Memorandum
City of Lawrence
City Manager's Office

TO: David L. Corliss, City Manager
CC: Diane Stoddard, Assistant City Manager
FROM: Britt Crum-Cano, Economic Development Coordinator
DATE: June 24, 2014
RE: Technical Report: HERE Kansas request for public assistance on 1101/1115 Indiana Street

Project Overview

HERE Kansas, LLC, (project Developer) is proposing the redevelopment of the property located at 1101 & 1115 Indiana Street into an upscale, 7-story, mixed-use, student housing community. The $75.5 million project will include approximately 237 apartment units, first floor retail consisting of approximately 13,137 square feet to accommodate multiple retail users, and an automated robotic parking garage.

Request for Support

A Request Letter and Incentives Application was received on June 10, 2014 from HERE Kansas, requesting a 12-year, 95% Neighborhood Revitalization Area (NRA) and the issuance of Industrial Revenue Bonds (IRBs) to receive a sales tax exemption on project construction materials.

The following presents details and analytical results associated with this request.

Neighborhood Revitalization Area (NRA)

Description of NRA and Purpose

The NRA is one of several economic development tools utilized by municipalities to promote economic growth through neighborhood enhancement. Authorized by the state, NRAs are intended to encourage the reinvestment and revitalization of properties which in turn have a positive economic effect upon a neighborhood and the City in general. The use of an NRA is particularly applicable for use in areas where rehabilitation, conservation, or redevelopment is necessary to protect the public health, safety or welfare of the residents of the City.

Resolution 6954 outlines the City's policy for establishing an NRA. Typically, a percentage of the incremental increased value in property taxes (due to improvements) is rebated back to the developer/applicant over a period of time to help offset redevelopment costs and make the project financially feasible.

Typical Rebate Amounts & Duration

As per NRA policy, the City typically follows the below standard practice:

- Does not provide more than 50% rebate on incremental property taxes
- Does not establish an NRA for a period of time longer than 10 years

However, there is an exception provision within the policy which allows the City to *"consider a greater rebate and/or a longer duration if sufficiently justified in the "but for" analysis."*[1]

[1] Resolution 6954, Section 4: Amount of Rebate

NRA Project Eligibility

Project eligibility for NRA consideration is governed by both State (KSA 12-17,114 et seq.) and City policy.

State Requirements

Statutory Criteria	Governing Body determines that rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of residents and the proposed project meets at least one of the below criteria:		
	1	An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation , light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conductive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare.	***Health & Safety Need***
	2	An area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land uses 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 factions 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.	***Economic Need***
	3	An area in which there is a predominance of buildings or improvements that should be preserved or restored to productive use because of age, history, architecture or significance should be preserved or restored to productive use.	***Preservation of Community/Historical Asset***

Redevelopment of both properties into a mixed-use, residential and retail complex would address state statute requirements for an NRA. Redevelopment would replace dilapidated or deteriorating structures, which currently contribute to health and safety concerns, with new space that provide significantly more open space than required by City code, increased area density, environmentally friendly features, and increased economic potential.

For an NRA to be established, the project must not only meet statutory requirements, but also a majority of City policy criteria. The project meets City policy eligibility as detailed below:

City Policy: NRA Eligibility			
City Policy Criteria	When considering the establishment of a NRA, the City shall consider not only the statutory criteria, but if the project meets a majority of the below criteria:		**Eligible**
	1	The opportunity to promote redevelopment activities which enhance downtown	N
	2	Provides the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized.	Y
	3	Provides 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.	Y
	4	Provides the opportunity to enhance neighborhood vitality as supported by the City's Comprehensive Plan or other sector planning document(s).	Y
	5	Provides the opportunity to enhance community stability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.	Y
	Project must meet or exceed a 1:1.25 cost-benefit ratio.		Y

As indicated above, the proposed redevelopment of 1101/1115 Indiana Street properties by HERE Kansas appears to meet both State and City criteria for NRA eligibility.

Industrial Revenue Bonds (IRB)

Industrial Revenue Bonds are an incentive established by the State of Kansas to enhance economic development and improve the quality of life. Considered a "conduit financing mechanism" whereby the City can assist companies in acquiring facilities, renovating structures, and purchasing machinery and equipment through bond issuance, IRBs can be useful to companies in obtaining favorable rate financing for their project, as well as providing a sales tax exemption on project construction materials.

IRBs are repayable solely by the company receiving them and place no financial risk on the City. When IRBs have been issued, the municipality owns the underlying asset and the debt is repaid through revenues earned on the property that has been financed by the bonds. If the company defaults, the bond owners cannot look to the city for payment.

IRB Eligibility

Project eligibility for IRB consideration is governed by both State (KSA 12-17,114 et seq.)[2] and City policy (Ordinance 8253). According to City policy, the City may from time to time grant IRBs when the project under consideration helps further economic and community development objectives. Additional eligibility criteria, as stipulated in the policy, are outlined below:

IRB City Policy Criteria			
Item #	**Policy Requirement**	**Project Delivers**	**Project Qualifies (Y/N)**
1	Only those projects which qualify under Kansas Law will be eligible for IRB financing.		Y
2	***Proposed Project shall achieve one or more of the following public benefits:***		
	Meets economic goals of the City as set forth in policy and the Comprehensive Plan of Lawrence and Douglas County.	Estimated 17 direct, net new jobs created: 10 with an average salary of $30,600 and 7 with an average salary of $25,000.	Y
	Promotes infill through the development of vacant lots, the rehabilitation of deteriorated properties or the adaptive reuse of historic properties.	Project will replace deteriorating apartments at 1101 Indiana and dilapidated residential at 1115 Indiana.	Y
	Enhance Downtown		N
	Incorporate environmentally sustainable elements into the design and operation of the facility	On-premise bike storage, energy & water consumption efficiencies utilized throughout project, provides significantly more open space than required by City code (including an inactive green roof)	Y
	Provide other public benefits to the community, particularly as set forth in the Comprehensive Plan of Lawrence and Douglas County.	Increases area density, contributes to storm water management policies of the City by not increasing the amount of impervious surface found currently on the site.	Y
3	Prospective tenant shall show the financial capacity to complete the proposed project and successfully market the bonds[3].	Development team has successfully completed over $750,000,000 of development.	Y

[2] K.S.A. 12-1740 permits cities and counties to issue revenue bonds for the purpose of paying the costs of purchasing, acquiring, constructing or equipping facilities for the following business categories: Agriculture, Hospital, Natural Resources, Manufacturing, Commercial, Industrial, Recreational Development

[3] Applicant informed Staff on 6-6-14 that they are in discussions with possible lenders for the project and will provide the letter showing ability to market bonds once they finalize those discussions.

Other IRB Considerations

City policy also mentions other project considerations when issuing IRBs. Those are outlined below, along with project notes.

<table>
<tr><th colspan="4">IRB: Other Considerations (Preferred)</th></tr>
<tr><th>Item #</th><th>Policy Requirement</th><th>Project Delivers</th><th>Project Qualifies (Y/N)</th></tr>
<tr><td rowspan="6">1</td><td colspan="3">City looks more favorably upon projects that support the below targeted industries:</td></tr>
<tr><td>Life Sciences/Research</td><td>n/a</td><td>N</td></tr>
<tr><td>Information Technology</td><td>n/a</td><td>N</td></tr>
<tr><td>Aviation and Aerospace</td><td>n/a</td><td>N</td></tr>
<tr><td>Value-Added Agriculture</td><td>n/a</td><td>N</td></tr>
<tr><td>Light Manufacturing and Distribution</td><td>n/a</td><td>N</td></tr>
<tr><td rowspan="5">2</td><td colspan="3">The City favors issuing Industrial Revenue Bonds to projects that bring in new revenues from outside the community or enhance the local quality of life over projects that will primarily compete against other local firms.</td></tr>
<tr><td>Project anticipated to bring in new revenues from outside community:</td><td>Some revenue is assumed to be generated by renters coming from outside the community to attend the University.</td><td>Y</td></tr>
<tr><td rowspan="3">Project enhances local quality of life:</td><td>Densification of desirable, safe residential options in close proximity to campus reduces need to drive: less vehicular congestion, increases safety, promotes walking and biking.</td><td rowspan="3">Y</td></tr>
<tr><td>Incorporates automated robotic parking garage which dramatically reduces C02 emissions in comparison to standard parking garage.</td></tr>
<tr><td>On-premise bike storage, energy & water consumption efficiencies utilized throughout project, provides significantly more open space than required by City code (including an inactive green roof)</td></tr>
<tr><th colspan="4">IRB: Special Consideration for Residential Projects</th></tr>
<tr><th>Item #</th><th>Policy Requirement</th><th>Project Delivers</th><th>Project Qualifies (Y/N)</th></tr>
<tr><td>1</td><td>Project is multi-family or senior living project</td><td></td><td>Y</td></tr>
<tr><td>2</td><td>Projects that contain no non-residential uses and are requesting IRBS must have at least 30% of all housing units set aside for households making 80% of the Area Median Income or less.</td><td></td><td>n/a</td></tr>
<tr><td colspan="4">Preferred Qualities for Residential Projects:</td></tr>
<tr><td></td><td>Infill or redevelopment:</td><td></td><td>Y</td></tr>
<tr><td></td><td>Mixed -Use</td><td></td><td>Y</td></tr>
<tr><td></td><td>Downtown Location</td><td>n/a</td><td>n/a</td></tr>
</table>

As indicated above, the proposed redevelopment of 1101/1115 Indiana Street properties by HERE Kansas appears to meet both State and City criteria for IRB eligibility.

Analysis

Estimated fiscal impacts to taxing jurisdictions is examined through a cost-benefit analysis and project financial feasibility is examined through a “But For” analysis (pro forma), both of which are required by current NRA policy. A cost-benefit analysis is also required by the City’s IRB policy.

Cost-Benefit Analysis

Based on information received through the incentives application, staff conducted analysis of the costs and benefits associated with the project utilizing the City’s economic development cost-benefit model. This model measures estimated fiscal impacts to four taxing jurisdictions: City, County, School District, and State. Furthermore, the model outputs a ratio reflecting the comparison of estimated costs to estimated benefits returned to the jurisdictions as a result of the project. The below assumptions were utilized within the model:

Capital Investment & Job Creation Assumptions:

According to the incentives application received, approximately $75.5 million will be invested in purchasing and redeveloping the property. Project completion is anticipated in July 2016. Once redeveloped, the project is expected to support seventeen new, full-time jobs. Seven positions are anticipated to have an average annual salary of $25,000 and 10 are anticipated to have an annual average salary of approximately $35,600.

Sales Tax Assumptions:

IRBs are being requested for the project to receive a sales tax exemption on construction materials. Below are estimated project costs and foregone sales tax revenues by taxing jurisdiction if an IRB is issued.

Estimated IRB Sales Tax Exemption: 1101/1115 Indiana	
	Amount
Total Construction Costs	$75,473,008
Estimated Construction Materials	$27,616,342
Sales Tax Estimates	
City (1.55%)	$428,053
County (1%)	$276,163
State (6.15%)	$1,698,405
Total Sales Tax Savings (8.7%)	**$2,402,622**

Property Tax Assumptions:

In its present condition, the property generates approximately $46,300 per year in real property taxes. Under the NRA program, these "base" property taxes are shielded from rebates and would continue to be paid by the property owner. Only a percentage of the incremental increase in property value resulting from project improvements is subject to NRA rebates and then only during the NRA period. After the NRA period, no reimbursements are made on property taxes and the property returns fully to the tax rolls.

2014 Estimated Base Valuation							
Year	**Appraised**			**Assessed**			**Total Tax**
	Land	**Improvements**	**Total**	**Land**	**Improvements**	**Total**	
1101 Indiana	$737,000	$2,347,800	$3,084,800	$84,755	$269,997	$354,752	$44,943
1115 Indiana	$50,070	$42,230	$92,300	$5,758	$4,856	$10,614	$1,345
Total Base Value	**$787,070**	**$2,390,030**	**$3,177,100**	**$90,513**	**$274,853**	**$365,366**	**$46,287**

The following table provides a summary of the estimated base and incremental tax amounts the developer would be responsible for given a 10-year and 12-year NRA, assuming both 85% and 95% rebate scenarios. As base taxes are shielded from rebate, these tax revenues remain the same over the NRA period regardless of the rebate percentage granted.

Estimated Tax Paid from Developer: 95% NRA Rebate

	BASE Year	Under Const.	Const. End July 2016	NRA Full Tax Year											Total over 10 year NRA period (2017-2066)	Total over 12 year NRA period (2016-2027)	
				1	2	3	4	5	6	7	8	9	10	11			
Year	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*			
Base Taxes	$46,287	$46,362	$46,438	$46,513	$46,589	$46,664	$46,740	$46,816	$46,892	$46,968	$47,044	$47,120	$47,197	$47,274	*$468,542*	*$562,253*	*Amount due on Base Value*
Incremental Taxes	--	--	$2,437	$16,355	$16,756	$17,165	$17,584	$18,011	$18,448	$18,895	$19,351	$19,817	$20,294	$20,780	*$182,677*	*$205,895*	*Amount due on Incremental Value*
Total Taxes Due	**$46,287**	**$46,362**	**$48,875**	**$62,868**	**$63,344**	**$63,829**	**$64,324**	**$64,827**	**$65,340**	**$65,863**	**$66,395**	**$66,938**	**$67,491**	**$68,054**	***$651,219***	***$768,148***	***Total developer paid taxes over NRA***

Estimated Tax Paid from Developer: 85% NRA Rebate

	BASE Year	Under Const.	Const. End July 2016	NRA Full Tax Year											Total over 10 year NRA period (2017-2026)	Total over 12 year NRA period (2016-2027)	
				1	2	3	4	5	6	7	8	9	10	11			
Year	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*			
Base Taxes	$46,287	$46,362	$46,438	$46,513	$46,589	$46,664	$46,740	$46,816	$46,892	$46,968	$47,044	$47,120	$47,197	$47,274	*$468,542*	***$562,253***	*Amount due on Base Value*
Incremental Taxes	--	--	$7,312	$49,065	$50,268	$51,496	$52,752	$54,034	$55,345	$56,685	$58,053	$59,452	$60,881	$62,341	*$548,030*	***$617,684***	*Amount due on Incremental Value*
Total Taxes Due	**$46,287**	**$46,362**	**$53,750**	**$95,578**	**$96,856**	**$98,160**	**$99,491**	**$100,850**	**$102,237**	**$103,652**	**$105,097**	**$106,572**	**$108,078**	**$109,615**	***$1,016,573***	***$1,179,937***	***Total developer paid taxes over NRA***

Cost-Benefit Results:

City eligibility criteria prefers the project meet a cost-benefit threshold of 1:1.25 (e.g. for every $1 of cost incurred as a result of the project, $1.25 is received as benefit) for economic development projects.

Several cost benefit scenarios were ran utilizing information provided on the incentives application submitted by HERE Kansas. Results for 10 and 12 year NRA periods with rebate percentages of 85% and 95% are presented below.

Cost-Benefit Results: 1101 & 1115 Indiana Street

Incentive Package	City	County	USD 497	State[4]	Total Package Value
10-Year, 85% NRA, IRB for Sales Tax X (2017-2026)	**1.26**	**1.38**	**14.67**	**n/a**	**$5,669,571**
12-Year, 85% NRA, IRB for Sales Tax X (2016-2027)	1.19	1.23	12.91	n/a	$6,064,273
10-Year, 95% NRA, IRB for Sales Tax X (2017-2026)	1.18	1.20	12.59	n/a	$6,034,925
12-Year, 95% NRA, IRB for Sales Tax X (2016-2027)	1.09	1.02	10.62	n/a	$6,476,062

Cost/Benefit Threshold Met

Model results show that a 10-year, 85% NRA will meet or exceed the preferred cost-benefit ratio threshold for all taxing jurisdictions.

[4] State does not have costs

"But For" Analysis

In order for the City to agree to provide an NRA rebate, it must be determined that the need for public assistance is necessary for the project to proceed. In other words, the City must be convinced that without public assistance, the project will not be financially feasible. Commonly referred to as the "But For" test, the developer's project pro forma and supporting financial documents are examined to compare cash flow and developer returns with and without public assistance.

The "But For" test for redeveloping the property utilized estimated project program information, annualized cash flow and pro forma data. Taxes were estimated using property information from Douglas County Appraiser's Office. Pro forma analysis provided the below results for a 10-year and a 12-year NRA.

Return Rates (est.)

NRA Scenarios[5]	Investment Threshold[6]	1101/1115 Indiana Street			
		Average ROE: No Incentives	Average ROE: With Incentives	IRR: No Incentives	IRR: With Incentive
10 Year, 85% NRA (years 2017-2026)	8.10%	3.89%	5.64%	7.51%	9.03%
10 Year, 95% NRA (years 2017-2026)			5.75%		9.13%
12 Year, 85% NRA (years 2016-2027)			5.75%		9.69%
12 Year, 95% NRA (years 2016-2027)			5.88%		9.86%

Analysis shows the project's returns without City assistance is below estimated investment thresholds. Without incentives, average project return on equity (ROE)[7] is 3.89% with internal rate of return (IRR)[8] of 7.51% as compared to an 8.10% investment threshold. With the addition of City incentives, analysis shows the project's return on investment increases to more acceptable levels, with ROEs ranging between 5.64%-5.88% and IRRs ranging from 9.03%-9.89%.

Given these results, it is reasonable to assume that without incentives, the return rates for the project are too low to proceed.

[5] All scenarios include IRB Sales Tax Exemption.

[6] Investment threshold proxy = 2 * 10-Year average Treasury Bill rate.

[7] Return on Equity: ROE = Cash Flow/Equity

[8] Internal Rate of Return: IRR = Discount rate that makes the net present value of all cash flows from a particular project equal to zero. (IRR can be used to rank several prospective projects. Assuming all other factors are equal among the various projects, the project with the highest IRR would be considered the best and undertaken first.)

Performance Agreement

Per City policy, the property owner/development team would be required to enter into a performance agreement with the City in order to receive NRA rebates. The most significant reason for this is to make sure the developer coordinates with the City and County at the beginning of the establishment of the district and to ensure that there are no delinquent property taxes during any of the years of the NRA plan.

Conclusion

CBA Summary:

City eligibility criteria prefers the project meet a cost-benefit threshold of 1:1.25 (e.g. for every $1 of cost incurred as a result of the project, $1.25 is received as benefit) for economic development projects. The preferred cost-benefit ratio can be met assuming a 10-year, 85% NRA and IRB generating sales tax exemption on project construction materials.

"But For" Summary:

Examination of estimated cash flows with and without public assistance (i.e. NRA rebate and sales tax savings on construction materials) indicates the "but for" test has been met for the project. Returns without assistance are not likely to support proceeding with the project.

Recommendation

Given City policy guidelines, including eligibility requirements, cost-benefit thresholds, and "but for" provisions, Staff recommends approval of a 10 year, 85% NRA and the issuance of a stand-alone IRB.

Requested Action

Public Incentives Review Committee to consider applicant's request for a 12-year, 95% NRA and stand-alone IRB. PIRC to make recommendation to the City Commission regarding economic development support, including:

- Issuing stand-alone IRBs for a sales tax exemption on project construction materials.
- The establishment of a NRA:
    - If a NRA is recommended, PIRC to further recommend the duration period and rebate percentage for the project.

HERE.
HERE ENTERPRISES, LLC

908 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
Chicago, IL 60642
Here-LLC.com

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

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

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

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

Sincerely,

HERE Kansas, LLC or its assigns
Applicant

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)	**Est. \$2,444,772** (NPV- 95%)	**Twelve (12) years**
Tax Abatement (TA)		
Industrial Revenue Bonds (IRBs) for the purpose of a Sales Tax Abatement	**Est. \$75,473,008** (\$2,402,622 Tax Abatement)	**N/A**
Community Improvement District (CID)		
Other (Please Describe):		

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:	**X**
Company Type *(check one)*:	Existing Local Company:	
	Out-of-Area Company Locating Locally:	**X**
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: **Construct a Seven (7) Story Mixed-Use Student Housing Project**		
Operations Start Date at the Expansion or New Facility:		**July 2016**
Industry NAICS # for the New or Expanded Facility *(6-digit code)*:		**See Attached**
Describe the Primary Industry the New or Expanded Facility Will Support: **The new development will help support Kansas University, the single largest economic engine of the City of Lawrence.**		

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)**		
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)*:			
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			
Total	**$67,968,008**	**$7,505,000**	**$75,473,008**
Will land be leased from the City or County *(Y/N)*:	**No**		
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: **CA/HERE Kansas JV, LLC**	
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 without an IRB, please list the tenant and owner and the financial relationship between tenant and owner. N/A	
Estimated Total Cost of Initial Construction for the Project:	**$75,473,008**
Application Tips: Estimated Cost of Construction Materials for Initial 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)		**Yes**
Will the project seek or be designed to LEED certification standards? (Y/N)		**Yes**
If yes, please indicate level:	Certification	X
	Silver	
	Gold	
	Platinum	

Please describe environmentally friendly features of the project:

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.

Please describe anticipated positive environmental impacts resulting from the project:

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.

Please describe anticipated negative environmental impacts and planned remediation efforts:

N/A

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.
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.

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.)

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:	**Est. 250**
Average Annual Salary for Full-Time, Construction Workers *(during construction period)*:	**Est. $40,000**
Construction Period (months): **Eighteen (18)**	

For Expansion, # of Full-Time Employees Currently Working in Lawrence: 0

New Employment Resulting from Project

	Year	Residential		Commercial					
		# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary
Net New Jobs (full-time, permanent)	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								
	Total	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:	**Est. 2-3**
# of Net New Full-Time Employees Anticipated to be Relocated from Outside of Lawrence/Douglas County:	**Est. 2-3**
# of Local, Full-Time Jobs Anticipated At End of Incentives Period:	**Est. 14-19**

*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**
If Yes, Please Describe: 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**
If Yes, Please Describe: N/A	

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

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

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: ______________________ Date: 6-10-14

James W. Heffernan, Manager

RESOLUTION NO. 6954

A RESOLUTION ESTABLISHING A POLICY OF THE CITY OF LAWRENCE, KANSAS RELATING TO NEIGHBORHOOD REVITALIZATION AREAS.

WHEREAS, the City of Lawrence, Kansas (the "City") is committed to the high quality and balanced growth and development of the community while preserving the City's unique character and broadening and diversifying the tax base; and

WHEREAS, the economic development goals of the City include the expansion of existing businesses, development of new businesses, economic development activities which are environmentally sound, diversification of the economy, quality in-fill development, historic preservation, and the creation of quality jobs; and

WHEREAS, neighborhood revitalization areas are an economic development tool established by K.S.A. 12-17,114 et seq. (the "Neighborhood Revitalization Act") which can assist with spurring reinvestment and revitalization of properties which can benefit a neighborhood and the general public; and

WHEREAS, the City finds it in the best interest of the public to establish certain policies and guidelines for the consideration of requests to utilize the Neighborhood Revitalization Act ("NRA") within the City of Lawrence.

NOW, THEREFORE, THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS DOES HEREBY RESOLVE;

SECTION ONE: This policy shall be entitled the Neighborhood Revitalization Act Policy of the City of Lawrence.

SECTION TWO: POLICY STATEMENT: It is the policy of the City to consider the establishment of Neighborhood Revitalization areas in order to promote reinvestment and revitalization of properties which in turn have a positive economic effect upon a neighborhood and the City in general. An applicant may request the City consider the establishment of a Neighborhood Revitalization area under the NRA either for a specific property, group of properties or neighborhood area. In considering the establishment of an NRA, the Governing Body shall consider the criteria outlined in Section Three. In determining the amount of a rebate, the Governing Body may balance the desirability of the project versus the amount and duration of the rebate and the requirements set forth in Section Four. It is the policy of the City to only consider the establishment of Neighborhood Revitalization areas which yield a benefit/cost ratio of at least 1.25.

SECTION THREE: CRITERIA:

1. ELIGIBLE AREAS: Eligible areas may include a defined geographic area which encompasses more than one property, or it may be a single property/lot.

2. STATUTORY FINDINGS AND OTHER CRITERIA:

A. STATUTORY CRITERIA. It shall be the policy of the City to create a Neighborhood Revitalization area, if, in the opinion of the Governing Body, the rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of the residents of the City of Lawrence, it is in the best interest of the City to do so, and if, in the opinion of the Governing Body, one of the following findings, set forth in K.S.A. 12-17,115 can be made:

1. An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation, light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conductive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare;
2. 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; or
3. an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use.

B. OTHER CRITERIA. Additionally, the Governing Body will consider whether a project meets the Policy Statement outlined in Section Two, and the project meets a majority of the following criteria when considering the establishment of a Neighborhood Revitalization area:

1. the opportunity to promote redevelopment activities which enhance Downtown Lawrence;
2. the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized;

3. 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;
4. 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;
5. 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.

SECTION FOUR: AMOUNT OF REBATE:

As a standard practice, the City will not provide a rebate amount in excess of 50% of the incremental property taxes and will not establish an NRA for a period of time longer than 10 years. The City may consider a greater rebate and/or a longer duration if sufficiently justified in the "but for" analysis required by Section Five. The determination of the rebate amount and duration of the NRA is the sole discretion of the Governing Body.

SECTION FIVE: PROCESS:

1. An applicant wishing to request that the City to create a Neighborhood Revitalization Area in the City of Lawrence shall submit a request to the City. The request shall include information that would be required for a revitalization plan. Such requirements are set forth in K.S.A. 12-17,117. The applicant shall also submit a "but for" analysis to the City demonstrating the need for the NRA and the purpose for which the NRA revenue will be used. The analysis should support that "but for" the NRA, the project will be unable to proceed. The applicant shall provide City Staff with pro forma cash flow analysis and sources and uses of funds in sufficient detail to demonstrate that reasonably available conventional debt and equity financing sources will not fund the entire cost of the project and still provide the applicant a reasonable market rate of return on investment.

The applicant shall furnish such additional information as requested by the City in order to clarify the request or to assist staff or the Governing Body with the evaluation of the request.

2. The Governing Body shall receive the request and determine whether to consider the request or deny the request. If the Governing Body wishes to consider the request, the request shall be referred to the City's Public Incentive Review Committee for review and a recommendation. Staff will perform a benefit/cost analysis on the project. The Governing Body may also set a date for a public hearing to consider the establishment of a revitalization area and a revitalization plan.

3. Douglas County and USD 497 are also important parties related to a NRA request. When an NRA is considered, the City and the applicant will work with Douglas County and USD 497 to seek concurrence from these entities regarding the establishment of an NRA.

4. The Governing Body will determine whether one of the findings set forth in Section Three can be made regarding the request. Additionally, the Governing Body shall consider the other criteria outlined in Section Three.

5. The Governing Body shall hold a public hearing, after the required statutory notice is provided, and consider adoption of the revitalization plan to establish the revitalization area.

6. The City will require a performance agreement with the property owner to require adherence to the adopted Neighborhood Revitalization Plan.

7. The merits of the proposal under this policy shall guide the decision on the application without regard to the applicant.

SECTION SIX: PUBLIC INCENTIVES REVIEW COMMITTEE AND GOVERNING BODY ANNUAL REVIEW OF THIS POLICY: Annually, the Public Incentives Review Committee and the Governing Body shall review this policy.

SECTION SEVEN: <u>AUTHORITY OF GOVERNING BODY</u>: The Governing Body reserves the right to deviate from any policy, but not any procedure set forth in state law, when it considers such action to be of exceptional benefit to the City or extraordinary circumstances prevail that are in the best interests of the City. Additionally, the Governing Body, by its inherent authority, reserves the right to reject any proposal or petition for creation of a NRA at any time in the review process when it considers such action to be in the best interests of the City.

SECTION EIGHT: REPEAL OF RESOLUTION 6921. Resolution 6921 is hereby repealed.

SECTION NINE: <u>EFFECTIVE DATE:</u> This Resolution shall take effect immediately.

ADOPTED by the Governing Body this 25th day of October, 2011.

Aron E. Cromwell, Mayor

ATTEST:

Jonathan M. Douglass, City Clerk

ORDINANCE NO. 8523

AN ORDINANCE ESTABLISHING A POLICY OF THE CITY OF LAWRENCE, KANSAS RELATING TO INDUSTRIAL REVENUE BONDS, AND REPEALING RESOLUTION 5239.

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

SECTION ONE: The Policy of the City of Lawrence, Kansas relating to the issuance of Industrial Revenue Bonds, shall be as follows:

INDUSTRIAL REVENUE BONDS: PURPOSE.

Industrial Revenue Bonds (IRBs) are an incentive established by the State of Kansas to enhance economic development and improve the quality of life. The City may from time to time grant IRBs when the project under consideration helps further the economic and community development objectives as set forth in this Ordinance and Horizon 2020.

SECTION TWO: CRITERIA.

The City favors issuing Industrial Revenue Bonds to projects that bring in new revenues from outside the community or enhance the local quality of life over projects that will primarily compete against other local firms. Additionally, a project must meet the following criteria in order to qualify for IRBs:

1) Only those projects which qualify under Kansas law will be eligible for IRB financing. The City shall look more favorably upon projects that support the targeted industries listed in Section 1-2103 of the Code of the City of Lawrence.

2) The proposed project shall achieve one or more of the following public benefits:
   a. Meet the economic development goals of the City as set forth in this policy and the Comprehensive Plan of Lawrence and Douglas County;
   b. Enhance Downtown Lawrence;
   c. Promote infill through the development of vacant lots, the rehabilitation of deteriorated properties or the adaptive reuse of historic properties;
   d. Incorporate environmentally sustainable elements into the design and operation of the facility; or
   e. Provide other public benefits to the community, particularly as set forth in the Comprehensive Plan of Lawrence and Douglas County.

3) The prospective tenant shall show the financial capacity to complete the proposed project and successfully market the bonds.

SECTION THREE: SPECIAL CONSIDERATION FOR HOUSING AND RETAIL PROJECTS.

Except as indicated below, Industrial Revenue Bonds shall not be granted for projects that are principally for retail or residential use.

1) Projects requesting IRBs that are primarily retail in nature shall only be considered if the applicant demonstrates that the project is exceptional and unique, and is likely to add to the retail base by attracting new retail sales or capturing sales that are leaking to other markets.

2) Projects requesting IRBs that are primarily residential in nature shall only be considered if the project is a multi-family or senior living project and fits the criteria herein described. Infill development or redevelopment is preferred. Mixed-use projects are more desirable, as are projects in the Downtown area. Multi-family or senior living projects that contain no non-residential uses and are requesting IRBs must have at least 35% of all housing units set aside for households making 80% of the Area Median Income or less. Infill housing projects shall be looked upon more favorably if they are mixed use, located in Downtown, or both.

SECTION FOUR: PROCEDURES.

1) **Formal Application.** An applicant may pick up a formal application either at City Hall in the City Manager's Office, or online. The applicant shall complete the application and file it with the City Manager. A fee of $1,000 is due upon filing in order to help defray the City's cost in processing the application. Such fee shall be collected regardless of the City Commission's action on the application or if the bond issue closes.

2) **Preliminary Review.** City staff will provide an initial review of the application to ensure that it meets the requirements in City policy.

3) **Coordination with Bond Counsel:** City staff will coordinate with the applicant and bond counsel a schedule for the issuance of the bonds which meets the needs of all parties involved. During the process, bond counsel will assist with the preparation of other documents needed for filing through the State of Kansas.

   Applicants are encouraged to utilize the City's bond counsel. In the event that the applicant selects other bond counsel, the City may require its bond counsel to be involved in the transaction in a review capacity, depending upon the amount of the transaction and the project involved.

4) **Public Notification:** At least seven (7) days prior to consideration, the City shall prepare a Notice of Public Hearing to be published in the official City newspaper, giving notice of hearing on the IRB request, and indicating the purpose, time and place thereof.

5) **Resolution of Intent and Ordinance Provisions:** The City Commission shall conduct a public hearing and consider a Resolution of Intent followed by two readings of an ordinance authorizing the issuance of the bonds.

6) **Documents:** All documents related to Industrial Revenue Bonds will be kept on file with the City Clerk.

SECTION FIVE: SALES TAX EXEMPTIONS.
Labor and materials used in construction as well as equipment purchased with IRB proceeds are generally exempted from State and local sales tax. Payments-in-lieu of sales tax may be made as negotiated between the City and the Applicant.

SECTION SIX: INDUSTRIAL REVENUE BONDS AND TAX ABATEMENTS.
Applicants that request tax abatements in conjunction with IRBs must follow the policies and procedures set forth in the City's Tax Abatement Policy in addition to the procedures for IRBs as provided above.

SECTION SEVEN: ADDITIONAL FEES.
Each applicant who receives an issuance of Industrial Revenue Bonds shall pay all fees associated with the issuance of the Industrial Revenue Bonds.

SECTION EIGHT: AUTHORITY TO ISSUE INDUSTRIAL REVENUE BONDS.
The authority to approve the issuances of IRBs shall be the responsibility of the City Commission. The Commission's decision for approval or disapproval will be based on the analysis made by the City staff and the recommendations the staff provides to the City Commission from its review of all pertinent data relating to a particular request for bonds.

SECTION NINE:
Resolution 5239, approved May 4th, 1989 to govern the issuance and use of Industrial Revenue Bonds by the City, is hereby repealed.

SECTION TEN. If any section clause, sentence, or phrase of this ordinance is found to be unconstitutional or is otherwise held invalid by any court of competent jurisdiction, it shall not affect the validity of any remaining parts of this ordinance.

SECTION ELEVEN. This Ordinance shall take effect and be in force from and after its adoption and publication as provided by law.

Adopted this 18th day of May, 2010.

APPROVED:

Mike Amyx, Mayor

ATTEST:

Jonathan M. Douglass
City Clerk

APPROVED AS TO FORM AND LEGALITY:

Toni Ramirez Wheeler, Director of Legal Services

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

Project Summary

Capital Investment in Plant:	$67,968,008
Annual Local Expenditures by Firm:	$1,688,055
Retained Jobs:	17
Average Wage per Retained Job:	$28,242
Indirect Jobs Created:	15
Economic Value per Indirect Job:	$12,982
Total New Households:	13
Discount Rate:	6.24%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	15

Incentives

IRB Offered	Yes	
Value of IRB Construction Sales Tax:	$2,564,066	(Does not include sales tax exemption on machinery and equipment.)
Tax Rebate:	0%	annually over 10 years
Length of Tax Abatement/s:	0 Years	
Value of Tax Abatements, Total:	$0	
Other Incentives		
Site Infrastructure:	$0	
Facility Construction:	$0	
NRA Rebates:	$3,105,506	
Value of All Incentives Offered:	**$5,669,571**	
Value of All Incentives per Job per Year:	$22,234	
Value of Incentives in Hourly Pay:	$10.69	
Value of Incentives per Dollar Invested:	$0.08	

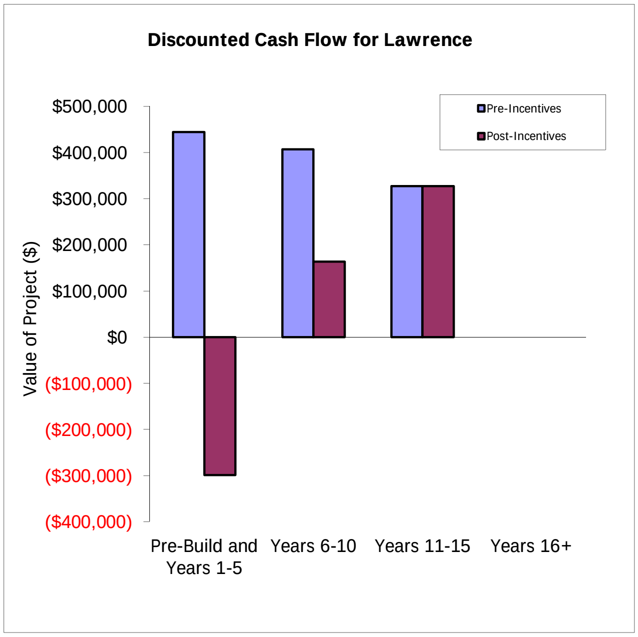
Summary of Results

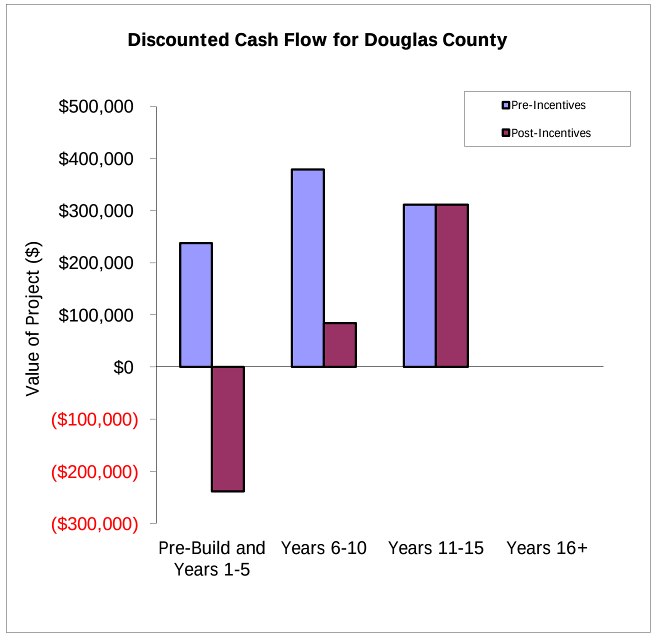
Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	$2,844,420	$2,127,526	$3,087,007	$3,469,128
Costs	$926,127	$515,056	$90,597	$0
Revenue Stream, Pre-Incentives	*$1,918,294*	*$1,612,470*	*$2,996,410*	*$3,469,128*
Value of Incentives Offered	$1,224,357	$1,030,911	$1,428,533	$1,985,771
Revenue Stream with Incentives	**$693,937**	**$581,559**	**$1,567,877**	**$1,483,357**

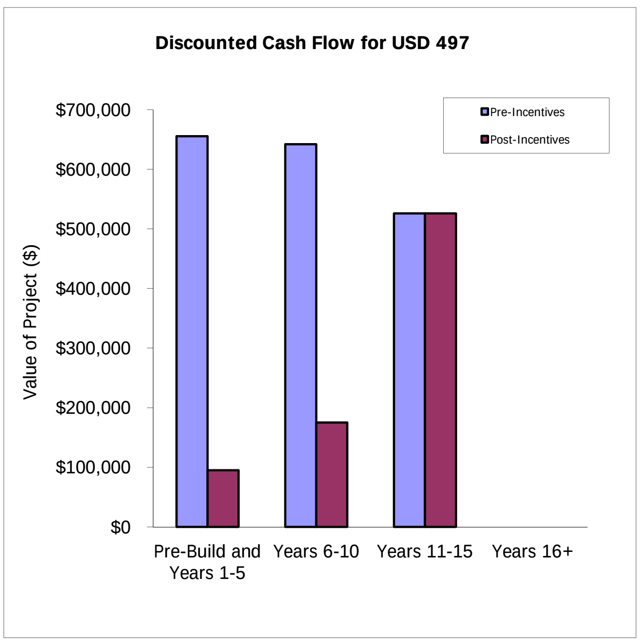
Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.24%			
Discounted Cash Flow, Without Incentives	$1,178,789	$927,710	$1,822,668	$2,792,611
Benefit/Cost Ratio, Without Incentives	*2.61*	*3.25*	*32.31*	*#DIV/0!*
Discounted Cash Flow, With Incentives	$192,048	$157,561	$795,611	$930,433
Benefit/Cost Ratio, With Incentives	**1.26**	**1.38**	**14.67**	**#DIV/0!**

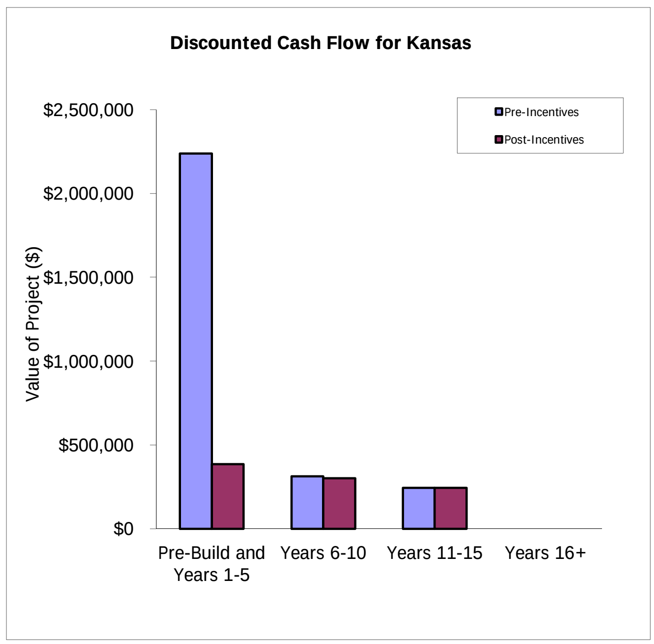
Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

Graphs of Benefits and Costs by Time Period, with and Without Abatement



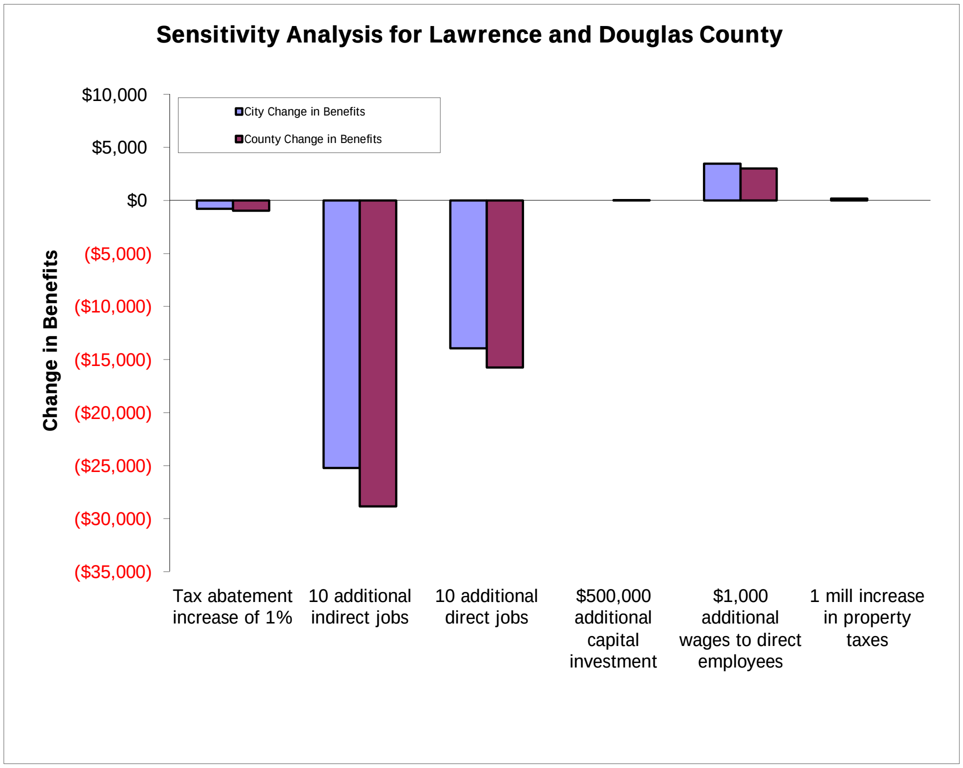






Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

Sensitivity Analysis



Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 1: Annual Results (not Discounted)

Lawrence

Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$549,755	($490,674)	($545,764)	($486,683)	($486,683)
2	$148,890	($43,136)	($68,364)	$37,391	($449,293)
3	$151,424	($28,410)	($70,035)	$52,980	($396,313)
4	$154,006	($28,694)	($71,742)	$53,570	($342,743)
5	$156,637	($28,981)	($73,487)	$54,170	($288,573)
6	$159,318	($29,270)	($75,269)	$54,778	($233,795)
7	$158,853	($29,563)	($77,091)	$52,199	($181,596)
8	$160,529	($29,859)	($78,952)	$51,718	($129,879)
9	$163,323	($30,157)	($80,854)	$52,311	($77,568)
10	$166,170	($30,459)	($82,798)	$52,913	($24,654)
11	$169,072	($30,764)	$0	$138,309	$113,654
12	$172,030	($31,071)	$0	$140,959	$254,614
13	$175,045	($31,382)	$0	$143,663	$398,277
14	$178,118	($31,696)	$0	$146,422	$544,699
15	$181,250	($32,013)	$0	$149,237	$693,937

Douglas County

Year	Revenues	Costs	#REF!	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$166,932	($295,523)	($210,945)	($339,535)	($339,535)
2	$122,435	($17,335)	($82,606)	$22,493	($317,042)
3	$124,922	($14,642)	($84,625)	$25,655	($291,387)
4	$127,461	($14,789)	($86,688)	$25,985	($265,403)
5	$130,054	($14,936)	($88,796)	$26,321	($239,081)
6	$132,701	($15,086)	($90,951)	$26,665	($212,416)
7	$135,404	($15,237)	($93,152)	$27,016	($185,400)
8	$138,164	($15,389)	($95,401)	$27,374	($158,026)
9	$140,982	($15,543)	($97,699)	$27,740	($130,286)
10	$143,859	($15,698)	($100,048)	$28,113	($102,173)
11	$146,796	($15,855)	$0	$130,941	$28,768
12	$149,796	($16,014)	$0	$133,782	$162,550
13	$152,858	($16,174)	$0	$136,684	$299,234
14	$155,984	($16,336)	$0	$139,649	$438,882
15	$159,176	($16,499)	$0	$142,677	$581,559

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 1: Annual Results (not Discounted) (Continued)

USD 497

Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$53,605	($6,727)	($127,897)	($81,018)	($81,018)
2	$189,089	($8,133)	($131,031)	$49,925	($31,093)
3	$192,983	($5,485)	($134,233)	$53,265	$22,172
4	$196,959	($5,539)	($137,506)	$53,914	$76,086
5	$201,020	($5,595)	($140,849)	$54,575	$130,661
6	$205,166	($5,651)	($144,266)	$55,249	$185,910
7	$209,400	($5,707)	($147,758)	$55,935	$241,845
8	$213,724	($5,764)	($151,326)	$56,634	$298,479
9	$218,139	($5,822)	($154,971)	$57,346	$355,825
10	$222,647	($5,880)	($158,696)	$58,071	$413,896
11	$227,252	($5,939)	$0	$221,313	$635,209
12	$231,953	($5,998)	$0	$225,955	$861,164
13	$236,754	($6,058)	$0	$230,696	$1,091,859
14	$241,656	($6,119)	$0	$235,537	$1,327,396
15	$246,661	($6,180)	$0	$240,481	$1,567,877

State of Kansas

Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$2,044,913	$0	($1,957,496)	$87,416	$87,416
2	$94,981	$0	($2,848)	$92,132	$179,549
3	$95,974	$0	($2,918)	$93,056	$272,604
4	$96,978	$0	($2,989)	$93,989	$366,593
5	$97,993	$0	($3,062)	$94,931	$461,525
6	$99,020	$0	($3,136)	$95,884	$557,408
7	$100,057	$0	($3,212)	$96,845	$654,254
8	$101,106	$0	($3,290)	$97,817	$752,071
9	$102,167	$0	($3,369)	$98,798	$850,869
10	$103,239	$0	($3,450)	$99,789	$950,658
11	$104,323	$0	$0	$104,323	$1,054,982
12	$105,419	$0	$0	$105,419	$1,160,401
13	$106,528	$0	$0	$106,528	$1,266,929
14	$107,648	$0	$0	$107,648	$1,374,577
15	$108,781	$0	$0	$108,781	$1,483,357

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 2: Annual Results (Discounted)

Lawrence

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$517,448	($461,839)	($513,692)	($458,083)	($458,083)
2	$131,905	($38,215)	($60,565)	$33,125	($424,958)
3	$126,267	($23,690)	($58,399)	$44,178	($380,780)
4	$120,873	($22,520)	($56,307)	$42,045	($338,735)
5	$115,713	($21,409)	($54,287)	$40,017	($298,718)
6	$110,777	($20,352)	($52,337)	$38,088	($260,630)
7	$103,964	($19,348)	($50,453)	$34,162	($226,467)
8	$98,886	($18,393)	($48,635)	$31,858	($194,609)
9	$94,695	($17,485)	($46,880)	$30,330	($164,279)
10	$90,684	($16,622)	($45,185)	$28,876	($135,403)
11	$86,846	($15,802)	$0	$71,044	($64,359)
12	$83,172	($15,022)	$0	$68,150	$3,791
13	$79,657	($14,281)	$0	$65,376	$69,167
14	$76,292	($13,576)	$0	$62,716	$131,883
15	$73,071	($12,906)	$0	$60,165	$192,048

Douglas County

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$157,122	($278,156)	($198,549)	($319,583)	($319,583)
2	$108,468	($15,358)	($73,183)	$19,927	($299,655)
3	$104,168	($12,209)	($70,566)	$21,392	($278,263)
4	$100,039	($11,607)	($68,038)	$20,394	($257,868)
5	$96,076	($11,034)	($65,597)	$19,445	($238,424)
6	$92,271	($10,490)	($63,240)	$18,541	($219,883)
7	$88,617	($9,972)	($60,964)	$17,681	($202,202)
8	$85,109	($9,480)	($58,767)	$16,863	($185,339)
9	$81,742	($9,012)	($56,646)	$16,084	($169,256)
10	$78,508	($8,567)	($54,599)	$15,342	($153,914)
11	$75,404	($8,144)	$0	$67,259	($86,654)
12	$72,423	($7,742)	$0	$64,680	($21,974)
13	$69,560	($7,360)	$0	$62,200	$40,226
14	$66,811	($6,997)	$0	$59,815	$100,040
15	$64,172	($6,652)	$0	$57,520	$157,561

Scenario 1--HERE Kansas, 1101/1115 Indiana Street NRA with IRB

APPENDIX 2: Annual Results (Discounted) (Continued)

USD 497

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$50,455	($6,331)	($120,381)	($76,257)	($76,257)
2	$167,518	($7,205)	($116,083)	$44,230	($32,027)
3	$160,921	($4,573)	($111,932)	$44,416	$12,388
4	$154,585	($4,348)	($107,922)	$42,315	$54,703
5	$148,500	($4,133)	($104,051)	$40,317	$95,020
6	$142,657	($3,929)	($100,312)	$38,416	$133,436
7	$137,044	($3,735)	($96,702)	$36,607	$170,043
8	$131,654	($3,551)	($93,217)	$34,887	$204,930
9	$126,478	($3,376)	($89,853)	$33,249	$238,179
10	$121,506	($3,209)	($86,605)	$31,691	$269,870
11	$116,730	($3,051)	$0	$113,680	$383,550
12	$112,144	($2,900)	$0	$109,244	$492,794
13	$107,738	($2,757)	$0	$104,981	$597,775
14	$103,506	($2,621)	$0	$100,886	$698,660
15	$99,442	($2,492)	$0	$96,950	$795,611

State of Kansas

Year	Discounted Revenues	Discounted Costs	Discounted Incentives	Net	Cumulative
Pre-Operation	$0	$0	$0	$0	$0
1	$1,924,742	$0	($1,842,463)	$82,279	$82,279
2	$84,145	$0	($2,524)	$81,622	$163,901
3	$80,029	$0	($2,433)	$77,596	$241,497
4	$76,114	$0	($2,346)	$73,768	$315,265
5	$72,391	$0	($2,262)	$70,129	$385,394
6	$68,851	$0	($2,181)	$66,670	$452,064
7	$65,484	$0	($2,102)	$63,382	$515,446
8	$62,282	$0	($2,026)	$60,255	$575,702
9	$59,237	$0	($1,953)	$57,283	$632,985
10	$56,341	$0	($1,883)	$54,458	$687,443
11	$53,587	$0	$0	$53,587	$741,030
12	$50,968	$0	$0	$50,968	$791,998
13	$48,477	$0	$0	$48,477	$840,475
14	$46,108	$0	$0	$46,108	$886,583
15	$43,855	$0	$0	$43,855	$930,438

This analysis utilized the City of Lawrence's Cost-Benefit Model. The City's cost-benefit model provides a framework for estimating the fiscal impacts of a project, assuming it were in existence and in use today, through the examination of costs and benefits to various taxing jurisdictions (City, County, School District, State).

The Cost-Benefit model is one tool that government decision makers can incorporate in their decision-making process. However, as with most models, it does have limitations.

Limitations of model:

- **Does not consider intangible effects**
  The model does not speak to the effects of intangible costs or benefits resulting from the project, since intangible effects are difficult, if not impossible to assign a dollar value.

- **Does not consider private effects**
  The model only seeks to quantify the cumulative effect on public revenues and expenses and not the effect on private interests that may be affected by the project. Thus, the model only considers public, or governmental, costs and revenues.

  Logic would dictate that any development will also have a fiscal impact on the private sector. For example, if one were analyzing a proposal to build a new baseball stadium, the new tax revenue from the building and property – as well as the costs for providing additional public security and emergency services (police, fire, ambulance, etc.) – would factor into the analysis. However, the effect of the stadium on neighboring property values or the impact on business at local restaurants would not be accounted for.

- **The model considers direct effect economic impacts**
  Multipliers used within the model are applied to direct effects such as the number of jobs created by the project and associated wages. The model does not attempt to measure all indirect effects such as capturing visitor spending associated with the project, nor the economic effects of that spending as outside dollars circulate through the community over time.

- **Model assumes current effects**
  The model is run on assumptions and estimations provided at the time of analysis. The current effects aspect of the model means that the analysis provides a means of estimating the financial impact of a development as if the project were in existence and in use today, given estimated costs and assumptions that are usually defined prior to the project being constructed or operational. Given that it may be difficult to predict future costs and benefits accurately, there is an implicit assumption that future changes affect both revenues and costs.

  In addition, the model does not reflect any changes in economic adjustments over time due to macroeconomic conditions, regional industrial structure, public policies, and technological advances.

- **Does not consider fiscal impacts of temporary or part-time employment**
  Employment analyzed is for full-time, permanent positions related to the project and does not consider temporary jobs created due to project construction or part-time positions created during project operation.

Other considerations for decision making:

It is important to remember that there could be several important considerations that fall outside of the realm of municipal budgets. For example, fiscal impacts of development on abutters, local businesses and natural resources are not accounted for in the cost-benefit model.

The model also does not consider issues of equity and social responsibility. For instance, while it may be easy to identify the fiscal downsides of low-income housing on municipal and school budgets, municipalities may also bear some level of responsibility for ensuring access to affordable housing, as is dictated by the Fair Housing Act. Finally, communities maintain certain values that cannot be assigned a price tag, such as the intrinsic value of nature, cultural heritage, and aesthetics.

Depending on the project, it may be prudent to employ other analytical models or studies (e.g. economic impact analysis; pro forma/but-for analysis; trade area analysis; tourism impact, market demand and other studies; etc.) in conjunction with the cost-benefit model, as well as non-quantifiable elements, to gain insight into the project's overall value to the community.