

September 20, 2012

David Corliss, City Manager  
City of Lawrence  
6 East 6<sup>th</sup> Street  
Lawrence, Kansas 66044

RE: 900 New Hampshire- Proposed Changes to Project

Dear David,

We are currently working through our final plans for our proposed Mixed Use project located at the Southeast corner of 9<sup>th</sup> and New Hampshire. The purpose of this letter is to advise you on some changes that we anticipate will be made to the proposed uses. We believe these changes will improve the overall project and make it more feasible. None of the proposed changes will alter in any significant way the exterior size or appearance of the building. These changes have been made partly in consideration of the development of the North Project (where we plan to locate a rooftop pool and where we moved all of the 900 New Hampshire apartments).

The changes are briefly summarized below:

- We are changing the use on the top floor from a restaurant to three condominium units;
- Because we will not need a large lobby area on the first floor to provide access to the rooftop restaurant, we have expanded by around 400 square feet the size of the retail space on the first floor;
- We have moved the location of the pool from the rooftop to a first floor enclosed area.
- We have determined to increase the number of hotel units from 81 units used in the original pro forma to 92 units and not build any apartments.

We believe in general that these changes will benefit the project and also benefit the adjacent neighborhood.

We do not believe that any of the proposed changes will have a significant impact on the original financial reports we did with respect to the project. The key points with respect to this change are as follows:

1. The Developer will continue to be liable to advance all funds up front to pay for all TIF and TDD eligible costs and therefore there is no impact on the feasibility of repayment of the eligible project costs;
2. The project continues to meet the but for test.

3. The change from restaurant use to condominium use will have reduce the amount projected TDD funds available, but will be more than offset by an increase in the amount of TDD funds generated by the hotel, the transient guest tax, and property tax increment increase generated by change from commercial classification from the residential classification. A spreadsheet has been attached that summarizes what we believe is the dollar impact of the change in uses.
4. The change from commercial classification of the restaurant use (assessed rate of 25%) to condominiums (which are classified as residential and subject to an 11.5% assessment rate) will be substantially offset by the anticipated higher cost per finished square foot of the condominium units compared to the restaurant.

The additional housing and hotel guests at the core of the city will help strengthen the downtown businesses and the surrounding neighborhoods. This project is another stepping stone in achieving Downtown Lawrence's long range plan to increase density and provide more housing and businesses to support the commercial district.

Sincerely,



William N. Fleming  
General Counsel  
Treanor Architects, P.A.

(enclosures): spreadsheet

900 New Hampshire  
 Analysis of Change in Use

			City Share	City %
Average Daily Room Rate	\$		92.00	
Number of Days			365	
Total Potential Revenue			33580	
Number of Additional Rooms			11	
Total Potential Revenue			369380	
Occupancy Percentage			66%	
Additional Revenue	\$		243,790.80	
TDD Revenue (1%)	\$		2,437.91	100%
Hotel Guest Tax Revenue (5%)	\$		12,189.54	100%
Sales Tax Increment (2.55%)	\$		310.83	5%
Leasable Square footage increase on 1st floor	350		0	
Increased projected sales (\$400 psf)	\$	14,000.00	0	
TDD Increment (1%)	\$		140.00	100%
Sales Tax Increment (2.55%)	\$		17.85	5%
Total Increased Increment	\$		<u>21,341.11</u>	<u>\$ 15,096.13</u>
Loss of Restaurant Increment:				
Restaurant sales	\$	1,000,000		
TDD Increment (1%)	\$		10,000.00	(10,000.00) 100%
Sales Tax (2.55%)	\$		25,500.00	(1,275.00) 5%
Total Loss of Increment			<u>\$ (11,275.00)</u>	
Property Tax Increment:				
Real Estate Taxes - Apartments				
Number of Units		8		
Tax Per Unit		1863		
	\$		(14,904.00)	(745.20)
Real Estate Taxes - Hotel Rooms				
Number of Additional Units		11		
Tax per unit		2050		
Total Projected Tax on Additional Units	\$		22,550.00	1,127.50
Real Estate Taxes - Restaurant to Condos				
Restaurant FMV	\$	933,912		
Assessment Rate		0.25		
Assessed Value	\$	233,478		
Mill levy		125		
Total Tax	\$	29,184.75		
Share to TIF		82.80%		
Loss of Restaurant increment	\$		(24,164.97)	(1,208.25) 5%
Condo FMV				
Assessment Rate	\$	1,800,000		
Assessed Value	\$	207,000		
Mill levy		125		
Total Tax	\$	25,875		
Share to TIF		82.80%		
Gain of Condo increment	\$		21,424.50	1,071.23 5%
Total Increase to City for Property Taxes			<u>\$ 245.28</u>	
Net Overall Positive Change to City			<u>\$ 4,066.41</u>	

Note: State continues to collect 21.5 mills