NRA for the 1101/1115 Indiana Street project.
2. **Duration.** This Agreement shall commence on August 12, 2014 and expire on the date the last payment and rebate is made under the plan, which is anticipated to occur around February 20, 2027.
3. **Company's Responsibilities.** Company agrees to adhere to the terms and conditions of the Plan, the Cooperative Agreement, and this Agreement, including:
 - a. Company agrees to build the Project as substantially described in the Plan, the approved Preliminary Development Plan, and the City's Land Use Development Code. Notwithstanding the foregoing, the Parties acknowledge that (i) the Company shall not be compelled by specific performance to construct the Project as described in the Plan; (ii) that the City's sole remedy for the Company's failure to construct the Project as substantially described in the Plan shall be the termination of this Agreement and the benefits accruing to the Company hereunder; and (iii) that neither Party shall be liable to the other Party for any special, punitive, or consequential damages arising from any breach of this Agreement.
 - b. Company shall notify the City Manager and the County Appraiser prior to commencement of redevelopment activities on the real property associated with the NRA project. Company shall provide any project information that may be helpful to the County Appraiser in the valuation process. In addition, Company shall submit notice to the City Manager that the County Appraiser's Office has completed the review of this real property prior to commencing redevelopment activities.
 - c. Within 10 business days of project construction completion, Company shall provide a Certificate of Project Completion (**Exhibit C**) to the City Manager, with a copy to the County Appraiser. For purposes of submitting this certificate, the project can be considered substantially complete if construction is at least 90% finished.
 - d. Company shall notify the City Manager in writing within 30 days if there are any substantial changes in the Project or in ownership of the Project.

4. **Calendar of Events.** Activities, payments and rebates due under the terms of the Plan, the Cooperative Agreement, and Kansas statutes are anticipated to occur on the following schedule, provided a project substantial completion date of December 1, 2016. If the Project is not substantially complete by December 1, 2016, the schedule in the table below remains applicable to the Project, and the Company shall only be eligible for a rebate of the property tax increment after substantial completion is achieved through Tax Year 2026, unless the Parties, and the County and School District all agree to an amendment or modification of the Plan's Schedule or Calendar of Events.

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

5. **Amendment to Plan and this Agreement.** Pursuant to the Ordinance, the City reserves the right to evaluate the Program at any time. The City, County or School District may jointly agree to amend or modify the Plan as conditions, policies or priorities change. However, under no circumstances will the chart in Section 4 be modified.
6. **Termination.** The Parties agree that termination of this Agreement by any Party prior to February 20, 2027 would adversely impact the Plan, and consequently, this Agreement may only be terminated for a breach of either Party's obligations hereunder (subject to the cure period contemplated in Section 12) and ninety (90) days written notice, and further provided such written notice must be received prior to August 1 in the calendar year prior to the tax year the Party desires to terminate participation, unless such notice is waived, in writing, by all Parties to this Agreement. The Parties further agree that any application for tax rebate submitted to the City prior to receipt of the notice of termination shall, if approved, be considered eligible for the duration of the rebate period set forth in the Plan.

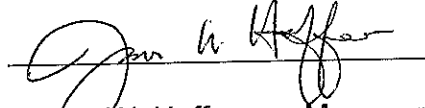
7. **City Responsibilities.** The City agrees to fulfill all of the responsibilities set forth in the Plan, the Cooperative Agreement, and Kansas statutes governing Neighborhood Revitalization districts, K.S.A. 12-17,118 and amendments thereto. The City will also coordinate with the County, as required by the Cooperative Agreement.
8. **Execution.** For purposes of executing this Agreement, this document if signed and transmitted by facsimile machine, telecopier, or electronic mail is to be treated as an original document. This Agreement may be executed in one or more counterparts and by each Party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.
9. **Liberal Construction.** This Agreement shall be liberally construed to achieve the economic development objectives and purposes of both this Agreement and the Plan. Should any provision of this Agreement be determined to be void, invalid, unenforceable or illegal, such provision(s) shall be null and void, but the remaining provisions shall be unaffected thereby and shall continue to be valid and enforceable.
10. **Entire Agreement.** This Agreement constitutes the entire agreement between the Parties on this subject and may not be modified or amended except in writing executed by all Parties in the same manner as the original.
11. **Governing Law.** This Agreement and the Plan and the rights of all the Parties hereto shall be governed by and construed according to the laws of the State of Kansas.
12. **Cure Period.** To the extent either Party determines that the other has failed to comply with any term of this Agreement, such Party shall provide written notice to the other Party, and said Party shall be provided thirty (30) days after the receipt of such notice to comply with the terms of this Agreement.

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

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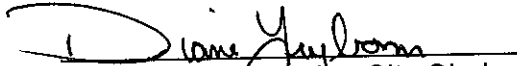
APPLICANT:

HERE Kansas, LLC


James W. Heffernan, Manager



Attest:


Diane Tryborn, Acting City Clerk

CITY OF LAWRENCE, KANSAS

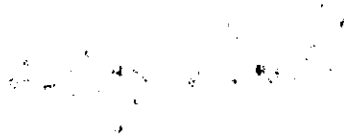

David L. Corliss, City Manager

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Exhibit A

Neighborhood Revitalization Plan
As adopted by Governing Body of the City of Lawrence
On July 8, 2014
through Ordinance No. 9021

[See Attached]



ORDINANCE NO. 9021

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

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

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

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

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

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

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

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

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

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

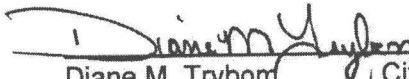
SECTION 4. The Governing Body hereby creates a Neighborhood Revitalization Fund pursuant to K.S.A. 12-17,118 in order to finance the redevelopment of the Revitalization Area and to provide a rebate of property tax increments as scheduled in the Revitalization Plan.

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


ADOPTED by the Governing Body of the City of Lawrence, Kansas, this 5th day of August, 2014.



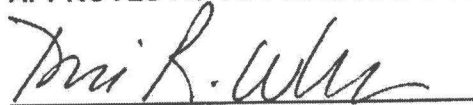
ATTEST:


Diane M. Tryborn, City Clerk

APPROVED:


Mike Amyx, Mayor

APPROVED AS TO FORM AND LEGALITY:


Toni R. Wheeler, City Attorney

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

Definition:

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

Plan:

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

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

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

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

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

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

Section 1: Purpose

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

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

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

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

Section 2: Legal Description & Map of Neighborhood Revitalization Property

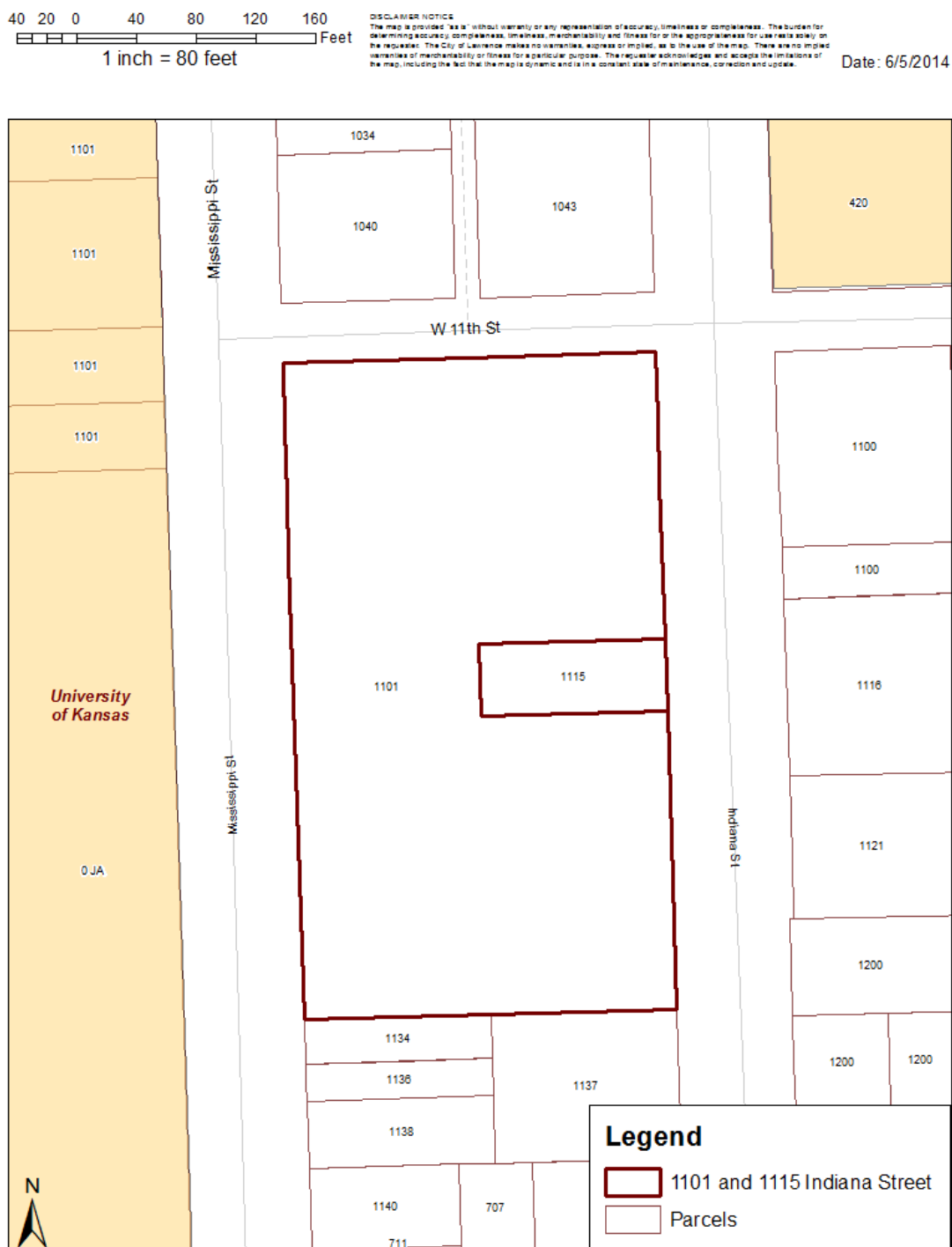
The Property shall include the Area described herein:

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

Approved with Ordinance 9021

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

As depicted below:



Section 3: Value of Real Properties

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

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

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

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

Section 4: Owner of Record of the Lots

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

and

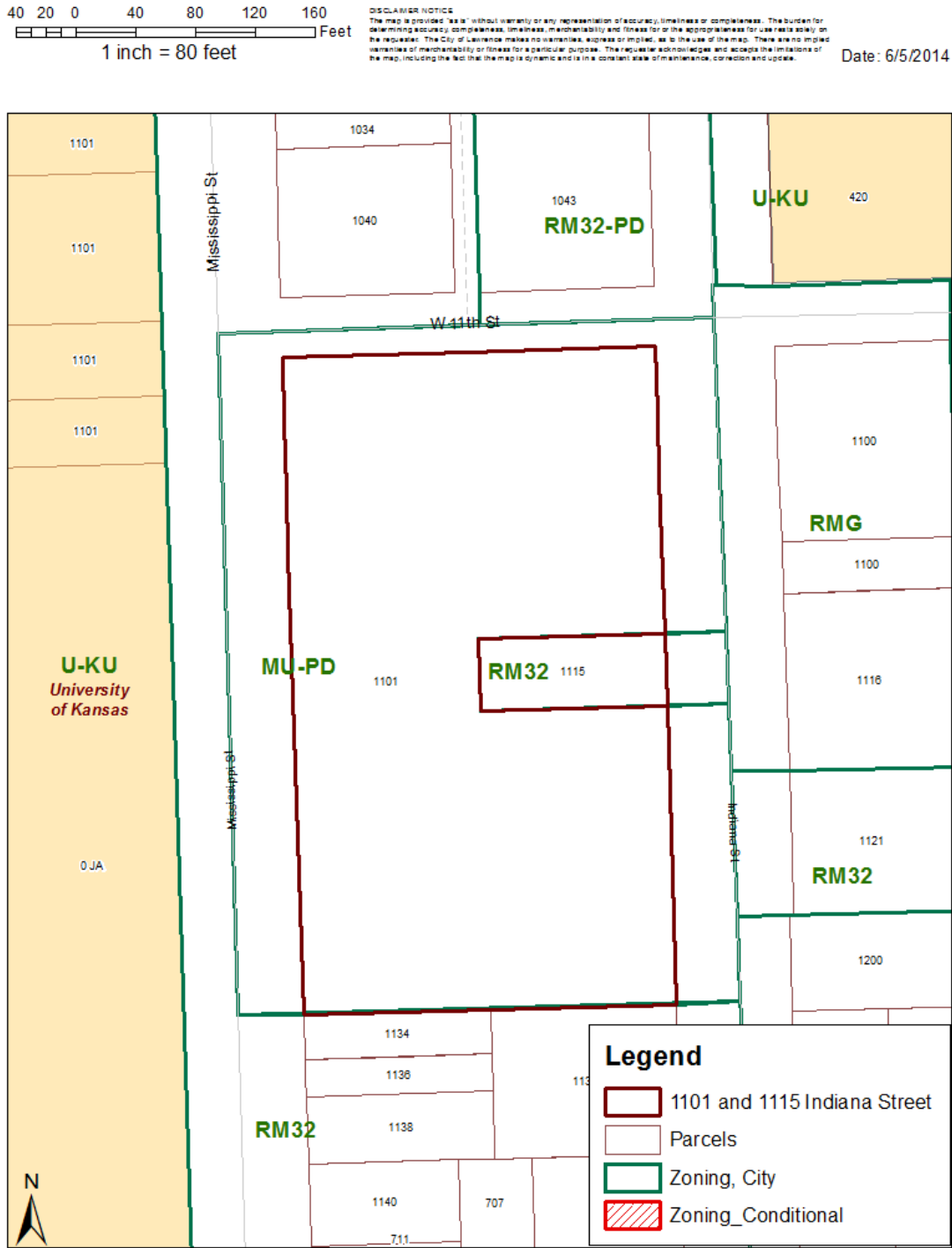
Berkeley Flats Apartments LLC
2020 W 89th Street Suite 320
Leawood, Kansas 66206

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

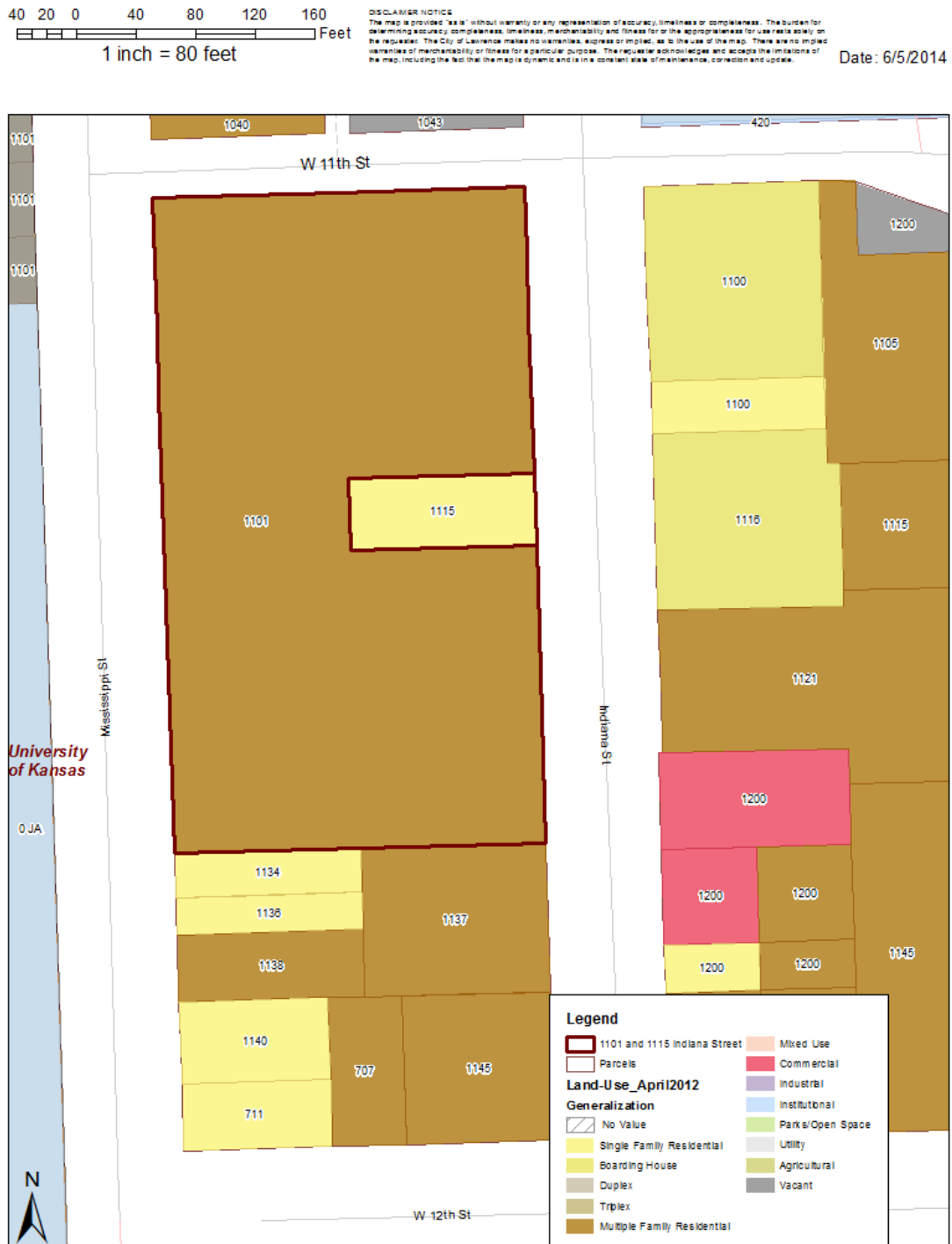
Section 5: Existing Zoning Classifications and Property Boundaries; Existing and Proposed Land Uses

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

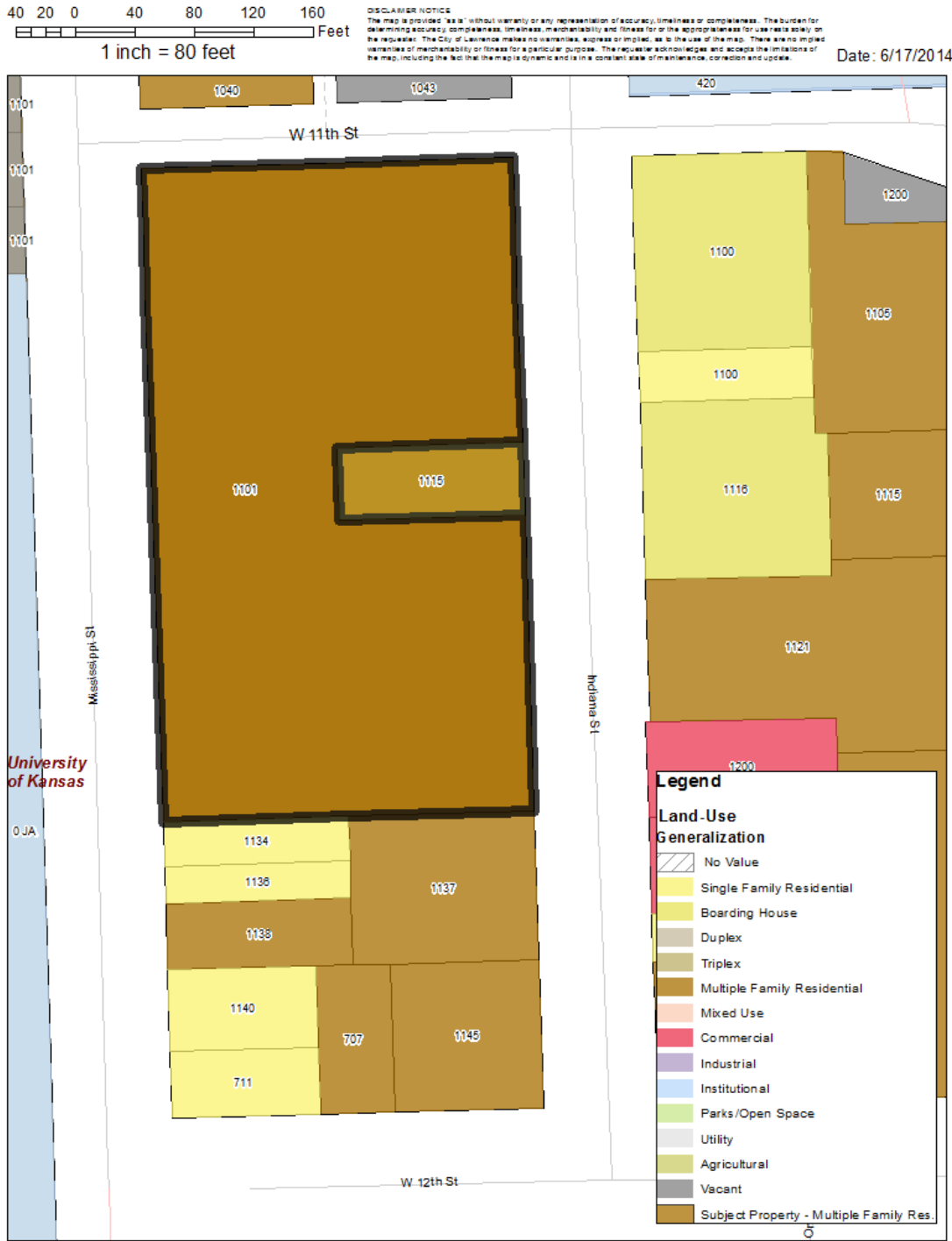
Existing Zoning Map.



Existing Land Use Map.



Land Use Map with Project.



Section 6: Proposals for Improving Municipal Services in the Property

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

Section 7: Term of the Plan

1. This Plan and tax rebate Program shall be effective upon the adoption of this Plan by ordinance of the Governing Body of the City of Lawrence.
2. The term of this Plan and tax rebate program (the "Term") shall be congruent with the rebate schedule provided in this section, expiring with the rebate for the 2026 tax year, unless extended by the ordinance of the Governing Body prior to its expiration. The Governing Body reserves the right to evaluate the Program at any time.
3. The owner of the property at the time the property taxes are paid will be eligible for a property tax rebate on the incremental taxes associated with improvements to the Property (the "tax increment"). The Tax Increment will equal the property tax assessment against the Property for the first year after the improvements are completed (i.e. determined including the value that such improvements add to the assessed value of the Property) reduced by the property tax assessed against the Property for the base year (the year this Plan is approved) (i.e. determined without the value that the improvements add to the assessed value of the Property). The Tax Increment will then remain constant throughout the Term of the rebate program. The tax rebate will be determined based on the Tax Increment and the following table:

Table 1

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

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

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

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

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

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

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

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

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

Section 10: Neighborhood Revitalization Fund

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

Section 11: Other City Requirements

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

Appendix 1: Summary of the Kansas Neighborhood Revitalization Act

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

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

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

Exhibit A: HERE Kansas, LLC Letter of Proposal



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

June 10, 2014

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

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

Dear Dave:

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

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

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

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



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

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

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

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

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

Sincerely,

HERE Kansas, LLC or its assigns
Applicant

A handwritten signature in black ink, appearing to read "James W. Heffernan".

James W. Heffernan
Its Manager

Cc: Diane Stoddard
Britt Crum-Cano

Exhibit B

Neighborhood Revitalization Act
Cooperative Agreement for 1101/1115 Indiana Street
Executed Aug 6, 2014

[See Attached]

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

This Agreement (hereinafter "Agreement") is entered into this 6th day of August, 2014, by and between the City of Lawrence, Kansas (hereinafter "City"); the Board of Commissioners of Douglas County, Kansas (hereinafter "County"); and Unified School District No. 497, Douglas County, State of Kansas (hereinafter "USD 497") (collectively the "Parties"), all of which are municipalities within the meaning of K.S.A. 10-1101 and K.S.A. 12-17,114 *et seq.*; and

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

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

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

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

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

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

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

1. Purpose. The purpose of this Agreement is to provide a program for neighborhood revitalization and allow the taxing jurisdictions within the

designated neighborhood revitalization area ("Area") to work together, through this agreement, to facilitate the rehabilitation, conservation or redevelopment of an area to protect the public health, safety and welfare of the residents of Lawrence.

- a. After conducting a public hearing and complying with the publication requirements of K.S.A. 12-17,117 as amended, on July 8, 2014 the City approved Ordinance No 9021 adopting a neighborhood revitalization district plan in substantially the same form and content as contained in **Exhibit A** attached hereto and incorporated herein by reference. ("Plan").
 - b. The other Parties to this Agreement have also reviewed and considered the Plan, and by adoption of this Agreement, agree to work cooperatively to implement the Plan.
 - c. The Parties further agree that no separate legal entity shall be created under this Agreement, but rather the City, on behalf of all Parties, shall administer the Plan as adopted by the City or as it may be subsequently amended as provided herein.
 - d. The Parties agree that the Plan shall not be amended by the City or by any of the Parties acting separately and shall only be amended in writing and accompanied by a new Agreement signed by all Parties hereto, which consent and cooperation shall not be unreasonably withheld.
 - e. In the event that the Neighborhood Revitalization Plan, as adopted, is not followed with respect to the aspects set forth in the Plan, the Parties may individually wish to reconsider participation in the Plan at that point.
2. Duration. This Agreement shall commence on August 6, 2014 and expire February 20, 2026 or upon payment of the 2025 property taxes and the processing of the rebate for the 2025 tax year. The City reserves the right to evaluate the Program at any time.
 3. Termination. The Parties agree that termination of this Agreement by any party prior to February 20, 2026 would adversely impact the Plan, and consequently, this Agreement may only be terminated with ninety (90) days written notice, and further provided such written notice must be received prior to August 1 in the calendar year prior to the tax year the party desires to terminate participation, unless such notice is waived, in writing, by all Parties to this Agreement. The Parties further agree that any application for tax rebate submitted to the City prior to receipt of the

notice of termination shall, if approved, be considered eligible for the duration of the rebate period set forth in the Plan.

4. Financing.

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

5. Additional City Responsibilities.

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

- c. The property owner shall notify City staff and the County Appraiser in written form upon completion of the improvements utilizing the 'Certificate of Project Completion'.
- d. The property owner shall notify both City staff and the County Appraiser in written form within 30 days should any substantial change occur to the planned improvements.
- e. The Property owner shall notify the City when all improvements covered under the application have been completed and the City shall inspect the improvements for compliance with the required building, health and safety codes of the City. On or before December 1st of each calendar year, the City shall notify the County Appraiser, in writing, of each property in the Area for which Improvements have been substantially completed so that the County Appraiser may conduct on-site inspections as part of the normal valuations to determine the increase in taxable valuations due to the Improvements.
- f. Within thirty (30) days of distribution of the tax increment from the County Treasurer, the City will disburse the rebate to the eligible taxpayer in accordance with the Plan unless the tax is paid in semi-annual payments, in which case the rebate will be made after payment of the second and final installment. Within thirty (30) days after the County transfers any tax increment received by the taxpayer to the City, the City will disburse the rebate to the eligible taxpayer in accordance with the Plan.

6. Additional County Responsibilities.

- a. The County Appraiser shall conduct an on-site appraisal as part of the normal valuations following completion of the Improvements and determine the increase in the taxable valuation due to the improvements.
- b. The County Appraiser will notify the City and the County Clerk of the valuation.
- c. The County Treasurer will monitor real estate tax delinquencies for Property participating in the Program. The County Treasurer will notify the City if a Property becomes ineligible for the program due to tax or special assessment delinquencies.

- 8. Execution. For purposes of executing this Agreement, this document if signed and transmitted by facsimile machine or telecopier, is to be treated as an original document. This Agreement may be executed in one or

more counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument.

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

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

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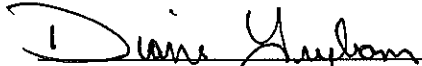


CITY OF LAWRENCE, KANSAS

By: 

David L. Corliss, City Manager

Attest:

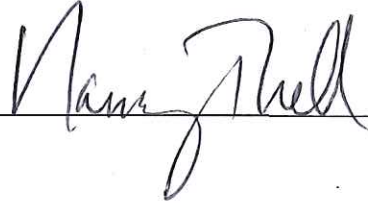

Diane Trybom, Acting City Clerk

(Rest of Signature Page Left Intentionally Blank)

BOARD OF COMMISSIONERS
OF DOUGLAS COUNTY, KANSAS

[Seal]

By: _____



Attest:



_____, Clerk of the Board

Approved As To Form:



County Counselor

(Rest of Signature Page Left Intentionally Blank)


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

[Seal]

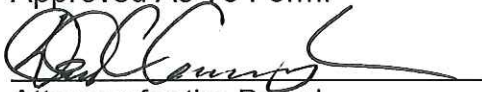
By: 

President, Board of Education

Attest:


Clerk of the Board

Approved As To Form:


Attorney for the Board

(Rest of Signature Page Left Intentionally Blank)

Exhibit C

Certificate of Completion

[See Attached]

**City of Lawrence, Kansas
Certificate of Project Completion**



Please fill out the below certificate of completion and submit within 10 days of the conclusion of project construction. *For purposes of submitting this certificate, a project can be considered substantially complete when at least 90% of the construction has been completed.*

Submit Application to: City of Lawrence, City Manager's Office,
Attn: Economic Development
6th East 6th Street, Lawrence, KS 66044

With a copy sent to: Douglas County, Kansas, Attn: Appraiser's Office
1100 Massachusetts St., Lawrence, KS 66044

Project: 1101/1115 Indiana Street, Lawrence, KS 66044

Company Name: HERE Kansas, LLC

Company Address: _____

Contact Information:

Company Contact(s): _____

Contact Address: _____

Contact Phone: _____

Contact Email: _____

I certify that construction of the above project was completed as of: _____
(Date)

Owner's Signature _____ Date _____