

City of Lawrence

2011 Report: Tax Abatements & Economic Development Incentives

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Executive Summary

Each year, the City of Lawrence compiles information on the firms receiving tax abatements in order to assess the effectiveness of program goals, including making good investments and providing quality wages and jobs for the community. This information is required by City Code (Section 1-2107), which states that businesses receiving tax abatements must provide certain information until their tax abatement expires.

This year, the report has been expanded to also include information on other active incentive programs currently sponsored by the City, including NRAs (Neighborhood Revitalization Areas), TIFs (Tax Increment Financing districts), TDDs (Transportation Development Districts), and other economic development support programs.

Below is a summary of this year's report highlights:

Tax Abatements:

Five Lawrence companies received tax abatements in 2011: Allen Press, Amarr Garage Doors, DST Systems, PROSOCO, and Reuter Organ.

- ***Investments—***
 - As a whole, the five companies have invested over \$20 million in real (\$6.2 million) and personal (\$13.9 million) property.
 - The Douglas County appraised value for real and personal property totaled approximately \$34.5 million, with the companies contributing just under \$1 million (\$973,173) in property taxes for the year.
- ***Employment—***
 - A total of 1,149 jobs were reported for 2011, 924 full-time positions and 225 part-time positions.

Job Creation Comparison		
Employees	Total initial + projected jobs	2011 Actual Jobs
Full Time	1,028	924
Part Time	11	225
Total Employees	1,039	1,149

- When examining full-time positions, 332 positions were originally projected to be created. In 2011, a total of 264 full-time positions had been created as a result of the abatements. However, as can be seen in the previous table, there are a substantial amount of part-time positions created that were not initially projected, likely due to companies trying to balance labor demand with recent recessionary pressures.
- ***Full-Time Wages***—Overall, wages for full-time jobs created as a result of the abatement averaged 108% of initial projections, when adjusted for inflation.
 - As a whole, the five companies achieved an average annual wage of approximately \$41,000 for full-time positions in 2011 compared with \$37,600 (inflation adjusted) as originally projected for full-time positions.
 - The average annual full-time wage achieved in 2011 is about \$12,000 higher than the average full-time, private sector wage in Lawrence (approximately \$29,000 per year).

Industrial Revenue Bonds (IRB):

Four companies had Industrial Revenue Bonds (IRBs) that remained outstanding at the end of the year: Ram/Garage Doors Inc. (Amarr Garage Doors), Bowersock, DST Systems, Inc., and Prosoco, Inc. Bonds totaled over \$44.5M, of which approximately \$24.8 million was issued to Bowersock in three series over 2010-2011 to acquire, construct, and equip a new hydro-electric facility.

Neighborhood Revitalization Areas (NRA):

As of the end of 2011, the City of Lawrence had three approved Neighborhood Revitalization Areas: 8th & Pennsylvania Street district NRA, 1040 Vermont Street NRA, and 1001 Massachusetts Street NRA. The 8th & Pennsylvania NRA district allows for up to 20 years of NRA rebates (subject to a capped amount correlating with costs). Currently, only one property has initiated rebate incentives within that district (720 E 9th Street).

The 1040 Vermont and 1001 Massachusetts Street NRAs had not yet proceeded by year's end.

Tax Increment Financing Districts (TIF):

The City currently has two TIF districts: The Downtown 2000 TIF district and The Oread TIF district.

- The Downtown 2000 Redevelopment TIF District was created to support the development of the parking garage at 10th and New Hampshire and other cultural, commercial, office, and apartment developments. At the end of 2011, approximately \$5.4M remained outstanding on the bond debt (approximately \$8.6M).
- The Oread TIF district was created to help fund public improvements supporting the multi-level lodging, hospitality, and business venue at 12th and Oread. Public improvements to streets and infrastructure, including a parking garage, were financed upfront by the developer and are reimbursed annually through both TIF and TDD revenues generated within the district. The district began generating TIF revenues in 2009. At the end of 2011, the district had generated TIF revenues from sales tax and incremental property tax of approximately \$782,973 to date.

Transportation Improvement Districts (TDD):

Currently, the City has two active TDD districts. In both districts, public improvements were financed upfront by the developer and are reimbursed annually via a one percent transportation district sales tax on retail or taxable services occurring within the district.

- The Oread TDD district (located at W. 12th Street & Oread Avenue) began generating sales tax revenues in 2009. At the end of 2011, the district generated approximate \$184,500 to date in TDD revenue.
- The Free-State (Bauer Farm) TDD district (located at West 6th Street and Wakarusa Drive) began generating sales tax revenues in 2009. At the end of 2011, slightly more than 24% of the buildable area within the district was occupied, generating a total of \$81,490 to date in TDD revenue.

Other Economic Development Programs:

The city also participates in non-traditional support programs to help initiate and support economic development within the community. Three of the programs supported in 2011 include:

- *Employee Incentive Training Program*—The City of Lawrence and Douglas County, Kansas share equally in providing an annual training incentive for Plastikon's Lawrence facility employees. Plastikon is a plastic manufacturing company specializing in the production of high tolerance parts and accessories for the diagnostic healthcare and pharmaceutical industries.

In 2011, the Company commenced operations at their new Lawrence facility, hiring 19 new, full-time employees. Based on their compliance percentage, the employee training incentive for 2011 totaled \$10,710 (\$5,355 paid by both the City and County).

- *Historic Neighborhood Revitalization*—The City is supporting the preservation and revitalization of the East Lawrence Historic District (8th & Pennsylvania area) by funding several neighborhood improvements, some of which include:
 - Addressing existing drainage problems by providing adequate storm water services and improvements to enhance the watersheds ability to manage storm water runoff more effectively and efficiently.
 - Replacing a 100-year old, inadequately sized waterline with the correct capacity line, completing the loop and upgrading to current design standards.
 - Providing complete street aspects such as pedestrian lighting, landscaping, sidewalks, and on-street parking
- *Expansion & Relocation Grant/Loan*—The City of Lawrence provided a \$25,000 grant (forgivable loan) to Grandstand Sportswear and Glassware to help facilitate the company's expansion into the vacant 155,000 square foot building at 3840 Greenway Circle in East Hills Business Park. A Lawrence-based company, Grandstand started operations in 1988 and has since experienced rapid growth, necessitating the move to a larger facility.

Introduction

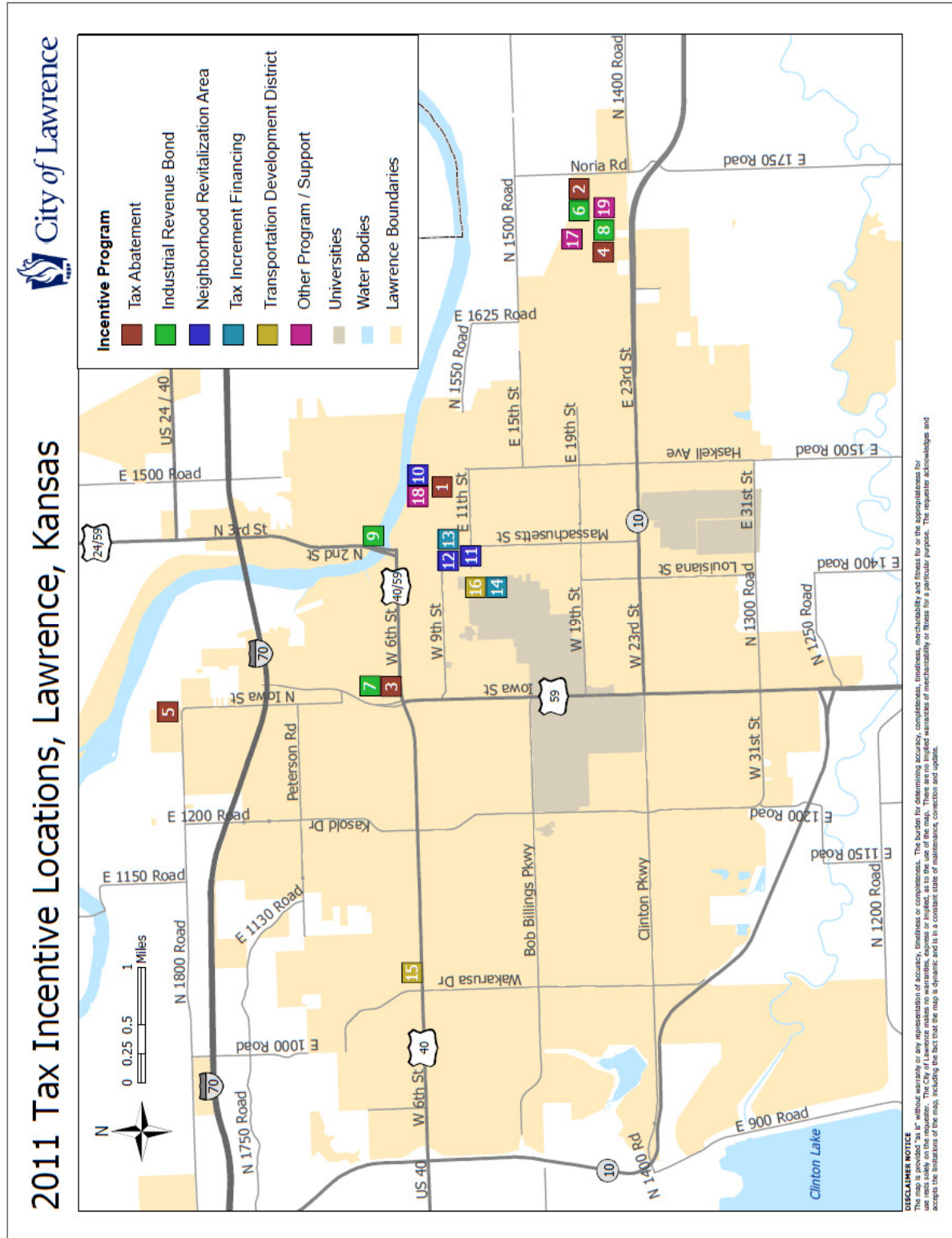
The City of Lawrence provides multiple support programs for economic development opportunities designed to enhance the local economy and quality of life. As these programs involve public funding for current and future community assets, projects are viewed as an investment in which the City analyzes the risks and returns, selecting economic projects that best balances the goal of growing the local economy with the required amount of investment.

Currently, the City has the below active economic development programs and projects. (Refer to the following map for project locations.)

2011 Active Economic Development Incentives			
Incentive Program	Description	Location	Map #
Tax Abatements¹	Allen Press	810 E 10th Street	1
	Amarr	3800 Greenway circle	2
	DST Systems	2000 Bluffs Drive	3
	PROSOCO	3741 Greenway circle	4
	Reuter Organ	1220 Timberedge Road	5
Industrial Revenue Bonds (IRB)	Amarr	3800 Greenway Circle	6
	DST Systems	2000 Bluffs Drive	7
	PROSOCO	3741 Greenway circle	8
	Bowersock (Hydro-Electric Plant)	Kansas River, east of N 2nd St.	9
Neighborhood Revitalization Areas (NRA)	8th and Pennsylvania Street District	720 E 9th Street	10
	1040 Vermont (Treasor Headquarters)	1040 Vermont Street	11
	1001 Massachusetts (Masonic Temple)	1001 Massachusetts Street	12
Tax Increment Financing (TIF)	Downtown 2000 (9th and New Hampshire Project)	9th & New Hampshire area	13
	Oread Project	1200 Oread Avenue	14
Transportation Development Districts (TDD)	Free State (Bauer Farm)	NEC 6th & Wakarusa	15
	Oread Project	1200 Oread Avenue	16
Other Programs/Support			
Employee Training	Plastikon	3780 Greenway Circle	17
Infrastructure	East Lawrence Industrial Historic District (includes Poehler building)	619 E 8th Street area	18
Relocation Grant/Loan	Grandstand Sportswear & Glassware	3840 Greenway Circle	19

¹The City Commission approved a 65% real property tax abatement for 3840 Greenway Circle, L.L.C. (Grandstand Sportswear and Glassware) in late 2011 for company relocation and expansion into the vacant building at 3840 Greenway Circle in East Hills Business Park. At the end of 2011, the company was in the process of transitioning to the new facility. The 10 year tax abatement will apply for years 2012-2021.

Location of Projects



Section 1: Tax Abatements

Overview

Tax abatements are authorized by the State of Kansas to allow municipalities and other taxing jurisdictions to reduce property taxes for a limited period of time in order to spur additional investment within a community.

Each year, the City of Lawrence compiles information on the firms receiving tax abatements in order to assess the effectiveness of the abatements at providing investments, quality jobs and good wages for the community. This information is required by City Code (Section 1-2107), which states that businesses receiving tax abatements must provide certain information until their tax abatement expires. The information presented in this section provides profile and performance information for the five companies receiving tax abatements in 2011.

2011 Active Tax Abatements				
Company	Appl Date	Maximum Investment Amount Subject to Abatement ²	Abatement %	Exp Date
Allen Press, Inc. Phase II ³	Jan. 1999	\$3,723,000 personal property	50% on personal and real property	Dec. 2011
		\$1,074,500 real property		
Amarr Garage Doors, Inc.	Jan. 2010	\$9,400,000 personal property	55% personal property	Dec. 2019
DST Systems	Nov. 2000	\$2,000,000 existing personal property	100% existing personal property	Dec. 2011 ⁵
		\$1,450,000 new personal property	50% new personal property	
PROSOCO, Inc.	Sep. 2002	\$260,000 personal property	55% on personal and real property	Dec. 2014
		\$2,348,000 real property		
Reuter Organ Co.	Jan. 2000	\$356,250 personal property	50% on personal and real property	Dec. 2011
		\$3,327,239 real property		

² Amounts that appear in the City ordinance authorizing the abatement

³ Total amount authorized \$6,500,000 in equipment and \$3,000,000 in building improvements, approved for two phases.

⁴ The tax abatement for DST Systems was defeased in early 2012, with the City conveyance authorized through Resolution 6963, dated February 21, 2012.

This section provides an overview of each company and a summary of their performance to-date. Results indicate that the five firms completed most of their planned real and personal property investments. Performance varies from company to company, but almost all of them are exceeding one or more of their projections for capital investment and employment. The firms appear to remain active in the community.

While there was a new economic development policy that requires certain wage and health premium payment requirements, none of the firms receiving abatements in 2011 were subject to this ordinance. All of the abatements in 2011 were granted prior to these wage and health requirements.

Non-Initiated Tax Abatements

It should be noted that there are three companies with tax abatements approved, that had not initiated their abatements by the end of the year.

- In 2006, the City approved a 90% real property tax abatement for Berry Plastics for a three stage expansion at their existing plant. At this stage, two of the three phases have been completed, but there has been no material change to Berry's real property value. Berry has therefore elected not to initiate this abatement, yet.
- The City Commission approved a 55% real property tax abatement for API Foils in 2008. API Foils has not yet begun construction on this project.
- Recently, the City Commission approved a 65% real property tax abatement for 3840 Greenway Circle, L.L.C. (Grandstand Sportswear and Glassware) for company relocation and expansion into the vacant building at 3840 Greenway Circle in East Hills Business Park. At the end of 2011, the company was in the process of transitioning to the new facility. The 10 year tax abatement will apply for years 2012-2021.

About the Firms Receiving Tax Abatements



Allen Press: 810 E 10th Street

Allen Press provides a comprehensive offering of integrated services for scholarly journal and special-interest publication production. Since 1935, Allen Press has helped organizations disseminate research findings and other information through print media. With this experience as a foundation, Allen Press also

provides web-hosting services aimed at helping organizations deliver information at a fast pace.

Through the years, the primary focus of Allen Press has been, and continues to be, serving the scholarly publishing community as well as special-interest publishers. Allen Press currently serves hundreds of organizations. The content produced is used by leading professionals, consumers, and libraries throughout the world.



Amarr Garage Doors: 3800 Greenway Circle

Amarr was established in 1951 by the Brenner family in Winston-Salem, NC, and has grown to have sales in excess of \$300 million, 1,000 employees, and 70 locations in the United States, Mexico, and Canada. They are one of the world's leading designers,

manufactures, and distributors of door access systems for residential garages, warehouses, commercial buildings, shopping malls and other commercial applications. Amarr has over 17 products to offer residential customers as well a wide array of commercial doors such as sectional steel doors and rolling steel doors. Designs are inspired by some of America's leading brands and sold by over 3,000 professional independent garage door dealers worldwide.

Amarr produces garage doors in two locations: Lawrence and North Carolina. They came to Lawrence in 1989 as the first occupant of East Hills Business Park, and currently produce the majority of their garage doors here. Amarr provides jobs for almost 500 people, making it one of the largest private employers in the City.



DST Systems: 2000 Bluffs Drive

Established in 1973 as a corporate joint venture of State Street Corporation and DST Systems, Inc., Boston Financial offers consultative expertise and industry-leading investor services to the nation's most prestigious financial services companies. Boston Financial provides back-office and transfer agency services for mutual funds, 529 plans, retirement plans, class action and event

administration, business continuity, real estate investment trusts (REITs), proxy services, and contractual plans.

Hundreds of full- and part-time Associates work in the Lawrence, Kansas location, and are highly trained and specialized in providing transaction and operational services for a diverse range of clients.



PROSOCO: 3741 Greenway Circle

PROSOCO's products and services are designed to improve the appearance and performance of architectural masonry. This high level of specialization makes PROSOCO unique within the construction industry.

The company has developed products for giving new life to historic buildings and monuments; maintenance and protection of existing buildings; and the cleaning and protection of new masonry and reinforced concrete structures. PROSOCO products provide superior performance over traditional methods of cleaning commonly used for construction and industrial applications.

PROSOCO was founded in 1939 by Albert Boyer and remains under his family's leadership to this day. They moved their headquarters to Lawrence in 1999. They have seen growth in international markets and have undertaken several green initiatives both in the products they produce and the way they produce them.



Reuter Organ: 1220 Timberedge Road

The Reuter Organ Company is an internationally known builder of pipe organs. Reuter was founded in 1917 and moved to Lawrence in 1919.

Reuter organs are predominantly built for churches, but they also, on occasion, construct organs for homes and concert halls. Organ building involves a wide cross section of crafts – from wood working, to metal working, structural engineering to physics, and artistry from the visual designer to those who voice the pipes themselves. Every aspect of a Reuter instrument is custom-built right for each individual instrument in Lawrence. Amongst some of the oldest organ building firms in this country, Reuter is still often referred to as the only major builder west of the Mississippi.

Abatement Performance

The below table compares the projected company milestones as originally indicated on each company's tax abatement application to actual achievement of milestones as of the end of the year.⁶

2011 Tax Abatement Performance by Company			
2011 Allen Press, Inc. (Phase II)	Projected	Actual	Comparison (Projected to Actual)
Real Property Investment	\$1,074,500	\$448,170	42%
Personal Property Investment	\$3,723,000	\$1,785,847	48%
Full-Time Employees (from Abatement)	13	13	100%
Average Wages (2011 Dollars)	\$33,757	\$46,016	136%
Amarr Garage Doors, Inc.	Projected	Actual	Comparison (Projected to Actual)
Real Property Investment	n/a	n/a	n/a
Personal Property Investment	\$9,400,000	\$9,700,000	103%
Full-Time Employees (from Abatement) ⁷	80	40	50%
Average Wages (2011 Dollars)	\$30,531	\$33,699	110%
DST Systems	Projected	Actual	Comparison (Projected to Actual)
Real Property Investment ⁸	n/a	n/a	n/a
Personal Property Investment ⁹	\$1,450,000	\$1,387,418	96%
Full-Time Employees (from Abatement)	175	122 ¹⁰	70%
Average Wages (2011 Dollars)	\$51,812	\$39,388	76%

Table continued on following page.

⁶ Each firm was required to provide projections of real property investments, personal property investments, new jobs and wages for those jobs in order to do a benefit-cost analysis. The benefit-cost analysis is required by state law in order to grant a tax abatement.

⁷ Amarr projected 80 new employees in their 2003 performance agreement with the City, but claimed a projection of 40 employees on the City's 2011 Tax Abatement Annual Report Questionnaire.

⁸ An abatement of \$5,500,000 on real property expired in December of 2007.

⁹ The Abatement on existing personal property has expired.

¹⁰ Total does not include 214 part-time jobs.

PROSOCO, Inc.	Projected	Actual	Comparison (Projected to Actual)
Real Property Investment	\$2,348,000	\$2,397,288	102%
Personal Property Investment	\$260,000	\$662,312	255%
Full-Time Employees (from Abatement)	50 ¹¹	62	124%
Average Wages (2011 Dollars) ¹²	\$28,446	\$45,152	159%
Reuter Organ Co.	Projected	Actual	Comparison (Projected to Actual)
Real Property Investment	\$3,327,239	\$3,327,239	100%
Personal Property Investment	\$356,250	\$389,250	109%
Full-Time Employees (from Abatement)	14	27	193%
Average Wages (2011 Dollars)	\$43,610	\$39,592	91%

¹¹ PROSOCO's original projection of 75 full time jobs was in error as it erroneously calculated the relocation of all PROSOCO employees, not just those targeted for Lawrence. According to PROSOCO, the actual base number should have been 50.

¹² Wage data by job classification was not specified by the company. The wages shown represent an estimation based on if the position paid above or below the community average for that job classification.

Performance Summary

2011 Tax Abatement Summary			
	Total Projected	Total Actual	Comparison
Real Property Investment	\$6,749,739	\$6,212,697	92%
Personal Property Investment	\$15,189,250	\$13,884,827	91%
Full-Time Employees	332	264	80%
Average Full-Time Wages (2011 Dollars)	\$37,631	\$40,769	108%

Real Property

Projected real property investments ranged from \$1M to over \$3M. The largest, at Reuter Organ, involved the construction of a new manufacturing center in the Santa Fe Business Park (this business park is located at North Iowa and Lakeview Road). In total, there was approximately \$6.7M of real property investments projected as a result of the abatements provided.

Overall, the companies receiving tax abatements in 2011 achieved 92% of the projected amount for real property investments, with two out of three companies meeting or exceeding real property investment projections. The shortfall was caused by a result lower-than-expected real property investment by Allen Press in its Phase II tax abatement.

Personal Property

Personal property had more significant projections, with \$15M projected for investment. This ranged from a modest amount at PROSOCO and Reuter Organ of less than half a million dollars each, to larger projections, including over \$9M of personal property investments for Amarr Garage Doors Inc.

Actual personal property investments totaled about \$13.9M. Like real property, this was less than projected. However, three of the five firms met or exceeded their personal property investments, resulting in 91% projected personal property investments met overall.

Job Creation

Overall, 80% of the new, full-time jobs originally projected were created. Most companies with abatements in 2011 either met employment projections directly related to the abatements (including corrections for error) or offset full-time employment shortfalls with significant part-time employment increases, a likely strategy to weather recent recessionary periods and avoid layoffs. (DST Systems alone indicated the creation of 214 part-time jobs as the result of their abatement.)

Three of the five companies have met or exceeded full-time employment projections. While PROSOCO, Inc. did not meet an original projection of 75 full-time employees, the company has documented to the City that this base number was an error as it was based on total employment at PROSOCO in 1998. According to PROSOCO, this base number should have been 50, the number of employees expected to relocate to Lawrence. Based on a revised base of 50 full-time employees, PROSOCO met 124% of projections. Amarr Garage Doors Inc. projected 80 new employees in their 2003 performance agreement with the City, but claimed a projection of 40 employees on the City's 2011 Tax Abatement Annual Report Questionnaire.

Wages

Employee pay is an important element for both the quality of life and for promoting other businesses indirectly. Adjusting for inflation, these firms projected average wages for jobs resulting from abatement of approximately \$41,000 per year. This is about \$12,000 higher than the average private sector wage in Lawrence (approximately \$29,000 per year¹³).

Three of five companies exceeded wage expectations. Overall wages averaged 108% of projections. (Again, the projections provided in the application have been adjusted for inflation.)

¹³ Kansas Department of Labor, Kansas Labor Information Center, Average Private Sector Wage in Lawrence, KS (by Industry), Quarterly Census of Employment and Wages, \$28,957, data released fall 2011.

Employment Summary

Each year, a questionnaire is sent to companies receiving tax abatements, requesting employment information. Occupation specific information, including full-time or part-time status, the 6-digit SOC Code (Standard Occupation Code) for each job category, and the hourly or annual wage for each position is collected.¹⁴ The information for each occupation is then compared with a community average wage for that occupation. In the majority of cases, the community average wage used was the 6-digit SOC Code mean wage as reported in the 2011 Edition of the Kansas Wage Survey for the Lawrence Metropolitan Statistical Area (MSA). Whenever a 6-digit SOC Code mean wage was not available for Lawrence, the 2011 Edition 6-digit SOC Code mean wage for the state of Kansas was used.

2011 Employment Summary	
Allen Press, Inc. (Phase II)	
Total Employment	262
Full-Time Employment	260
% of Full-Time Jobs meeting or exceeding community average wage ¹⁵	83%
Average Full-Time Hourly Wage (\$46,016 annual)	\$22.12
Amarr Garage Doors, Inc.	
Total Employment	459
Full-Time Employment	453
% of Full-Time Jobs meeting or exceeding community average wage	100%
Average Full-Time Hourly Wage (\$33,699 annual)	\$16.20
DST Systems	
Total Employment	336
Full-Time Employment	122 ¹⁶
% of Full-Time Jobs meeting or exceeding community average wage ¹²	97%
Average Full-Time Hourly Wage (\$39,388 annual)	\$18.94

Table continued on following page.

¹⁴ Due to confidentiality, companies were not required to provide wage data on job categories with only one employee. For purposes of calculating the company average wage, jobs indicated as below the average wage were estimated at 3% less than the SOC community average wage for that job category. Jobs indicated as above the average wage were estimated at 3% more than the SOC Community average wage for that job category.

¹⁵ The following full-time positions did not have enough wage data to make comparisons between the community and company average wage and are not included in calculations.

Allen Press: There were 72 positions that did not have sufficient data to make comparisons between the community and company average wage. Of the 189 full-time positions reported with sufficient data to make comparisons, 156 or 82.5% meet or exceed the community average for that occupation.

DST: 2 full-time positions

¹⁶ DST has a substantial part-time employment base (214 employees in 2011). Salaries for part-time positions are not included.

PROSOCO, Inc.	
Total Employment	64
Full-Time Employment	62
% of Full-Time Jobs meeting or exceeding community average wage	66%
Average Full-Time Hourly Wage (\$45,152 annual) ¹⁷	\$21.71
Reuter Organ Co.	
Total Employment	28
Full-Time Employment	27
% of Full-Time Jobs meeting or exceeding community average wage ¹⁸	62%
Average Full-Time Hourly Wage (\$39,592 annual)	\$19.03

¹⁷ PROSOCO did not provide wage data by job category, but rather indicated if the corresponding company wage was below or above the community average. For purposes of calculating the average company wage, jobs indicated as below the average were calculated at 3% less than the community SOC average wage and jobs indicated as above the average were calculated at 3% more than the community SOC average wage.

¹⁸ Reuter had 2 full-time positions that did not have enough wage data to make comparisons between the community and company average wage and were not included in calculations.

Employment History

The 2011 Tax Abatement Annual Report Questionnaire requested information on the number of full time and part time employees in the year prior to the granting of abatement. The questionnaire also asked for the number of additional jobs that the firm projected on the abatement application. These results were compared with the number of individuals employed at the end of December 2011, per the businesses' records. The following table additionally presents the number of full time and part time employees for the previous five years in order to see any trends for the most recent five year period.

2007-2011 Employment History (year-end)																		
Company	Pre-Abatement		Projected from Abatement		Total Estimated Jobs		2007		2008		2009		2010		2011		2011 Over/Under Estimated Total	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
Allen Press	314	8	13	0	327	8	347	5	327	3	303	2	274	0	260	2	(67)	(6)
Amarr (1998) ¹⁹	340	0	80	0	420	0	660	4	469	0	499	2	466	4	453	6	33	6
DST Systems	0	0	175	0	175	0	133	108	161	60	128	62	120	213	122	214	(53)	214
PROSOCO	0	0	50 ²⁰	3	50	3	66	3	69	0	59	3	56	3	62	2	12	(1)
Reuter Organ	42	0	14	0	56	0	33	1	33	4	35	2	30	2	27	1	(29)	1
Total	696		332		1028										924		(104)	

Below is a history of PROSOCO/BIC Corporation Kansas full-time employment totals:

KC Law.														
Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
KS Employees	50	58	64	61	60	63	63	67	68	66	69	59	56	62

¹⁹ Projection on application is the figure provided in 1998. According to the 2003 Performance Agreement between the City and Amarr Garage Doors Inc., a total of 80 jobs were to be created as the result of the abatement commencing in 2010. The applicant states that 40 jobs were projected on the application and 40 jobs created.

²⁰ PROSOCO's original projection of 75 was inaccurate as it erroneously calculated the relocation all PROSOCO employees, not just those targeted for Lawrence. The actual base number should have been 50.

Additional Community Benefits

Businesses provide many important benefits to the communities in which they reside. In addition to direct job creation and generation of wages, companies increase purchases within the local economy, contribute to the local tax base and bring capital into the community. They also generate a substantial social impact, including providing training and benefits to the work force, supporting community organizations, and employing environmental stewardship.

Local Expenditures & Non-Local Sales

A key objective of economic development is to bring new money into the community, and then have that money stay in the community. Firms bring new money to the community when they sell products in other geographic markets. The money then remains in the community to the extent that it is distributed in wages to local residents, paid in dividends to local owners and shareholders, or spent locally. The below table shows the share of sales made outside of Lawrence and the local expenditures made directly by the firms.

2011 Local Expenditures & Outside Sales		
Company	Expenditures Spent Within Lawrence	Sales Generated Outside Lawrence
Allen Press, Inc	16%	97%
Amarr Garage Doors Inc.	5%	99%
DST Systems	100%	100%
PROSOCO, Inc	5%	100%
Reuter Organ	20%	95%

Almost all of the sales from the five firms receiving abatements occur outside of Lawrence. However, local expenditures vary greatly among the five companies. DST Systems makes most of their expenditures locally, while Amarr Garage Doors and PROSOCO make very few of their expenditures in Lawrence. Part of the reason for this is the nature of production at these different companies. DST electronically manages mutual fund records, so most of their business purchases are likely office supplies and other items that can be purchased locally. However, Amarr and PROSOCO create products from materials that are not produced locally. Therefore, they have to make large purchases outside of the City.

Property Tax Generation

Since none of the five companies received a 100 percent tax abatement, all of the abated property is currently generating some level of property taxes.²¹

2011 Tax Generation					
Company & Abatement %	Appraised	Assessed	Total Tax	Abated	Taxes Paid
Allen Press, Inc. (Phase II)					
Real (50%)	\$1,039,800	\$259,951	\$32,578	\$3,935	\$28,642
Personal (50%)	\$2,066,624	\$470,776	\$63,599	\$4,600	\$58,999
Amarr Garage Doors, Inc.					
Real (0%)	\$12,389,300	\$3,097,327	\$394,361	N/A	\$392,716
Personal (55%)	\$5,595,815	\$1,170,622	\$178,121	\$29,074	\$149,047
DST Systems					
Real (0%)	\$3,870,600	\$967,652	\$121,269	N/A	\$121,269
Personal—New Personal Property (50%)	\$177,812	\$44,453	\$5,571	\$5,245	\$325
Personal—Existing Personal Property (100%)					
PROSOCO, Inc.					
Real (55%)	\$6,419,600	\$1,604,900	\$204,341	\$35,699	\$168,642
Personal (55%)	\$447,085	\$103,754	\$14,142	\$931.78	\$13,210
Reuter Organ Co.					
Real (50%)	\$2,348,300	\$587,076	\$73,574	\$36,787	\$36,787
Personal (50%)	\$140,543	\$28,204	\$3,981	\$646	\$3,535
Total	\$34,495,479	\$8,334,715	\$1,091,535	\$116,917	\$973,173

Source: Douglas County, Kansas Appraiser's and Treasurer's office

The County appraised real property at a little over \$26 million and personal property at approximately \$8.4 million (\$34,495,479 combined) for the five companies receiving tax abatements in 2011. Total tax due on both real and personal property was at just over \$1 million for the year. Tax payments made by these companies totaled just under \$1 million, with a total tax abated value of approximately \$117,000 during 2011.

²¹ For commercial enterprises, property taxes are based on 25% of the appraised value of real and personal property. The State of Kansas exempted commercial personal property purchased July 1, 2006 and after from taxation. However, personal property purchased prior to that date is still taxed at a depreciated rate. Each company is required to submit an annual claim for a personal property tax abatement, listing out the equipment, value and date purchased. The County then determines the amount of personal property exempted and taxes due.

Social Impacts

Companies also contribute to the community by providing career enhancement for their employees and by giving to local charities as well. The five firms receiving abatements in 2011 have obtained substantial achievements in the areas of the environment, community engagement, and environmental practices.

Allen Press

Environment

Allen Press is pursuing several large scale environmental initiatives both internally and for clients. FSC certification is a program with the Rainforest Alliance to create a controlled forest management system for paper requirements. Allen Press has completed the certification that documents participant usage of paper purchased from organizations that practice better forest management. Allen Press is moving toward stocking only FSC certified papers for its house stock and covers. The company has also purchased Green Tags from the Belleville Environmental Foundation (a collaboration with Zephyr Energy) as well as offsetting 25% of its electricity needs for non-production areas. The company is marketing this program to clients to offset electrical needs for printing society journals and conducting environmental seminars to educate clients for program participation.

Community Engagement

Allen Press received the 2007 Pacesetter Award from the United Way of Douglas County for being the company with the largest percentage increase in contributions from the prior year. The company has also supported a number of community groups, including Veritas Christian School, Lawrence Arts Center, Lawrence Children's Choir, Lawrence Humane Society, Lawrence Schools Foundation, Lawrence Chamber of Commerce, Douglas County Science Fair, Douglas County Senior Center and made multiple donations for community programs and projects.

Job Training/Benefits

Allen Press invested over \$200,000 in 2011 for time and materials associated with technical and management training. The company continues to improve its benefit offering. Since commencement of its tax abatement, the company has introduced a new pharmacy benefit, increased its 401K match for contributions, added an employee assistance program, began free flu shots and annual health risk assessments, increased the maximum annual dental benefit, and added a financial advisor for the 401K plan, with personalized access for employees.

Amarr Garage Doors, Inc.

Environment

Amarr participates in recycling programs that include steel, aluminum, cardboard, pallets, and paper products. Over 65% of Amarr's finished product is manufactured from recycled steel.

Community Engagement

Amarr has supported a number of community groups, including Van Go Mobile Arts, Tenants to Homeowners, United Way, Habitat for Humanity, Kansas Blood Services, March of Dimes, Lawrence Arts Center, and the Lawrence Memorial Hospital Campaign.

Job Training/Benefits

During the course of the year, Amarr continually offered a wide range of training, including new employee orientation, harassment training, safety training, leadership skills development, and on-the-job machinery equipment operation instruction. Amarr also offers an in-house degree program to employees designed to improve skill sets for both professional and personal growth. Tuition reimbursement is another benefit provided to employees who want to continue their education.

DST Systems, Inc.

Environment

DST Systems incorporates environmentally-sound practices into their business operations. The company established paper and aluminum recycling programs and optimized energy consumption through conscientious heating, cooling, and electrical practices. DST Systems also takes a proactive approach to maintaining company grounds and has planted trees on company property.

Community Engagement

DST Systems participates with and supports various community organizations, including the Van Go Mobile Arts, the Lied Center, Ballard Center, Lawrence Community Theatre, Lawrence Arts Center, Kansas Athletics, and the Lawrence Chamber of Commerce. The company also supports Junior Achievement activities at local schools.

Job Training/Benefits

DST Systems provides on-going training of staff members. Further, DST Systems has partnered with Baker University to provide college completion programs.

PROSOCO, Inc.

Environment

PROSOCO is constantly striving to develop and introduce new environmentally responsible products for the building industry. The company employs environmental professionals, including a Regulatory Affairs Director (holding a B.G.S. degree in Environmental Studies and certification as a Hazardous Materials Manager) to oversee compliance with all applicable environmental requirements, and a LEED Accredited Professional (LEED AP, U.S. Green Building Council). PROSOCO works with the U.S. Green Building Council, the Consumer Specialty Products Association, and Coatings Care to support environmental principles and practices.

Community Engagement

PROSOCO has been actively involved in the Eastern Kansas branch of MS150. Since 2003, PROSOCO and its employees have participated in this annual event and have donated nearly \$27,000. In 2004, PROSOCO received the Lawrence Chamber of Commerce “Excellence in Commerce” award. Nominees were judged on categories including “community involvement” and “quality of life for employees.” Other involvement includes donations to Junior Achievement, the Kelsey Smith Foundation, and Boys and Girls Club of Lawrence. PROSOCO provides the City of Lawrence with free consultation on building renovation projects.

Job Training/Benefits

PROSOCO provides employees with internal and external education and training covering topics such as computer software, financial awareness, product training, wellness, and high-tech applications. Annual safety training is provided to employees as well as CPR/First Aid training every two years.

Reuter Organ

Environment

Many of Reuter’s projects have been environmentally conscious, using LEED certification for many project aspects.

Community Engagement

The Reuter Organ facility in Lawrence draws hundreds of guests both from the community and from out of town, resulting in increased economic development activity.

Job Training/Benefits

Building pipe organs utilizes old world craftsmanship aided where possible with modern technology. Reuter trains each employee in the art of organ building. Training can span from three months to several years. Reuter remains a recognized leader in the organ industry for its unique and reliable methods of organ building.

Section 2: Industrial Revenue Bonds (IRB)

Four companies have had Industrial Revenue Bonds (IRBs) issued on their behalf that were still outstanding as of the end of the year. The table below details the date of issue as well as the amount of the bonds and the date of final payout. In addition, those companies that had IRBs issued after 1995 are required to provide arbitrage and secondary disclosures.

Industrial Revenue Bonds			
Company	Amount of the Bonds	Date of Issue	Year Matures
RAM/Garage Doors Inc. (Amarr Garage Doors) ²²	\$4,500,000	1995	2015
Bowersock ²³	\$24,755,000	2010 & 2011	2037
DST Systems, Inc. ²⁴	\$7,250,000	2001	2012
Prosoco, Inc.	\$8,040,000	1999	2019

²² On March 13, 2007, the City Commission adopted Resolution 6709 approving the sale of certain real and personal property, and authorizing the Mayor to execute the Special Warranty Deed, Bill of Sale, and Termination of Documents, all related to the RAM Company project and redemption of 1995 Industrial Revenue Bonds.

²³ Bonds were issued in three series over 2010-2011 to acquire, construct, and equip a new hydro-electric facility.

²⁴ Bonds matured in 2012 with the City conveying real and personal property to DST via Resolution 6963, dated February 21, 2012.

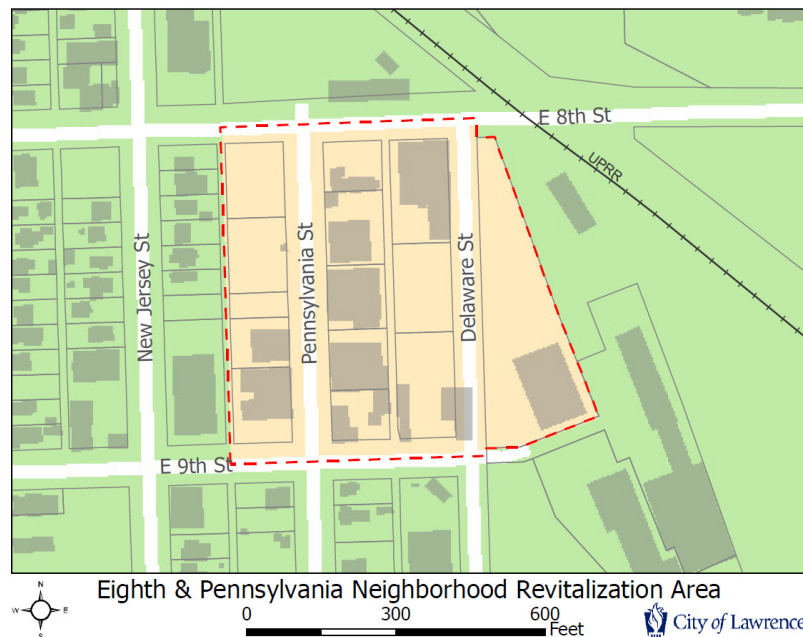
Section 3: Neighborhood Revitalization Areas (NRA)

Neighborhood Revitalization Areas are an economic development tool established by the Kansas Neighborhood Revitalization Act (K.S.A. 12-17,114 et seq.) to promote reinvestment and revitalization of properties, which in turn have a positive economic effect upon a neighborhood and the City in general.

As of the end of 2011, the City of Lawrence had three approved Neighborhood Revitalization Areas: 8th & Pennsylvania Street district NRA, 1040 Vermont Street NRA, and 1001 Massachusetts Street NRA. The 8th & Pennsylvania NRA district allows for up to 20 years of NRA rebates (subject to a capped amount correlating with costs). Currently, only one property has initiated rebate incentives within that district (720 E 9th Street).

It should be noted that the 1040 Vermont and 1001 Massachusetts Street NRAs had not yet proceeded by year's end.

Established Neighborhood Revitalization Areas (NRA)				
NRA	Established	Expires	% Rebate	Ordinance #
8th & Pennsylvania Street District	April 2007	April 2012	95% Annually	8093
1040 Vermont Street	April 2011	April 2021	Declining	8625
1001 Massachusetts Street (Masonic Temple)	Sept 2011	Sept 2021	Declining	8671



Section 4: Tax Increment Financing Districts (TIF)

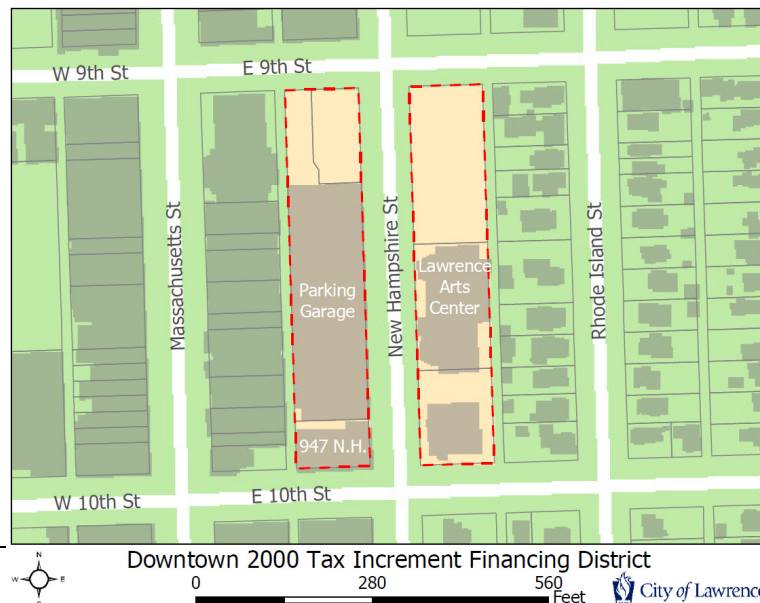
Tax Increment Financing (TIF) Districts are an economic development tool established by the Kansas TIF Act (K.S.A. 12-1770 et seq.) to aid in financing projects for substantial public benefit. Public benefits can include creating jobs or retaining existing employment, eliminating blight, strengthening the employment and economic base of the City, increasing property values and tax revenues, reducing poverty, creating economic stability, upgrading older neighborhoods, facilitating economic self sufficiency, promoting projects that are of community wide importance, or implementing the Comprehensive Plan and economic development goals of the City.

The City currently has two TIF districts:

Tax Increment Financing Districts (TIF)				
TIF	Established	Expires	Estimated Project Costs	Ordinance #
Downtown 2000 Redevelopment (9th and New Hampshire)	Aug. 1999	April 2020	\$8,645,000	7127
The Oread	Feb. 2008	Feb. 2028	\$11,000,000 ²⁵	8234

Downtown 2000 Redevelopment (9th and New Hampshire)

The Downtown 2000 Redevelopment TIF District was created to support the development of the parking garage at 10th and New Hampshire and other cultural, commercial, office, and apartment developments. At the end of 2011, approximately \$5.4M remained outstanding on the bond debt (approximately \$8.6M).

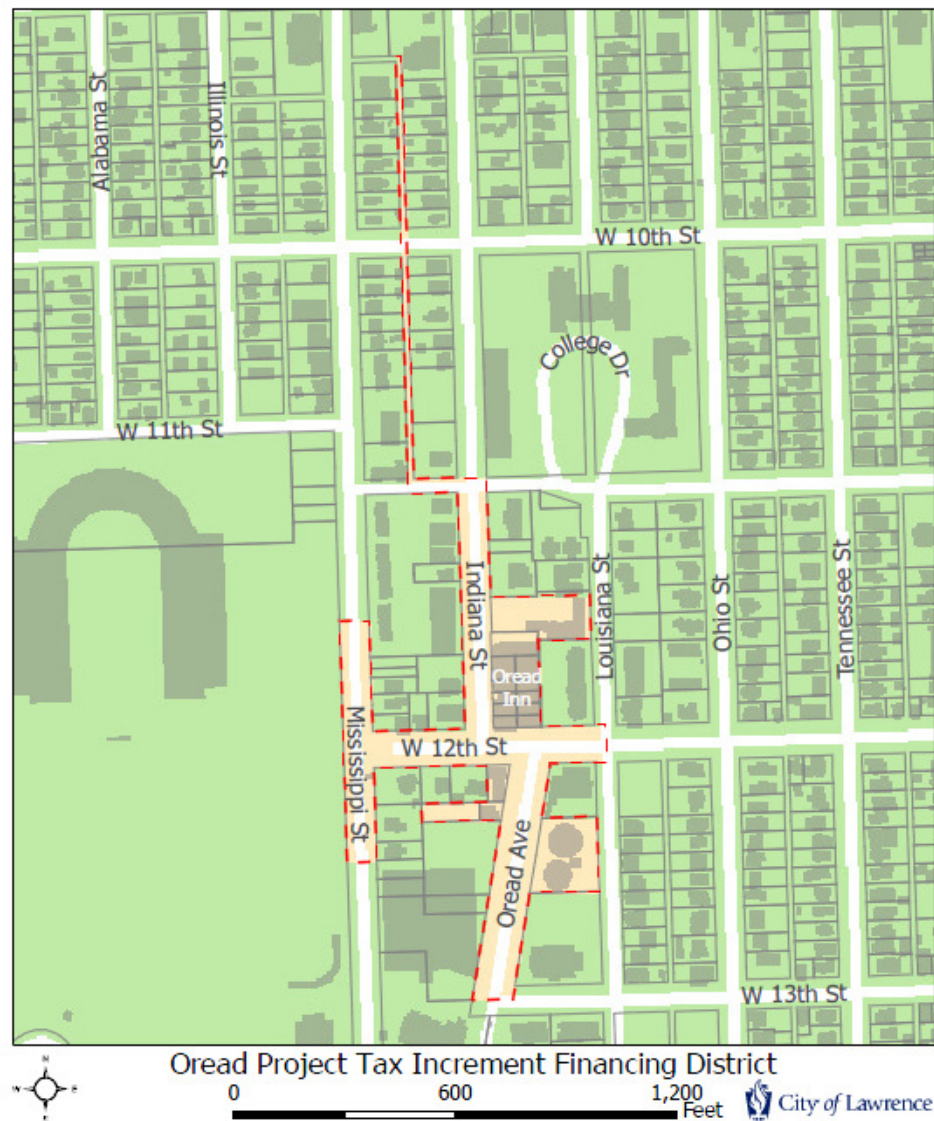


²⁵ Both TIF and TDD revenues are applied toward the reimbursement of project costs within the district.

12th and Oread Redevelopment District (The Oread): 1200 Oread Avenue

The Oread is a multi-level lodging, hospitality, and business venue with 10 above-ground floors and five below ground levels. Located on top of Mount Oread at the north gate of The University of Kansas, the center features 99 guest rooms and suites, two large banquet rooms, a state of the art audio/video theater, tanning salon and fitness center, and a variety of restaurants.

Public improvements to streets and infrastructure, including a parking garage were financed upfront by the developer and are reimbursed annually through TIF revenues generated within the district. The district began generating TIF revenues in 2009. At the end of 2011, the district had generated TIF revenues from sales tax and incremental property tax of approximately \$782,973 to date.



Section 5: Transportation Development Districts (TDD)

Transportation Development Districts (TDD) are an economic development tool established by the Kansas TDD Act (K.S.A. 12-17,140 et seq.) to assist with the development of transportation projects which can benefit a development and the public.

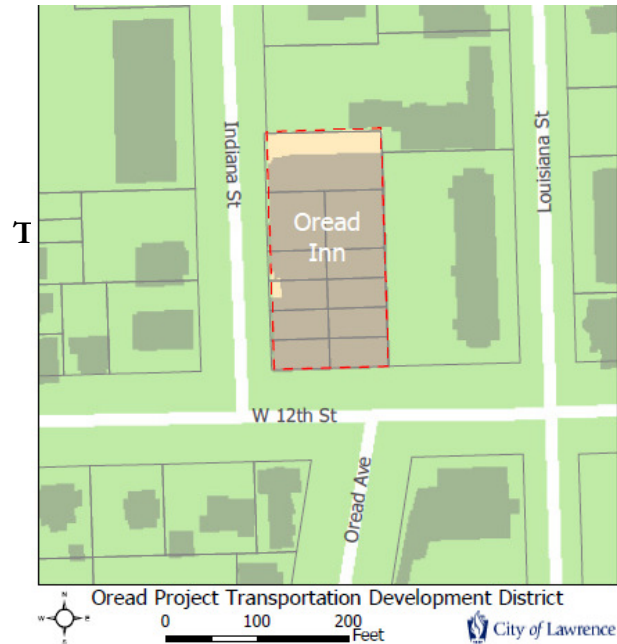
Currently, the City has two active TDD districts. In both districts, public improvements were financed upfront by the developer and are reimbursed annually via a one percent transportation district sales tax on retail or taxable services occurring within the district.

Transportation Development Districts (TDD)						
TDD	Established	Expires	Estimated Project Costs	TDD Sales Tax	Commencement of TDD Sales Tax	Ordinance #
The Oread	April 2008	April 2030	\$11,000,000 ²⁶	1%	October 1, 2009	8254
Free-State (Bauer Farms)	Oct. 2008	Oct. 2030	\$5,000,000	1%	April 1, 2009	8339

²⁶ Both TIF and TDD revenues are applied toward reimbursement within the district.

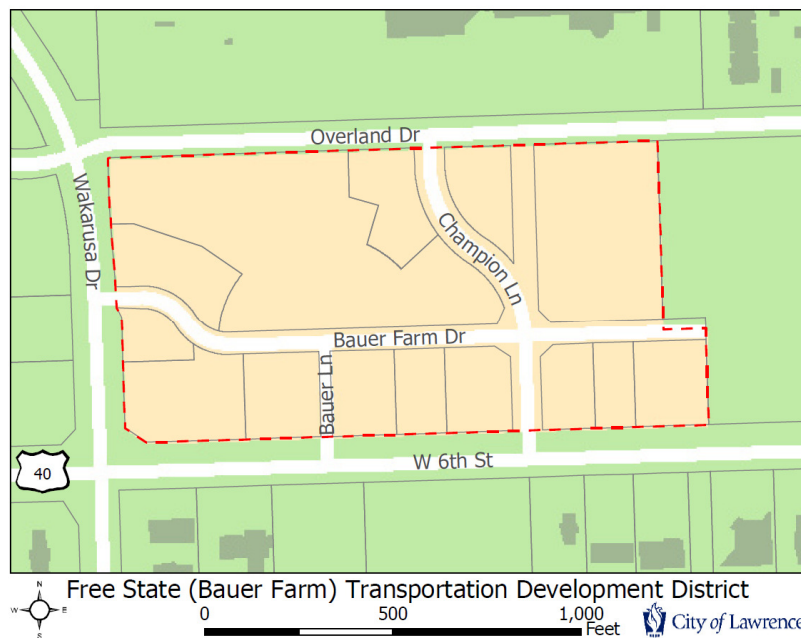
Oread Transportation Development District

The Oread TDD district (located at W. 12th Street & Oread Avenue) began generating sales tax revenues in 2009. At the end of 2011, the district generated approximate \$184,500 to date in TDD revenue.



Free-State Transportation Development District

The Free-State (Bauer Farm) TDD district (located at W. 6th Street and Wakarusa Drive) began generating sales tax revenues in 2009. At the end of 2011, slightly more than 24% of the buildable area within the district was occupied, generating a total of \$81,490 to date in TDD revenue.



Section 6: Other Economic Development Programs

Employee Training Incentives

Plastikon: 3780 Greenway Circle

Plastikon is a plastic manufacturing company specializing in the production of high tolerance parts and accessories for the diagnostic healthcare and pharmaceutical industries. The Lawrence facility manufactures sterile, fluid-filled resin products used in clinical diagnostic labs in the United States and other countries.

The City of Lawrence and Douglas County, Kansas share equally in providing an annual training incentive for Plastikon's Lawrence facility employees. The incentive, valued at \$500 per full-time employee up to 126 employees, is to be provided over a five year period (2011-2015) and is limited to a total of \$63,000.

In 2011, the Company commenced operations at their new facility, hiring 19 new, full-time employees. Based on their compliance percentage, the employee training incentive for 2011 totaled \$10,710 (\$5,355 paid by both the City and County).



Neighborhood Infrastructure

East Lawrence Historic District: 8th & Pennsylvania Area

The East Lawrence Industrial Historic District encompasses several extant manufacturing buildings of historic architectural integrity associated with the City's industrial past. Part of what was once a larger assembly of manufacturing, warehouse, wholesale, distribution, and rail freight-related buildings and structures that historically stretched eastward from Massachusetts Street along the railroad alignment into East Lawrence, the buildings in the district reflect an important component in the commercial history of Lawrence from the late nineteenth century through the mid-twentieth century.



Redevelopment in the district aims to preserve a historically significant area, restore a dilapidated, non-productive area to productive use, serve as a catalyst for future area improvements and provide quality, affordable housing. The City is supporting the preservation and revitalization of the district by funding several neighborhood improvements, some of which include:

- Addressing existing drainage problems by providing adequate storm water services and improvements to enhance the watershed's ability to manage storm water runoff more effectively and efficiently.
- Replacing a 100-year old, inadequately sized waterline with the correct capacity line, completing the loop and upgrading to current design standards.
- Providing complete street aspects such as pedestrian lighting, landscaping, sidewalks, and on-street parking.



Expansion & Relocation Grant/Loan

Grandstand Sportswear and Glassware: 3840 Greenway Circle

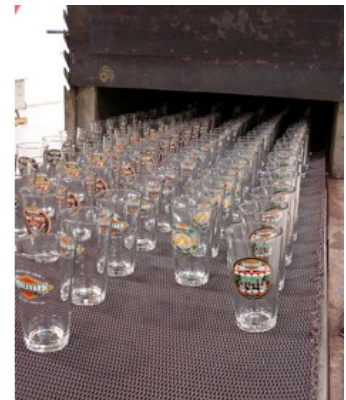
Based in Lawrence, Kansas, Grandstand is a custom screen printer specializing in sportswear, glassware and promotional items. Beginning operations as an apparel company with 7 employees in 1988, this local business has experienced rapid expansion,



currently supporting 51 full-time employees and selling products throughout the U.S., Canada, and Australia. The company's rapid expansion necessitated a move from its location at 2920 Haskell, where it occupied 30,000 square feet of space.

After an extensive search for suitable properties in Lawrence

and surrounding communities, the company entered into a contract to purchase the vacant Sauer-Danfoss property located at 3840 Greenway Circle in Lawrence's East Hills Business Park. The move into the 155,000 square foot building gives the company the opportunity to grow and expand. The City provided a \$25,000 grant (forgivable loan) in fall of 2011 to assist with Grandstand's expansion into the new facility.



Appendix A: Regulating Documents

Tax Abatements			
Allen Press	Document	Description	Dated
	Ordinance No. 7515	Tax Abatement, Phase II	4/16/2002
	Ordinance No. 7677	Phase II Amendment	8/19/2003
	Resolution No. 5431	Policy	9/11/1991
Amarr Garage Doors	Document	Description	Dated
	Agreement	Performance Agreement	12/17/2003
	Ordinance No. 8497	Tax Abatement	10/27/2009
	Ordinance No. 7706	Policy	10/28/2003
DST Systems	Document	Description	Dated
	Agreement	Performance Agreement	4/1/2001
	Ordinance No. 7331	IRB Authorization	2/20/2001
Prosoco	Document	Description	Dated
	Agreement	Performance Agreement	11/20/2003
	Ordinance No. 7882	Tax Abatement	7/12/2005
	Resolution No. 6343	Policy	11/13/2001
Reuter Organ	Document	Description	Dated
	Ordinance No. 7458	Tax Abatement	12/18/2001
	Resolution No. 5431	Policy	9/11/1991

Active NRAs			
	Document	Description	Dated
8th & Pennsylvania	Ordinance No. 8093	Neighborhood Revitalization Plan & Program for 8th & Pennsylvania District	4/3/2007
	Rebate Agreement	Tax Rebate Agreement for 720 E 9th Street	4/17/2012

TIF			
	Document	Description	Dated
Downtown 2000 Redevelopment	Ordinance No. 7127	District Established	8/3/1999
	Ordinance No. 7207 & Redevelopment Plan	Adoption of Redevelopment Plan & Plan	4/25/2000
	Agreement	Construction Agreement	9/18/2000
The Oread	Ordinance No. 8234	District Established	2/19/2008
	Redevelopment Agreement	Redevelopment Agreement	4/8/2008
	Redevelopment Plan	Redevelopment Project Plan	2/22/2008

TDD			
	Document	Description	Dated
The Oread	Ordinance No. 8254	TDD District Established	4/8/2008
Free-State (Bauer Farm)	Ordinance No. 8339	TDD District Established	10/14/2008
	Agreement	Development Agreement	10/14/2008