

June 10, 2014

Mr. David L. Corliss  
City Manager  
City of Lawrence  
6 East 6<sup>th</sup> 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

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).

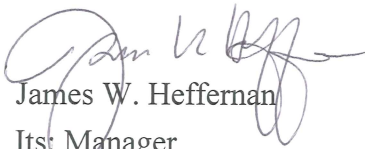
We look forward to continuing to work with the City on this important project. We believe the project will be a great asset success for both the KU campus and Oread neighborhood communities.

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

  
James W. Heffernan  
Its: Manager

Cc: Diane Stoddard

Britt Crum-Cano

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



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

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

Applicant Contact Information	
Applicant:	HERE Kansas, LLC or its assigns
Representative:	James W. Heffernan
Title:	Manager
Address 1:	908 N. Halsted Street Chicago, IL 60642
Address 2:	
Phone:	262-642-0170
Email:	jwh@here-llc.com
Fax:	

**Application Tips:**

Enter contact information for the company representative completing this application.

Economic Development Support Requested		
City Incentives	Amount	Term (in years)
Tax Increment Financing District (TIF)		
Transportation Development District (TDD)		
Neighborhood Revitalization Area (NRA)	<b>Est. \$2,444,772 (NPV- 95%)</b>	<b>Twelve (12) years</b>
Tax Abatement (TA)		
Industrial Revenue Bonds (IRBs) for the purpose of a Sales Tax Abatement	<b>Est. \$75,473,008 (\$2,402,622 Tax Abatement)</b>	<b>N/A</b>
Community Improvement District (CID)		
<i>Other (Please Describe):</i>		

**Application Tips:**

**Applicable Terms:**

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

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

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

Project Information	
Name of Company Seeking Incentive(s):	HERE Kansas, LLC or its assigns
Project Type (check one):	Expansion: N/A
	New Facility: <b>X</b>
Company Type (check one):	Existing Local Company:
	Out-of-Area Company Locating Locally: <b>X</b>
Current Company Address:	908 N. Halsted Street Chicago, IL 60642
Location of Proposed New Facility/Expansion Project:	1011 & 1115 N. Indiana Street
Describe the Company's Plans to Develop or Expand in the Community: <b>Construct a Seven (7) Story Mixed-Use Student Housing Project</b>	
Operations Start Date at the Expansion or New Facility:	<b>July 2016</b>
Industry NAICS # for the New or Expanded Facility (6-digit code):	<b>See Attached</b>
Describe the Primary Industry the New or Expanded Facility Will Support: <b>The new development will help support Kansas University, the single largest economic engine of the City of Lawrence.</b>	

**Application Tips:**

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

Link for NAICS code lookup:  
<http://www.naics.com/search.htm>

Capital Investment Information for New Facility or Expansion			
Estimated Size of New Facility (square feet):	437,755 sq. ft.		
Estimated Size of Land for New Facility (acres):	110,120 sq. ft. (2.528 acres)		
<b>For the new or expanded facility, enter the amount the company anticipates spending for initial and subsequent investments in land, buildings and improvements (do not include machinery or equipment):</b>			
Year	Buildings & Other Real Property Improvements	Land	Total
1	\$67,968,008	\$7,505,000	\$75,473,008
2			
3			
4			
5			
6			
7			
8			
9			
10			
<b>Total</b>	<b>\$67,968,008</b>	<b>\$7,505,000</b>	<b>\$75,473,008</b>
Will land be leased from the City or County (Y/N):	<b>No</b>		
If yes, Monthly Lease Rate for Land:			

**Application Tips:**

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

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

Local Utility Expenses		
Utility	Current Local Monthly Expenses	Projected Local Monthly Expenses at New Facility
Gas	\$0	\$4,012
Electricity	\$0	\$16,715
Phone	\$0	\$1,065
Cable	\$0	\$11,290
Operating Expenditures		
For Expansion Projects, Current Annual Operating Expenses at Existing Facility:		N/A
Annual Operating Expenses after Expansion/Relocation:		\$2,009,589 stabilized
% of Additional Operating Expenses Anticipated to be Spent Locally:		84%
Exports		
% of Revenues at the new Lawrence Facility Anticipated to Come from Non-Local Sources.		N/A

**Application Tips:**

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

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

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

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

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

IRB and Tax Abatement Request Information	
If you are seeking an IRB, please list the firm that will be receiving the IRB:  <b>CA/HERE Kansas JV, LLC</b>	
Will your firm be leasing the building or the land in your expansion or newly constructed facility? (Y/N)	Yes
If you are leasing the building or land, and you are seeking a tax abatement <u>without</u> an IRB, please list the tenant and owner and the financial relationship between tenant and owner.  N/A	
Estimated Total Cost of <u>Initial</u> Construction for the Project:	\$75,473,008
<u>Application Tips:</u> Estimated Cost of Construction Materials for <u>Initial</u> Construction:	\$27,616,342
Anticipated Annual Gross Profits:	\$874,942

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

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

**Environmental Information**

Will the new facility meet Energy STAR criteria? (Y/N)		<b>Yes</b>
Will the project seek or be designed to LEED certification standards? (Y/N)		<b>Yes</b>
<i>If yes, please indicate level:</i>	Certification	<b>X</b>
	Silver	
	Gold	
	Platinum	
<p>Please describe environmentally friendly features of the project:</p> <p>The Project will be LEED and Energy Star certifiable. The Project incorporates an automated robotic parking garage which dramatically reduces CO2 emissions in comparison to a standard parking garage. The building will provide significantly more common open space than required by local code including an inactive green roof. The Project will also incorporate on-premise bike storage for residents and their guests. Energy and water consumption efficiencies will be utilized throughout the Project.</p>		
<p>Please describe anticipated positive environmental impacts resulting from the project:</p> <p>The Project contributes to the storm water management policies of the City by not increasing the amount of impervious surface found currently on the site. The Project's design incorporates significant new areas of common open space through the use of internal courtyards.</p>		
<p>Please describe anticipated negative environmental impacts and planned remediation efforts:</p> <p>N/A</p>		

**Application Tips:**

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

### Additional Community Benefits

Describe Other Local Economic Benefits Resulting From Project:

The Project takes a strategically located underutilized site across the street from Memorial Stadium, the largest tourist attraction on the KU campus, and transforms it into a highly desirable mixed-use project consistent with the Oread Neighborhood Long Term Land Use Plan. The redevelopment will directly add significant property and sales tax benefits to the local taxing jurisdictions. The Project results in a significant increase in students within convenient walking distance to downtown businesses.

#### Application Tips:

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

Describe Other Quality of Life Benefits Resulting From Project:

The Project will set a new standard for convenient high quality student housing in the neighborhood. This is consistent with helping attract the best and brightest students to Kansas University and having them enjoy their experience in Lawrence enough to stay following graduation. In addition, the Project's close proximity to campus allows residents to walk or ride their bikes to both campus and downtown eliminating the need to utilize their cars. This reduces vehicular congestion on campus as well as the in the Oread neighborhood. It also provides a safer alternative for a neighborhood known for its affinity for celebration. Dramatically reducing the need to drive is also consistent with a community concerned about the environment. Finally, the densification of desirable and safe residential options in close proximity to campus will enhance the sense of community which is a critical component to any vibrant college campus experience.

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

Employment Information									
Construction Employment for New Facility or Expansion									
# Full-Time, Construction Jobs:							<b>Est. 250</b>		
Average Annual Salary for Full-Time, Construction Workers (during construction period):							<b>Est. \$40,000</b>		
Construction Period (months):							Eighteen (18)		
For Expansion, # of Full-Time Employees Currently Working in Lawrence: 0									
New Employment Resulting from Project									
Net New Jobs (full-time, permanent)	Year	Residential		Commercial					
		# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary
	1	Est. 2-3	Est.* \$46,400	Est. 6-8	Est. \$25,000				
	2			Est. 6-8	Est. \$25,000				
	3								
	4								
	5								
	6								
	7								
	8								
	9								
	10								
<b>Total</b>	Est. 2-3	Est. \$46,400	Est. 12-16	Est. \$25,000					
Anticipated # of Employees to Be Relocated Locally as a Result of the Project									
# of Net New Full-Time Employees Anticipated to be Relocated From Outside of Kansas:							<b>Est. 2-3</b>		
# of Net New Full-Time Employees Anticipated to be Relocated from Outside of Lawrence/Douglas County:							<b>Est. 2-3</b>		
<b># of Local, Full-Time Jobs Anticipated At End of Incentives Period:</b>							<b>Est. 14-19</b>		

\*includes \$11,400 of employer supplied housing

**Application Tips:**

Enter 0 if project is new or relocation.

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

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

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

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



Employee Benefits	
Description	After Expansion or Relocation
% of Employees with Company Provided Health Care Insurance	100% of full time residential employees
% of Health Care Premium Covered by Company (Residential)	100%
% of Employees with Company Provided Retirement Program	0%
Will You Provide Job Training for Employees? (Y/N) (Residential)	Yes
<i>If Yes, Please Describe:</i> Through our Employee Handbook.	
What is the Lowest Hourly Wage Offered to New Full Time Employees? (Residential)	\$12.37
What Percentage of Your New Employees Will Receive this Wage? (Residential)	10%
Will You Provide Additional Benefits to Employees? (Y/N)	No
<i>If Yes, Please Describe:</i> N/A	

Disclosures	
Company Form of Organization: <b>Delaware Limited Liability Company</b>	
Company Principals: <b>James D. Letchinger and James W. Heffernan</b>	
List all subsidiaries or affiliates and details of ownership:	
Affiliate : <b>HERE Enterprises, LLC</b>	
Principals: <b>James D. Letchinger and James W. Heffernan</b>	
Has Company or any of its Directors/Officers been involved in or is the Company presently involved in any type of litigation?	<b>NO</b>
Has the Company, developer or any affiliated party declared bankruptcy?	<b>NO</b>
Has the Company, developer or any affiliated party defaulted on a real estate obligation?	<b>NO</b>
Has the Company, developer or any affiliated party been the defendant in any legal suit or action?	<b>NO</b>
Has the Company, developer or any affiliated party had judgments recorded against them?	<b>NO</b>
<i>If the answer to any of the above question is yes, please explain:</i>	

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

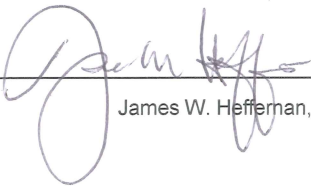
When you have completed this form to your satisfaction, please sign and send, along with applicable application fee(s) to:

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

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

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

Applicant/Representative: **HERE Kansas, LLC or its assigns**

Signature:  \_\_\_\_\_  
James W. Heffernan, Manager

Date: 6-10-14