

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.

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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

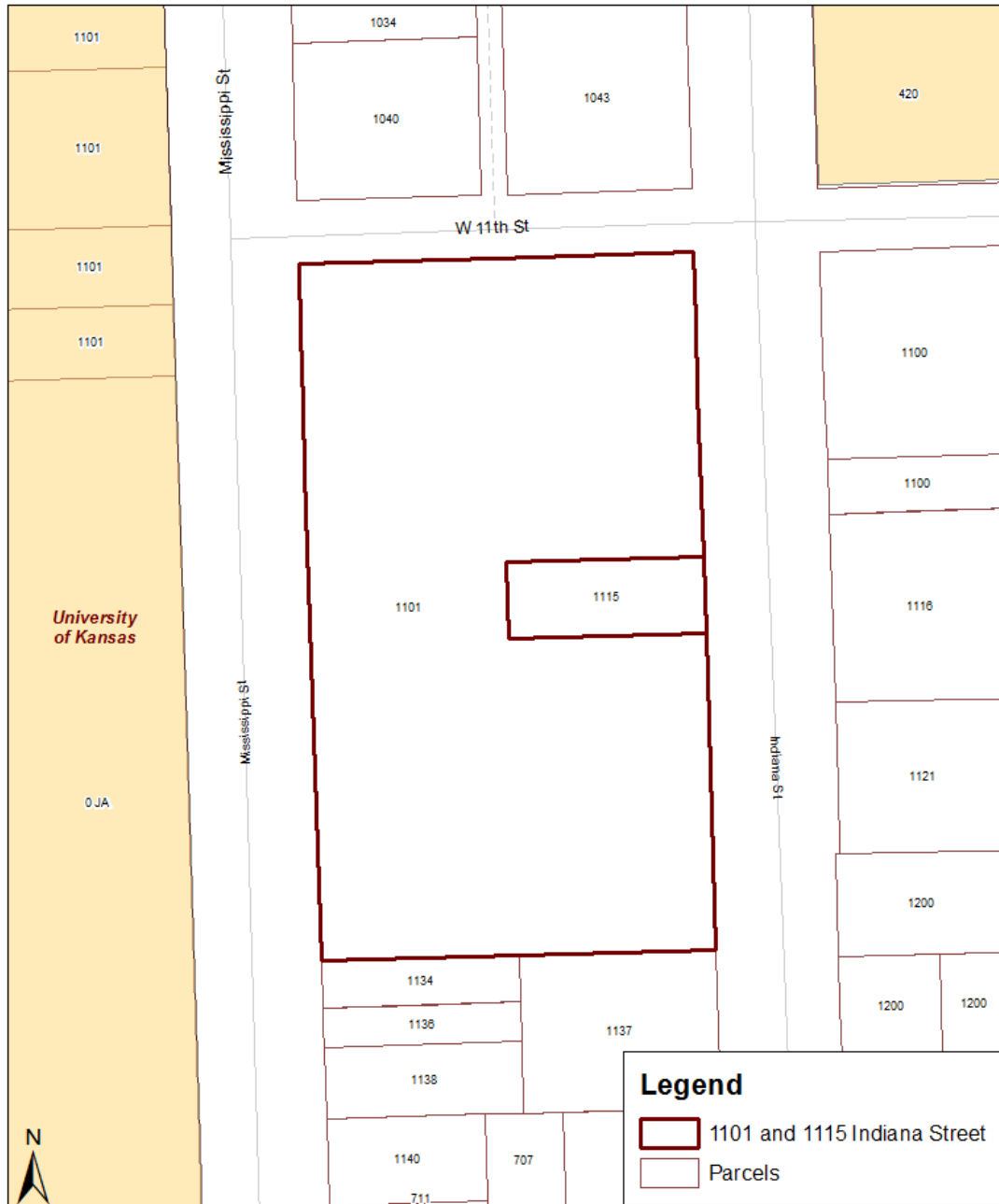
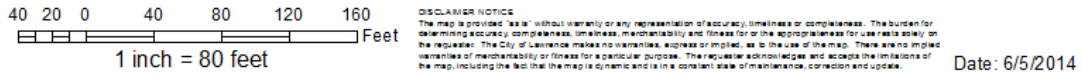
The Property shall include the Area described herein:

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

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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

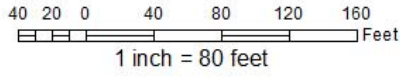
Future owner anticipated to be HERE Kansas, LLC to complete project.

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.

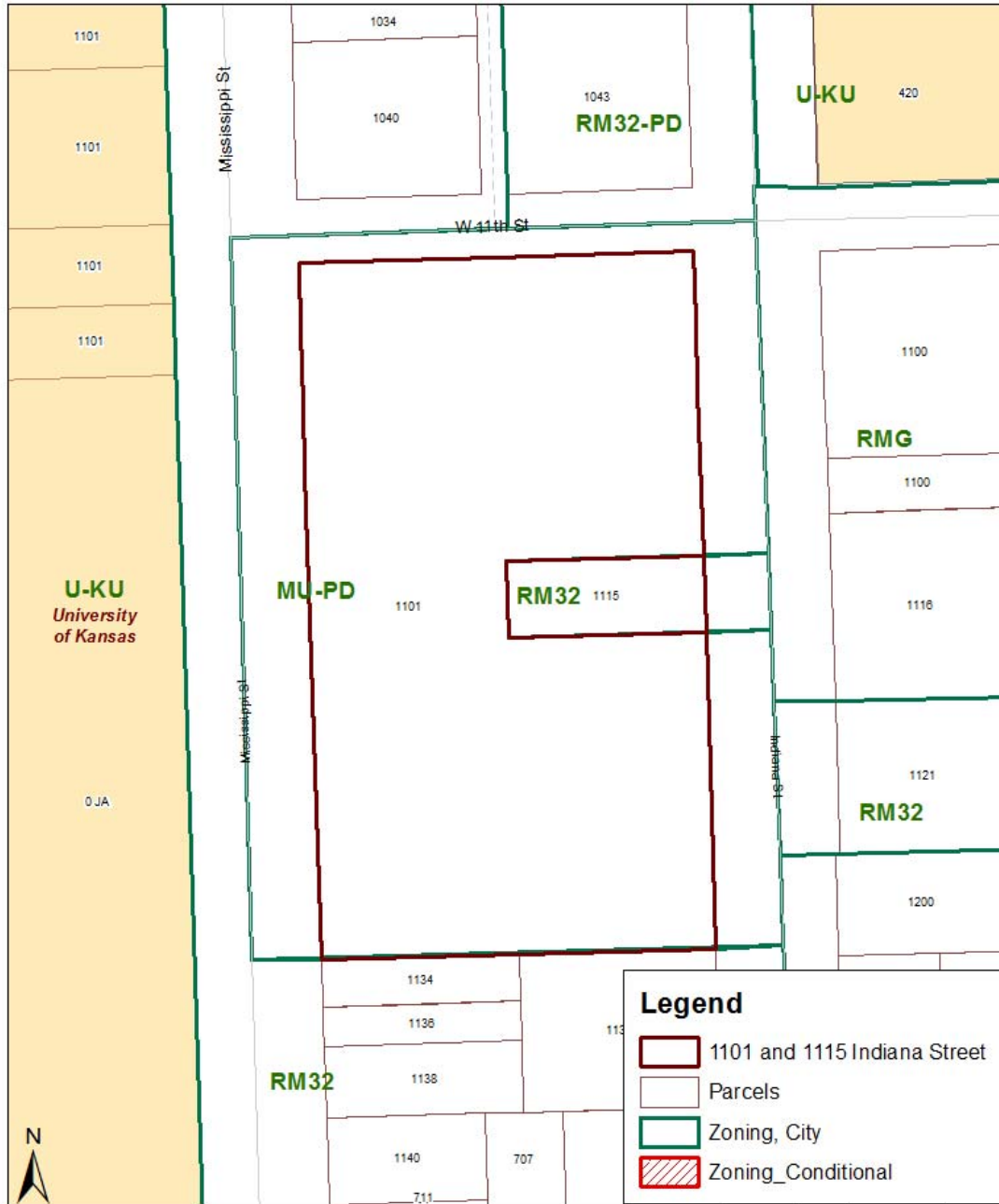
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Existing Zoning Map.



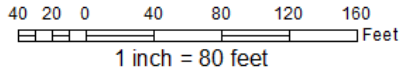
DISCLAIMER NOTICE
The map is provided "as is" without warranty or any representation of accuracy, timeliness or completeness. The burden for determining accuracy, completeness, timeliness, merchantability and fitness for or the appropriateness for use rests solely on the requester. The City of Lawrence makes no warranties, express or implied, as to the use of the map. There are no implied warranties of merchantability or fitness for a particular purpose. The requester acknowledges and accepts the limitations of the map, including the fact that the map is dynamic and is in a constant state of maintenance, correction and update.

Date: 6/5/2014



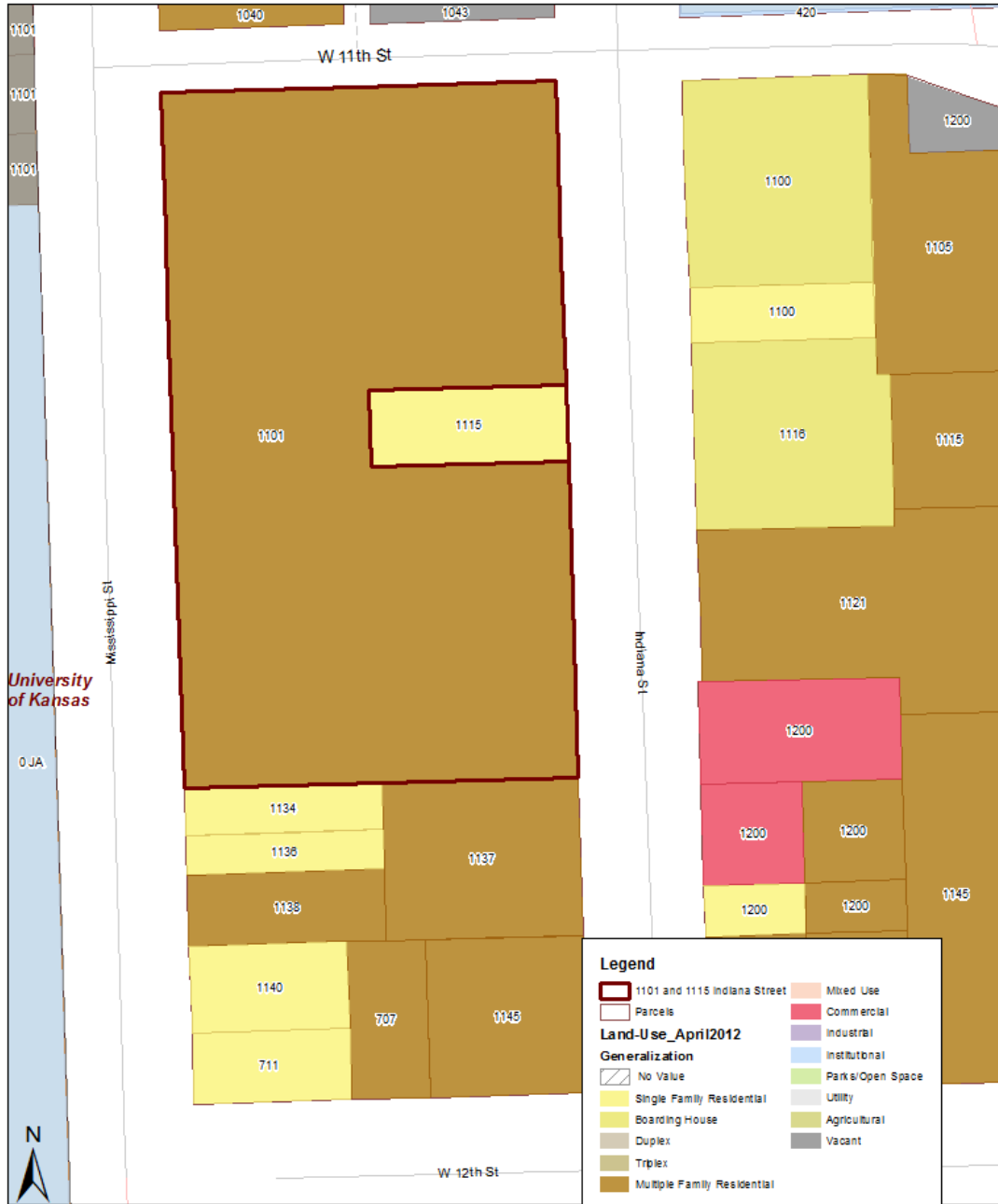
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Existing Land Use Map.

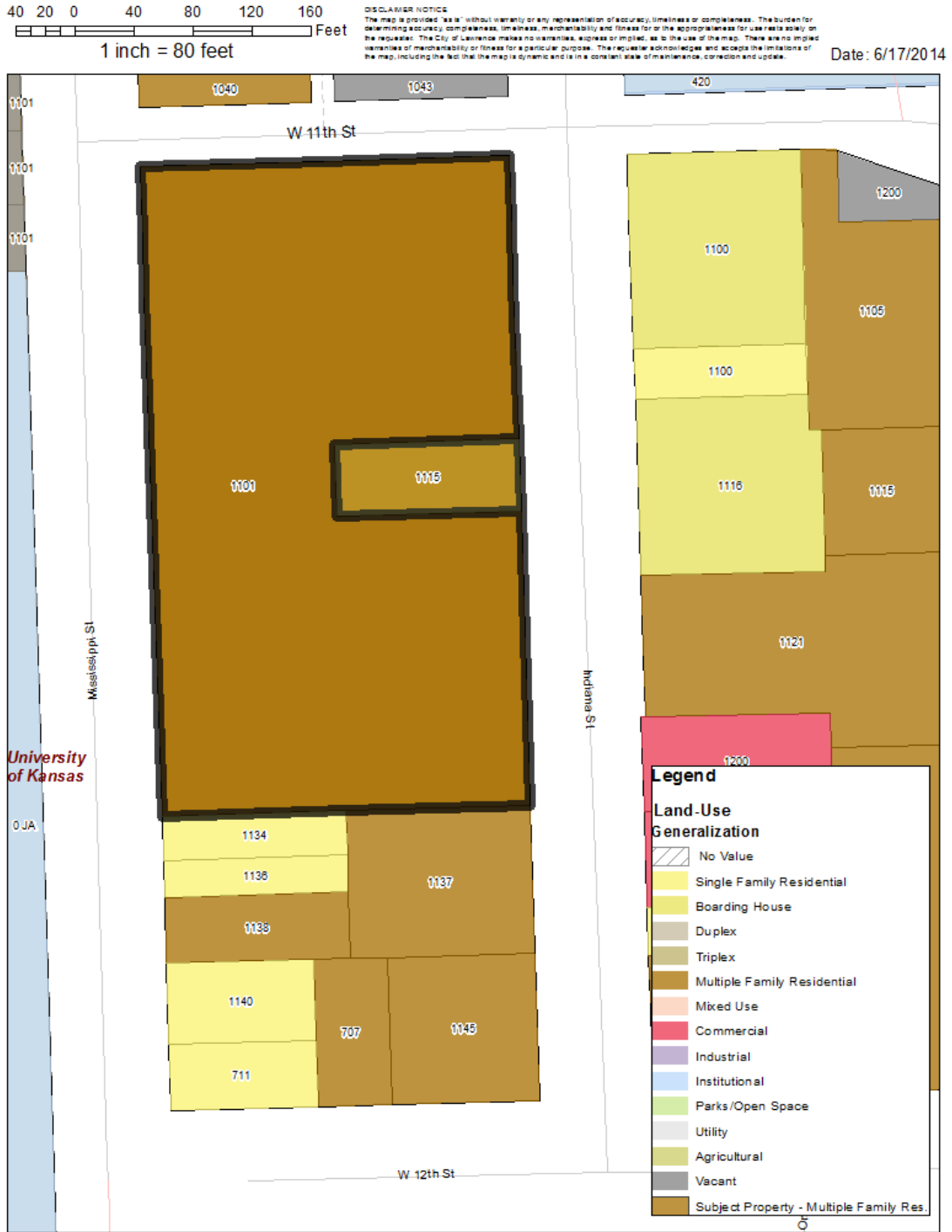


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Date: 6/5/2014



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. This Plan and tax rebate program (the "Term") shall expire after **ten (10) years** from the date of adoption 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.

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- 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.

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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



909 N. Halsted
Chicago, IL 60642
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
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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.

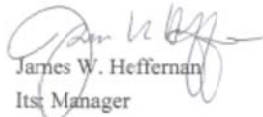
Community benefits from the project, in addition to those items noted above, would include expanded live-work opportunities and construction of a building consistent with the Oread Neighborhood's Plan for a high density mixed-use building on this site. There would also be an increase in employment opportunities 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