

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: September 9, 2014
RE: Technical Report: NRA request for 9 Del Loft Apartments

Project Overview

Tony Krisnich of 9 Del Lofts, LLC, (Developer) is proposing the development of vacant land located at 900 Delaware Street into an affordable, multi-family housing complex. Located on the southeast corner of 9th Street and Delaware Street, adjacent to the East Lawrence Historic Warehouse, in Lawrence, Kansas, the project calls for approximately 43 apartment units: 18, one-bedroom units (five at market rate); 16, two-bedroom units (three at market rate); and four, three-bedroom units (one at market rate).

Project financing will rely on Federal Low-Income Housing Tax Credits (LIHTC) as well as private funding. As per the Developer, tax credits have already been awarded to the project by the Kansas Housing Resources Corporation (KHRC). It should also be noted that as per the Developer's legal representative, the property owner will be required to hold the property for a minimum of 20 years due to the compliance obligations of affordable housing programs.

Previously, the Developer had asked for and was granted City assistance for infrastructure improvements for the project. On June 3, 2014, the City Commission received and considered an infrastructure assistance request from the Developer and authorized rebating up to \$270,967 in related expenses.

Request for NRA Assistance

A **Request Letter and Incentives Application** were received on August 13, 2014 from 9 Del Lofts, LLC requesting a 15-year, 95% Neighborhood Revitalization Area (NRA).

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

Eligibility

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. 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.

Project eligibility for NRA consideration is governed by both State statutes (KSA 12-17,114 et seq.) and City policy (**Resolution 6954**).

State Eligibility

Below outlines State requirements for NRA eligibility.

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 conducive 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 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.
	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.

Health & Safety Need

Economic Need

Preservation of Community/Historical Asset

Conclusion—State Eligibility:

Development would replace a vacant, underutilized property with affordable housing that provides energy efficient and environmentally friendly features. In addition, the project would bring needed density and additional economic viability to the area in support of revitalization of the East Lawrence Historic Warehouse District. It should be noted that while the project does not lie within the district, it is directly next to and adjacent to the district. Residential density next to the revitalization district would likely provide additional market and economic support for the area and downtown (two blocks to the west), as well as bring needed affordable housing to the community at large.

City Eligibility

Resolution 6954 outlines the City's policy for establishing an NRA. City Policy Guidelines include:

- ***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

- **Cost-Benefit Ratio**

Resolution 6954, Section Two speaks to the cost-benefit ratio threshold. Specifically, the statement, *“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.”*, indicates that for every \$1 of cost incurred as a result of the project, \$1.25 is received as benefit) for economic development projects.

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.

From Resolution 6954, dated October 25, 2011.

Eligibility Criteria

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	Y
	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.	N/A
	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.		See Analysis

Conclusion—City Eligibility:

As indicated above, the proposed redevelopment of 900 Delaware Street by 9 Del Lofts, LLC appears to meet a majority of City criteria. The project meeting the cost-benefit ratio is further explained in the following cost-benefit analysis section.

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.

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.

Assumptions utilized within the model:

- *Capital Investment & Job Creation*

According to the incentives application received, approximately \$7.2 million will be invested in purchasing and redeveloping the property. Project completion is anticipated in May 2015. Once redeveloped, the project is expected to support two new, full-time jobs anticipated to have an average annual salary of \$50,000.

- *Property Taxes*

In its present condition, the property generates approximately \$1,200 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.

900 Delaware Street Tax History							
Year	Appraised			Assessed			Total Tax
	Land	Improvements	Total	Land	Improvements	Total	
2014*	\$78,530	\$0	\$78,530	\$9,424	\$0	\$9,424	\$1,228
2013	\$78,530	\$0	\$78,530	\$9,424	\$0	\$9,424	\$1,192
2012	\$78,530	\$0	\$78,530	\$9,424	\$0	\$9,424	\$1,176

Source: Douglas County Appraiser's Office, * Estimated tax amount for 2014

The following table provides a summary of the estimated base and incremental tax amounts the developer would be responsible for given a 10- and 15-year, 85% and 95% NRA provided by all taxing jurisdictions. As base taxes are shielded from rebate, these tax revenues remain the same over the NRA period regardless of the rebate percentage granted.

85% NRA Rebate: Estimated Tax Paid by Developer		
	<i>Total over 10 year NRA period (2016-2025)</i>	<i>Total over 15 year NRA period (2016-2030)</i>
<i>Amount due on Base Value</i>	\$12,409	\$18,690
<i>Amount due on Incremental Value</i>	\$35,862	\$56,889
<i>Total developer paid taxes over NRA period</i>	\$48,272	\$75,579

95% NRA Rebate: Estimated Tax Paid by Developer		
	<i>Total over 10 year NRA period (2016-2025)</i>	<i>Total over 15 year NRA period (2016-2030)</i>
<i>Amount due on Base Value</i>	\$12,409	\$18,690
<i>Amount due on Incremental Value</i>	\$11,954	\$18,963
<i>Total developer paid taxes over NRA period</i>	\$24,363	\$37,653

- *City Infrastructure Grant*

On June 3, 2014, the City Commission authorized City assistance of up to \$270,967 for the below infrastructure improvements for the 9 Del Lofts project.

City Infrastructure Grant: 9Del Lofts	
Description	Authorized 6-3-14
Relocation of Sanitary Sewer Main	\$69,505
Site Water Line (Fire and Domestic, New Fire Hydrant)	\$17,545
Sanitary Sewer Connection to Building	\$3,355
Site Storm Sewer	\$37,840
Public Street Improvement Plans (Street Storm and Patching)	\$16,157
Private Drive-9th Street Extension to east and 10' trail along Delaware	\$47,565
System Development Charges	
Water	\$45,000
Meter	
Sewer	
Burying of overhead utility lines	\$34,000
TOTAL	\$270,967

Some of the above expenses apply only to the project, while others benefit both the project and neighborhood. For cost-benefit analysis purposes, \$222,326 was the grant amount identified that represented the expenses attributed only to the project. The remaining \$48,641 benefits both the project and neighborhood and was not included within the cost-benefit analysis.

- *Model Evaluation Period*

For projects contributing to traditional economic development goals (i.e. primary job creation, high wage jobs, capital investment infusion) the model evaluation period has typically been 15 years. However, in projects that do not have traditional economic goals as their primary community contribution or projects that provide substantial intangible benefits, which would not be considered within the model (e.g. affordable housing), a longer evaluation period may be appropriate.

Given the minimum 20 year ownership period required by tax credit compliance, staff feels a 20 year evaluation period is appropriate for this project and the below cost-benefit scenarios were ran using this evaluation period. However, for comparison purposes, results of a 10-year, 85% NRA are shown for both a 15-year and 20-year evaluation period in Addendum A. In general, the shorter the model evaluation period, the lower the cost-benefit ratios will be for the taxing jurisdictions.

Cost-Benefit Model Results:

Several cost benefit scenarios were ran utilizing information provided on the incentives application submitted by 9 Del Lofts LLC. Given the required minimum holding period for the project (as per tax credit compliance), Staff ran scenarios utilizing a 20 year evaluation period. (Additional Model results are shown in Addendum A.)

- *NRA Only—No City Grant*

The following shows results for a 20 year evaluation period without infrastructure grant values included in the analysis. As can be seen, the project exceeds a 1.25 cost-benefit ratio for all taxing jurisdictions, when not accounting for the City infrastructure grant.

9 Del: NRA Results + \$0 City Grant					
Incentive Package	City	County	USD 497	State	Total Package Value
10-Year, 85% NRA, \$0 City Grant	3.15	2.43	6.03	n/a	\$200,526
10-Year, 95% NRA, \$0 City Grant	3.09	2.27	5.59	n/a	\$232,048
15-Year, 85% NRA, \$0 City Grant	3.03	2.04	4.98	n/a	\$318,700
15-Year, 95% NRA, \$0 City Grant	2.95	1.83	4.39	n/a	\$368,101

- *Inclusion of City Grant*

Assuming a 20 year holding period, the following table shows results when City infrastructure grant amounts are included in the analysis. As can be seen, cost-benefit ratios remain the same for all taxing jurisdictions except for the City. When accounting for the City infrastructure grant, City ratios drop below breakeven levels (breakeven = 1:1 or for every \$1 of public investment, \$1 of benefit is realized).

9 Del: NRA Results + \$222,326 City Grant					
Incentive Package	City	County	USD 497	State	Total Package Value
10-Year, 85% NRA, City Grant of \$222,326	0.68	2.43	6.03	n/a	\$422,852
10-Year, 95% NRA, City Grant of \$222,326	0.62	2.27	5.59	n/a	\$454,374
15-Year, 85% NRA, City Grant of \$222,326	0.56	2.04	4.98	n/a	\$541,026
15-Year, 95% NRA, City Grant of \$222,326	0.48	1.83	4.39	n/a	\$590,427

As illustrated above, meeting the City policy’s cost-benefit threshold depends on if the City Infrastructure Grant is considered within the analysis.

- *No City NRA Participation*

Scenarios were run assuming the City did not participate in the NRA, providing only the infrastructure grant. As seen below, just the inclusion of City infrastructure pushes the ratio below the 1.25 threshold.

No City NRA Participation + City Grant

9 Del: No City NRA + \$222,326 City Grant					
Incentive Package	City	County	USD 497	State	Total Package Value
10Y-85% County/USD/State NRA, City Grant of \$222,326	1.07	2.81	7.06	n/a	\$348,713
10Y-95% County/USD/State NRA, City Grant of \$222,326	1.07	2.55	6.37	n/a	\$398,682
15Y-85% County/USD/State NRA, City Grant of \$222,326	1.07	2.57	6.42	n/a	\$421,934
15Y-95% County/USD/State NRA ,City Grant of \$222,326	1.07	2.22	5.46	n/a	\$502,083

Conclusion--Model Results:

Model results show that the cost-benefit threshold of 1.25 can be met for all taxing jurisdictions, with the exception of the City, for a 10- or 15-year NRA at both the 85% and 95% rebate levels.

Meeting the City policy's cost-benefit threshold depends on if the City Infrastructure Grant is considered within the analysis. If the grant is not considered within the analysis, the City 1.25 cost-benefit threshold can be met with a 10- or 15-year NRA at both the 85% and 95% rebate levels. If the infrastructure grant is included, the cost-benefit ratio falls below breakeven levels for the City in all NRA scenarios.

“But For” Analysis

In order to provide a NRA rebate, the City must be convinced that without public assistance, the project will not be financially feasible. Whether or not the project would proceed if incentives are unavailable speaks to the “but for” test; But for the incentives, the project would not proceed.

Although there is no definite way to know in advance if the project will or will not proceed if incentives are not provided, there are financial metrics that can be examined to get a reasonable perspective. Through examining developer’s pro forma and other financial documents, project cash flow and return rates can be compared with and without public assistance.

- **Projected Cash Flow**

The Developer provided estimated annual revenues and expenses for the project, which were used to project annual cash flow over a minimum 15 year period. Property valuation information was provided by Douglas County Appraiser’s Office and was used to project annual property taxes.

In examining project cash flow, results show:

1. *Without NRA incentives, the project won't cash flow.*

The below table shows cash flow results when NRA incentives are not provided. As can be seen, cash flow is negative for each year of operations.

Cash Flow Analysis: 9 Del Lofts															
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Year	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15
After Tax Cash Flow: No NRA	(\$10,923)	(\$10,546)	(\$10,224)	(\$9,958)	(\$9,751)	(\$9,608)	(\$9,531)	(\$9,524)	(\$9,589)	(\$9,731)	(\$9,954)	(\$10,261)	(\$10,657)	(\$11,145)	(\$11,731)

2. *With the addition of NRA rebates, cash flow becomes positive in the years provided.*

The below table shows cash flow results when a 10-year NRA is provided by all taxing jurisdictions.

Cash Flow Analysis: 9 Del Lofts															
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Year	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15
After Tax Cash Flow: 10Y-85% NRA	\$7,497	\$8,272	\$9,002	\$9,684	\$10,316	\$10,894	\$11,415	\$11,876	\$12,274	\$12,605	(\$9,954)	(\$10,261)	(\$10,657)	(\$11,145)	(\$11,731)
After Tax Cash Flow: 10Y-95% NRA	\$9,664	\$10,486	\$11,264	\$11,995	\$12,677	\$13,306	\$13,879	\$14,394	\$14,846	\$15,233	(\$9,954)	(\$10,261)	(\$10,657)	(\$11,145)	(\$11,731)

Below shows cash flow for a 15-year, 95% NRA with all taxing jurisdictions participating.

Cash Flow Analysis: 9 Del Lofts															
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Year	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15
After Tax Cash Flow: 15Y-95% NRA	\$9,664	\$10,486	\$11,264	\$11,995	\$12,677	\$13,306	\$13,879	\$14,394	\$14,846	\$15,233	\$15,551	\$15,796	\$15,965	\$16,053	\$16,056

Cash flow without City participation in the NRA can also provide positive cash flow over a 15 year rebate period.

Cash Flow Analysis: 9 Del Lofts															
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Year	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15
After Tax Cash Flow: 15Y-85% NRA (no city NRA)	\$2,666	\$3,314	\$3,914	\$4,463	\$4,957	\$5,395	\$5,772	\$6,086	\$6,332	\$6,509	\$6,611	\$6,635	\$6,577	\$6,433	\$6,199
After Tax Cash Flow: 15Y-95% NRA (no city NRA)	\$4,265	\$4,945	\$5,577	\$6,159	\$6,688	\$7,160	\$7,572	\$7,922	\$8,205	\$8,419	\$8,559	\$8,622	\$8,604	\$8,501	\$8,308

- Return Rates

One common financial metric that can be examined for project feasibility is the Internal Rate of Return (IRR). The IRR is a complex formula that takes into consideration annualized compounded return rates based on the project’s anticipated operating expenses and revenues over time, as well as recapture returns from selling the property at the end of a holding period. The IRR a developer requires to proceed is subjective and depends on various factors, including shareholder demand for returns, investment goals, availability of alternate projects and comparative potential returns, and many other financial and investor considerations.

Due to investor subjectivity and the confidential nature of financial documents that have to be examined in order to calculate the IRR, a typical return rate benchmark for the property type and community is difficult to access. However, it should be noted that property valuation within the IRR analysis was based on capitalization rates (cap rate) for the property type and community, as determined by the Douglas County Appraiser’s Office.

In lieu of local IRR comparison data, one proxy benchmark that can be used when measuring the IRR is two times the “risk free” investment yield. Typically, the 10-year Treasury Bill is considered risk free and rate information is easily available. The below table illustrates project IRRs with and without incentives as compared to the investment threshold proxy².

9 Del: Return Rates (est.)--15 Year Holding Period					
NRA Scenarios	Investment Threshold	Average ROE: No Incentives	Average ROE: With Incentives	IRR: No Incentives	IRR: With Incentive
All Jurisdictions Participating in NRA					
10Y-85% NRA + \$270,967 City Infrastructure Grant	8.10%	0.30%	0.54%	5.96%	6.44%
10Y-95% NRA + \$270,967 City Infrastructure Grant			0.57%		6.49%
15Y-95% NRA + \$270,967 City Infrastructure Grant			0.73%		6.71%
No City NRA Participation					
County/USD/State 10Y -95% NRA + \$270,967 City Infrastructure Grant	8.10%	0.30%	0.50%	5.96%	6.35%
County/USD/State 15Y -85% NRA + \$270,967 City Infrastructure Grant			0.58%		6.45%
County/USD/State 15Y -95% NRA + \$270,967 City Infrastructure Grant			0.61%		6.51%

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

Overall, this seems to be a difficult project to make happen financially and even with public assistance, the returns are low. Without incentives, average project return on equity (ROE)³ is 0.30% with an internal rate of return (IRR)⁴ of 5.96%, as compared to an 8.10% investment threshold. With the addition of NRA incentives, analysis shows project returns improve, but are still relatively low, especially in comparison to the investment proxy threshold. Depending on the incentive package, return on equity ranges from 0.50%-0.73% with IRRs ranging from 6.35%-6.71%.

Conclusion—But For Test

Analysis shows that the project will not meet cash flow or have reasonable return rates without NRA assistance. Therefore, it is reasonable to assume that the project would not be able to proceed "but for" public incentives.

Other Considerations

Other non-quantifiable project benefits should also be considered within the context of this request, including:

- The opportunity to deliver needed, affordable housing within the community
- The opportunity to provide additional traffic in support of Downtown Lawrence and the East Lawrence Historic District.
- The opportunity to support on-going area revitalization and increase synergies between area projects.

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.

³ Return on Equity: $ROE = \text{Cash Flow}/\text{Equity}$

⁴ Internal Rate of Return: IRR = Discount rate that makes the net present value of all cash flows from a particular project equal to zero.

Professional Staff Opinion & Recommendation

Eligibility: Staff believes the project as proposed will meet State and City NRA eligibility criteria.

But-For Test: Examination of estimated cash flows and return rates, with and without public assistance, indicates the "but for" test has been met for the project.

Cost-Benefit Threshold: The project meets the preferred 1.25 cost-benefit ratio for the County, School District and State.

Model results for the City depend on the assumption to include or exclude the value of the infrastructure grant that has been previously authorized. However, even if the grant is considered within the analysis, additional intangible benefits of the project, which should also be taken into consideration, may usurp the need for the City to meet the cost-benefit ratio threshold.

Staff Recommendation:

Due to the affordable housing component of the project and the strong intangibles that are not represented in the numbers, Staff would recommend participation at the requested 95% level for all jurisdictions for a 15-year period. While the NRA policy suggests a 10-year limit, the policy also suggests that longer durations may be appropriate if the analysis bears out the need. In this case, the "but for" test points to the need for the NRA incentive in order to make the project viable. Adding to the 9 Del Loft development and other housing opportunities in the area, the project will help to sustain the density for vibrancy in the area.

PIRC Requested Action

Public Incentives Review Committee to provide recommendation on the participation of each jurisdiction in a NRA for 900 Delaware Street, including duration and percentage rebate level.

Addendum A: Additional Cost-Benefit Model Scenarios

All Jurisdictions Participating in NRA + No City Grant

9 Del: NRA Results + \$0 City Grant					
Incentive Package	City	County	USD 497	State	Total Package Value
10-Year, 20% NRA, \$0 City Grant	3.45	3.22	8.18	n/a	\$46,410
10-Year, 25% NRA, \$0 City Grant	3.42	3.15	7.99	n/a	\$59,771
10-Year, 50% NRA, \$0 City Grant	3.31	2.84	7.16	n/a	\$119,542

All Jurisdictions Participating in NRA + City Grant

9 Del: NRA Results + \$222,326 City Grant					
Incentive Package	City	County	USD 497	State	Total Package Value
10-Year, 20% NRA, \$222,326 City Grant	0.98	3.22	8.18	n/a	\$268,736
10-Year, 25% NRA, \$222,326 City Grant	0.95	3.15	7.99	n/a	\$282,097
10-Year, 50% NRA, \$222,326 City Grant	0.84	2.84	7.16	n/a	\$341,868

Comparison of 15Y vs. 20Y Evaluation Period: All Jurisdictions Participating in NRA + City Grant

9 Del: NRA Results + City Infrastructure Grant					
Incentive Package	City	County	USD 497	State	Total Package Value
10-Year, 85% NRA, \$222,326 City Grant	0.20	2.07	5.28	n/a	\$422,852
10-Year, 85% NRA, \$222,326 City Grant	0.68	2.43	6.03	n/a	\$422,852

15 Year Evaluation Period
20 Year Evaluation Period

Addendum B: Model Results

Cost-Benefit Model Results: 9 Del Apartments

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period

Project Summary

Capital Investment in Plant:	\$6,970,000
Annual Local Expenditures by Firm:	\$0
Retained Jobs:	2
Average Wage per Retained Job:	\$50,000
Indirect Jobs Created:	2
Economic Value per Indirect Job:	\$22,983
Total New Households:	2
Discount Rate:	6.24%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives

IRB Offered	No
Value of IRB Construction Sales Tax:	\$0
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	\$0
Other Incentives	
Site Infrastructure:	\$222,326
Facility Construction:	\$0
NRA Rebates:	\$368,101

Value of All Incentives Offered: \$590,427

Value of All Incentives per Job per Year:	\$14,761
Value of Incentives in Hourly Pay:	\$7.10
Value of Incentives per Dollar Invested:	\$0.08

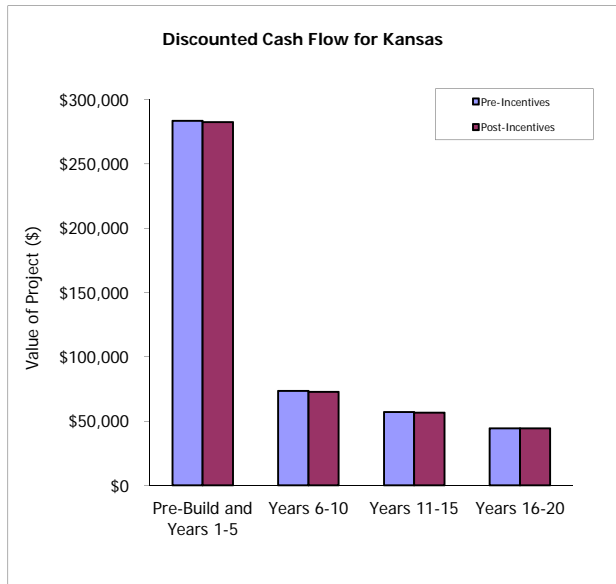
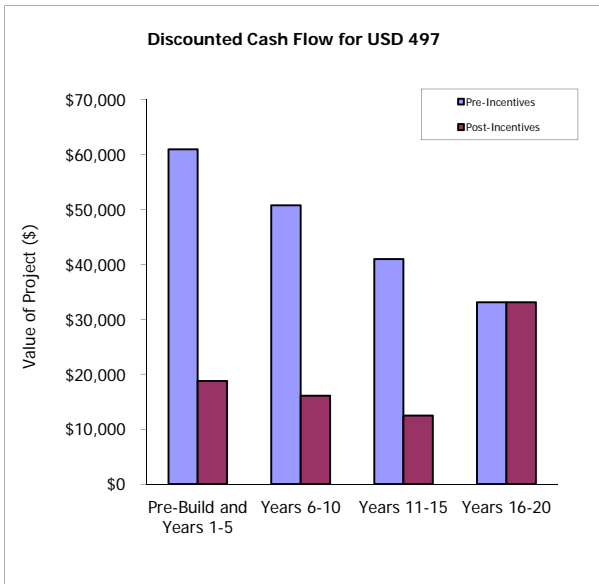
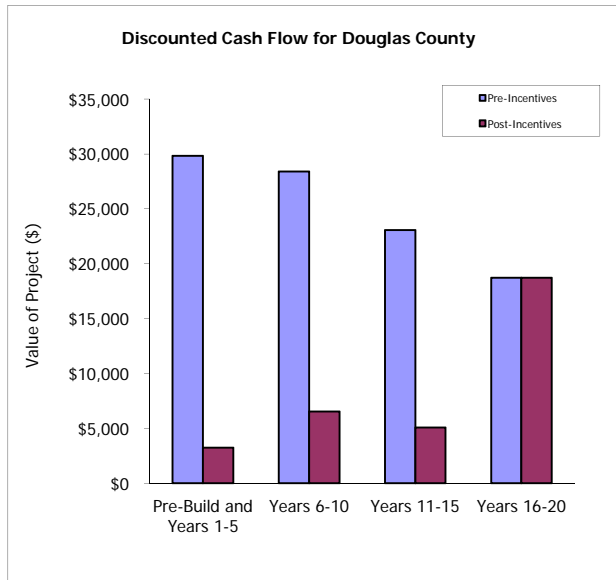
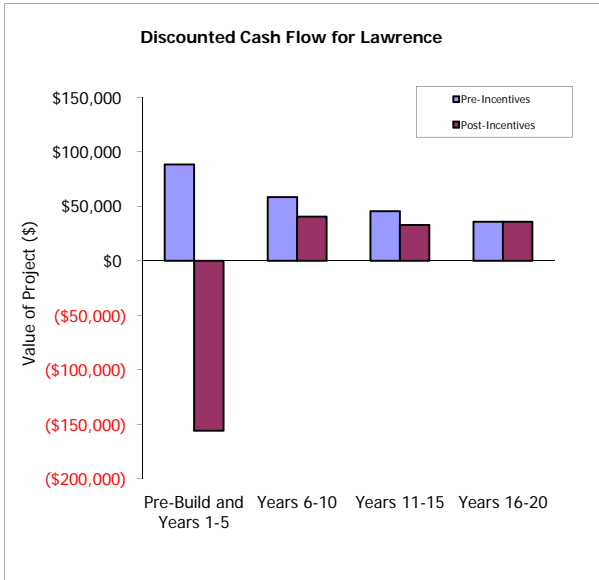
Summary of Results

Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	\$541,694	\$249,181	\$385,455	\$690,042
Costs	\$136,614	\$60,470	\$41,564	\$0
<i>Revenue Stream, Pre-Incentives</i>	<i>\$405,080</i>	<i>\$188,711</i>	<i>\$343,891</i>	<i>\$690,042</i>
Value of Incentives Offered	\$304,416	\$106,749	\$169,326	\$3,681
Revenue Stream with Incentives	\$100,663	\$81,962	\$174,565	\$686,361
Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	6.24%			
Discounted Cash Flow, Without Incentives	\$228,208	\$100,031	\$185,832	\$458,559
<i>Benefit/Cost Ratio, Without Incentives</i>	<i>3.53</i>	<i>3.46</i>	<i>8.83</i>	<i>#DIV/0!</i>
Discounted Cash Flow, With Incentives	(\$46,600)	\$33,614	\$80,481	\$456,269
Benefit/Cost Ratio, With Incentives	0.48	1.83	4.39	#DIV/0!

Cost-Benefit Model Results: 9 Del Apartments

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period

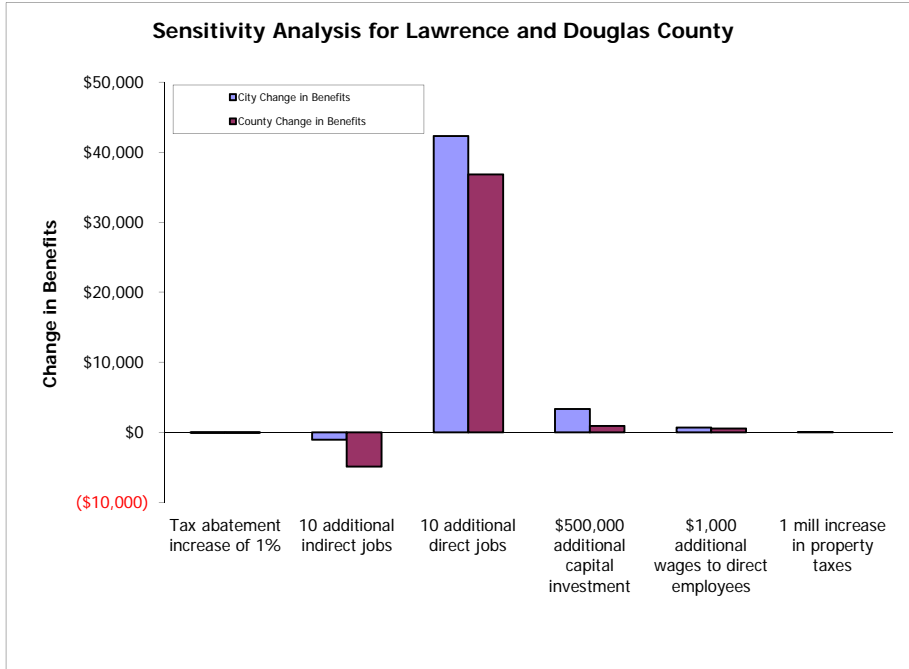
Graphs of Benefits and Costs by Time Period, with and Without Abatement



Cost-Benefit Model Results: 9 Del Apartments

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period

Sensitivity Analysis



Cost-Benefit Model Results: 9 Del Apartments

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period

APPENDIX 1: Annual Results Not Discounted

Lawrence: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$71,732	(\$42,198)	(\$5,048)	\$24,486	\$24,486
2	\$22,892	(\$4,537)	(\$5,157)	\$13,199	\$37,685
3	\$23,181	(\$4,582)	(\$5,269)	\$13,330	\$51,015
4	\$23,473	(\$4,628)	(\$5,383)	\$13,463	\$64,477
5	\$23,770	(\$4,674)	(\$5,499)	\$13,597	\$78,074
6	\$24,072	(\$4,721)	(\$5,618)	\$13,732	\$91,806
7	\$23,422	(\$4,768)	(\$5,740)	\$12,914	\$104,720
8	\$23,401	(\$4,816)	(\$5,864)	\$12,721	\$117,440
9	\$23,703	(\$4,864)	(\$5,991)	\$12,847	\$130,288
10	\$24,009	(\$4,913)	(\$6,121)	\$12,975	\$143,263
11	\$24,321	(\$4,962)	(\$6,389)	\$12,969	\$156,233
12	\$24,636	(\$5,011)	(\$6,528)	\$13,097	\$169,330
13	\$24,957	(\$5,062)	(\$6,669)	\$13,226	\$182,556
14	\$25,282	(\$5,112)	(\$6,813)	\$13,357	\$195,913
15	\$25,613	(\$5,163)	\$0	\$20,449	\$216,362
16	\$25,950	(\$5,215)	\$0	\$20,735	\$237,098
17	\$26,293	(\$5,267)	\$0	\$21,026	\$258,123
18	\$26,640	(\$5,320)	\$0	\$21,321	\$279,444
19	\$26,993	(\$5,373)	\$0	\$21,620	\$301,064
20	\$27,352	(\$5,427)	\$0	\$21,925	\$322,989

Douglas County: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$23,335	(\$20,773)	(\$6,099)	(\$3,537)	(\$3,537)
2	\$10,142	(\$1,908)	(\$6,231)	\$2,003	(\$1,534)
3	\$10,315	(\$1,927)	(\$6,366)	\$2,022	\$488
4	\$10,492	(\$1,946)	(\$6,504)	\$2,041	\$2,529
5	\$10,672	(\$1,965)	(\$6,645)	\$2,061	\$4,590
6	\$10,855	(\$1,985)	(\$6,789)	\$2,081	\$6,671
7	\$11,042	(\$2,005)	(\$6,936)	\$2,101	\$8,773
8	\$11,233	(\$2,025)	(\$7,086)	\$2,122	\$10,894
9	\$11,427	(\$2,045)	(\$7,240)	\$2,142	\$13,037
10	\$11,625	(\$2,066)	(\$7,396)	\$2,163	\$15,200
11	\$11,827	(\$2,086)	(\$7,557)	\$2,185	\$17,385
12	\$12,033	(\$2,107)	(\$7,720)	\$2,206	\$19,591
13	\$12,243	(\$2,128)	(\$7,887)	\$2,228	\$21,818
14	\$12,458	(\$2,149)	(\$8,058)	\$2,250	\$24,068
15	\$12,676	(\$2,171)	(\$8,233)	\$2,272	\$26,340
16	\$12,898	(\$2,193)	\$0	\$10,706	\$37,046
17	\$13,125	(\$2,215)	\$0	\$10,911	\$47,957
18	\$13,357	(\$2,237)	\$0	\$11,120	\$59,077
19	\$13,593	(\$2,259)	\$0	\$11,334	\$70,410
20	\$13,833	(\$2,282)	\$0	\$11,551	\$81,962

Cost-Benefit Model Results: 9 Del Apartments

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period

APPENDIX 1: Annual Results Not Discounted (Continued)

USD 497: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$16,335	(\$3,894)	(\$9,675)	\$2,766	\$2,766
2	\$16,610	(\$1,810)	(\$9,884)	\$4,915	\$7,681
3	\$16,890	(\$1,828)	(\$10,098)	\$4,963	\$12,644
4	\$17,175	(\$1,846)	(\$10,317)	\$5,012	\$17,656
5	\$17,466	(\$1,865)	(\$10,540)	\$5,061	\$22,716
6	\$17,762	(\$1,884)	(\$10,769)	\$5,110	\$27,826
7	\$18,065	(\$1,902)	(\$11,002)	\$5,160	\$32,987
8	\$18,373	(\$1,921)	(\$11,240)	\$5,211	\$38,198
9	\$18,687	(\$1,941)	(\$11,484)	\$5,262	\$43,460
10	\$19,006	(\$1,960)	(\$11,732)	\$5,314	\$48,774
11	\$19,333	(\$1,980)	(\$11,986)	\$5,367	\$54,141
12	\$19,665	(\$1,999)	(\$12,246)	\$5,420	\$59,560
13	\$20,004	(\$2,019)	(\$12,511)	\$5,473	\$65,034
14	\$20,349	(\$2,040)	(\$12,782)	\$5,528	\$70,561
15	\$20,702	(\$2,060)	(\$13,059)	\$5,583	\$76,144
16	\$21,061	(\$2,081)	\$0	\$18,980	\$95,124
17	\$21,426	(\$2,101)	\$0	\$19,325	\$114,449
18	\$21,800	(\$2,122)	\$0	\$19,677	\$134,126
19	\$22,180	(\$2,144)	\$0	\$20,036	\$154,162
20	\$22,568	(\$2,165)	\$0	\$20,403	\$174,565

State of Kansas: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$222,662	\$0	(\$210)	\$222,452	\$222,452
2	\$22,434	\$0	(\$215)	\$22,219	\$244,671
3	\$22,661	\$0	(\$220)	\$22,441	\$267,112
4	\$22,890	\$0	(\$224)	\$22,666	\$289,778
5	\$23,121	\$0	(\$229)	\$22,892	\$312,670
6	\$23,355	\$0	(\$234)	\$23,121	\$335,791
7	\$23,591	\$0	(\$239)	\$23,352	\$359,143
8	\$23,830	\$0	(\$244)	\$23,586	\$382,729
9	\$24,071	\$0	(\$250)	\$23,822	\$406,551
10	\$24,315	\$0	(\$255)	\$24,060	\$430,611
11	\$24,561	\$0	(\$261)	\$24,300	\$454,911
12	\$24,810	\$0	(\$266)	\$24,543	\$479,454
13	\$25,061	\$0	(\$272)	\$24,789	\$504,243
14	\$25,315	\$0	(\$278)	\$25,037	\$529,280
15	\$25,571	\$0	(\$284)	\$25,287	\$554,567
16	\$25,830	\$0	\$0	\$25,830	\$580,397
17	\$26,092	\$0	\$0	\$26,092	\$606,489
18	\$26,356	\$0	\$0	\$26,356	\$632,845
19	\$26,623	\$0	\$0	\$26,623	\$659,468
20	\$26,893	\$0	\$0	\$26,893	\$686,361

Cost-Benefit Model Results: 9 Del Apartments

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period

APPENDIX 2: Discounted Annual Results

Lawrence: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	(\$222,326)	(\$222,326)	(\$222,326)
1	\$67,517	(\$39,719)	(\$4,751)	\$23,047	(\$199,279)
2	\$20,281	(\$4,019)	(\$4,569)	\$11,693	(\$187,586)
3	\$19,330	(\$3,821)	(\$4,393)	\$11,115	(\$176,470)
4	\$18,423	(\$3,632)	(\$4,225)	\$10,566	(\$165,904)
5	\$17,560	(\$3,453)	(\$4,063)	\$10,044	(\$155,860)
6	\$16,738	(\$3,283)	(\$3,907)	\$9,548	(\$146,312)
7	\$15,329	(\$3,121)	(\$3,757)	\$8,451	(\$137,860)
8	\$14,415	(\$2,967)	(\$3,613)	\$7,836	(\$130,024)
9	\$13,743	(\$2,820)	(\$3,474)	\$7,449	(\$122,575)
10	\$13,103	(\$2,681)	(\$3,341)	\$7,081	(\$115,494)
11	\$12,492	(\$2,549)	(\$3,282)	\$6,662	(\$108,832)
12	\$11,911	(\$2,423)	(\$3,156)	\$6,332	(\$102,500)
13	\$11,357	(\$2,303)	(\$3,035)	\$6,019	(\$96,481)
14	\$10,829	(\$2,190)	(\$2,918)	\$5,721	(\$90,760)
15	\$10,326	(\$2,082)	\$0	\$8,244	(\$82,516)
16	\$9,847	(\$1,979)	\$0	\$7,868	(\$74,648)
17	\$9,391	(\$1,881)	\$0	\$7,509	(\$67,138)
18	\$8,956	(\$1,788)	\$0	\$7,167	(\$59,971)
19	\$8,541	(\$1,700)	\$0	\$6,841	(\$53,130)
20	\$8,146	(\$1,616)	\$0	\$6,530	(\$46,600)

Douglas County: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$21,964	(\$19,552)	(\$5,741)	(\$3,329)	(\$3,329)
2	\$8,985	(\$1,690)	(\$5,521)	\$1,774	(\$1,555)
3	\$8,601	(\$1,607)	(\$5,309)	\$1,686	\$131
4	\$8,234	(\$1,527)	(\$5,105)	\$1,602	\$1,733
5	\$7,883	(\$1,452)	(\$4,909)	\$1,523	\$3,256
6	\$7,548	(\$1,380)	(\$4,721)	\$1,447	\$4,703
7	\$7,227	(\$1,312)	(\$4,539)	\$1,375	\$6,078
8	\$6,919	(\$1,247)	(\$4,365)	\$1,307	\$7,385
9	\$6,626	(\$1,186)	(\$4,198)	\$1,242	\$8,627
10	\$6,344	(\$1,127)	(\$4,036)	\$1,181	\$9,808
11	\$6,075	(\$1,072)	(\$3,882)	\$1,122	\$10,930
12	\$5,818	(\$1,019)	(\$3,733)	\$1,067	\$11,997
13	\$5,572	(\$968)	(\$3,589)	\$1,014	\$13,010
14	\$5,336	(\$921)	(\$3,452)	\$964	\$13,974
15	\$5,110	(\$875)	(\$3,319)	\$916	\$14,890
16	\$4,894	(\$832)	\$0	\$4,062	\$18,952
17	\$4,688	(\$791)	\$0	\$3,897	\$22,849
18	\$4,490	(\$752)	\$0	\$3,738	\$26,588
19	\$4,301	(\$715)	\$0	\$3,586	\$30,174
20	\$4,120	(\$680)	\$0	\$3,440	\$33,614

Cost-Benefit Model Results: 9 Del Apartments

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period

APPENDIX 2: Discounted Annual Results (Continued)

USD 497: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$15,375	(\$3,665)	(\$9,106)	\$2,603	\$2,603
2	\$14,715	(\$1,604)	(\$8,757)	\$4,355	\$6,958
3	\$14,084	(\$1,524)	(\$8,421)	\$4,139	\$11,096
4	\$13,480	(\$1,449)	(\$8,097)	\$3,933	\$15,030
5	\$12,903	(\$1,378)	(\$7,787)	\$3,738	\$18,768
6	\$12,351	(\$1,310)	(\$7,488)	\$3,553	\$22,321
7	\$11,823	(\$1,245)	(\$7,200)	\$3,377	\$25,699
8	\$11,318	(\$1,184)	(\$6,924)	\$3,210	\$28,909
9	\$10,835	(\$1,125)	(\$6,658)	\$3,051	\$31,960
10	\$10,372	(\$1,070)	(\$6,403)	\$2,900	\$34,860
11	\$9,930	(\$1,017)	(\$6,157)	\$2,757	\$37,616
12	\$9,508	(\$967)	(\$5,921)	\$2,620	\$40,237
13	\$9,103	(\$919)	(\$5,693)	\$2,491	\$42,727
14	\$8,716	(\$874)	(\$5,475)	\$2,368	\$45,095
15	\$8,346	(\$831)	(\$5,265)	\$2,251	\$47,346
16	\$7,992	(\$790)	\$0	\$7,202	\$54,548
17	\$7,653	(\$751)	\$0	\$6,902	\$61,450
18	\$7,328	(\$714)	\$0	\$6,615	\$68,065
19	\$7,018	(\$678)	\$0	\$6,340	\$74,404
20	\$6,721	(\$645)	\$0	\$6,076	\$80,481

State of Kansas: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	\$0	\$0	\$0	\$0	\$0
1	\$209,577	\$0	(\$198)	\$209,379	\$209,379
2	\$19,875	\$0	(\$190)	\$19,684	\$229,064
3	\$18,896	\$0	(\$183)	\$18,713	\$247,776
4	\$17,965	\$0	(\$176)	\$17,789	\$265,566
5	\$17,081	\$0	(\$169)	\$16,911	\$282,477
6	\$16,239	\$0	(\$163)	\$16,077	\$298,554
7	\$15,440	\$0	(\$157)	\$15,283	\$313,837
8	\$14,679	\$0	(\$151)	\$14,529	\$328,366
9	\$13,957	\$0	(\$145)	\$13,812	\$342,178
10	\$13,269	\$0	(\$139)	\$13,130	\$355,308
11	\$12,616	\$0	(\$134)	\$12,482	\$367,790
12	\$11,995	\$0	(\$129)	\$11,866	\$379,656
13	\$11,404	\$0	(\$124)	\$11,281	\$390,937
14	\$10,843	\$0	(\$119)	\$10,724	\$401,661
15	\$10,309	\$0	(\$114)	\$10,195	\$411,855
16	\$9,801	\$0	\$0	\$9,801	\$421,657
17	\$9,319	\$0	\$0	\$9,319	\$430,976
18	\$8,860	\$0	\$0	\$8,860	\$439,836
19	\$8,424	\$0	\$0	\$8,424	\$448,260
20	\$8,009	\$0	\$0	\$8,009	\$456,269

Addendum C: Cost-Benefit Model Limitations

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, including

- **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 or market 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 may also have a financial 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 within the model.

The cost-benefit model does not consider market impacts of the project, including the amount of market share the project captures from existing businesses or the amount of new revenues brought into the community as a direct result of the project. A market study can be employed to study these effects.

- **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.

August 19, 2014

Lawrence City Commission
City Hall
6 East 6th Street
Lawrence, KS 66044



Mr. Mayor and Distinguished Commissioners:

We are seeking a Neighborhood Revitalization Area (NRA) designation from the City of Lawrence for the 9 Del Lofts Project to cover the financing gap that currently exists.

The “But For” analysis very clearly concludes that our request is more than justified. State and federal historic tax credits are often bundled with other incentives to bridge the gap in fixed-income housing projects, but the new construction requires 9 Del ownership to look elsewhere to meet financing needs. Further, the 15-year term is not an arbitrary number, but is tied directly to the compliance period that Section 42 properties require to meet regulations.

This development will help to satisfy the growing demand for affordable housing in Lawrence. Affordable housing and office space is the cornerstone of every development in the Warehouse Arts District so as to not alienate those that value it so much. 9 Del Lofts is the next phase of this mission, and the nearly 200-person waiting list speaks to the number of people that favor the lifestyle 9 Del Lofts will offer in an area that showcases inclusion, culture and vibrancy.

Further, the Cider Gallery, Poehler Lofts, 720 Annex building and every other vital building to the W.A.D. has helped to directly recruit and retain residents and employees that would be working outside of Lawrence if this area remained as it was ten years ago. Employees of mine are relocating to Lawrence currently, and I have heard from dozens of others that moved to Lawrence to specifically work in the Cider Gallery offices, live at the Poehler Lofts, or join the artist community currently exists in the burgeoning neighborhood.

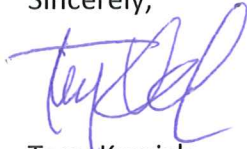
By handicapping the development that bookends the 9th Street corridor, a corridor that will quickly become a destination in the Midwest upon implementation of the ArtPlace Grant, a decision to reject this request would only slow down the efforts of so many to date. The architectural design of the building was designed to enhance the corridor, and it’s positioning on the eastern terminus of the 9th street corridor makes it all the more vital to the final product.

The above intangibles are necessary to illustrate to properly tell the story of 9 Del Lofts. I am convinced that the inherent value in progressing the economic and cultural efforts

in the Warehouse Arts District through the support of 9 Del Lofts will allow the City of Lawrence to see a return on their investment for decades to come. Many of the project types on the horizon do not require municipality incentives, but rather will help to attract more outside investment into the W.A.D.

Our construction efforts will move forward at the site of 9 Del Lofts, as we are happy to have the support of the City of Lawrence Staff in recommending our request for approval.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tony Krsnich', written in a cursive style.

Tony Krsnich

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	
Name:	Tony Krsnich
Title:	Member
Organization:	9 Del Lofts
Address 1:	832 Pennsylvania, Lawrence, KS 66044 (future office 6/1/14)
Address 2:	SE Corner of 9 th and Delaware (future 9 Del Lofts site)
Phone:	(913)904-6747
Email:	tonyk@landmarkigllc.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)	95%	15
Tax Abatement (TA)		
Industrial Revenue Bonds (IRBs)		
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):	9 Del Lofts, LLC
Project Type (check one):	Expansion:
	New Facility: X
Company Type (check one):	Existing Local Company:
	Out-of-Area Company Locating Locally: X
Current Company Address:	140 Walnut, KCMO, 64108
Location of Proposed New Facility/Expansion Project:	SE Corner of 9 th and Delaware
Describe the Company's Plans to Develop or Expand in the Community: 9 Del Lofts will be a 43 unit new construction artist loft development consisting of 34 rent restricted units and 9 market rate units.	
Operations Start Date at the Expansion or New Facility:	5/1/15
Industry NAICS # for the New or Expanded Facility (6-digit code):	
Describe the Primary Industry the New or Expanded Facility Will Support: 9 Del will serve as a quality affordable mixed-income development which will further expand and solidify the private/public investment in the Warehouse Arts District.	

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):	43,000		
Estimated Size of Land for New Facility (acres):	18,000 s.f.		
<i>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):</i>			
Year	Buildings & Other Real Property Improvements	Land	Total
1	\$6,950,000	\$250,000	\$7,200,000
2			
3			
4			
5			
6			
7			
8			
9			
10			
Total			
Will land be leased from the City or County (Y/N):	N		
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	1,000
Electricity	0	7,000
Phone	0	1,000
Cable	0	4,000
Operating Expenditures		
For Expansion Projects, Current Annual Operating Expenses at Existing Facility:		
Annual Operating Expenses after Expansion/Relocation:		
% of Additional Operating Expenses Anticipated to be Spent Locally:		
Exports		
% of Revenues at the new Lawrence Facility Anticipated to Come from Non-Local Sources.		

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:	
Will your firm be leasing the building or the land in your expansion or newly constructed facility? (Y/N)	
If you are leasing the building or land, and you are seeking a tax abatement <u>without</u> an IRB, please list the tenant and owner and the financial relationship between tenant and owner.	
Total Cost of <u>Initial</u> Construction for the Project:	
Estimated Cost of Construction Materials for <u>Initial</u> Construction:	
Anticipated Annual Gross Profits:	

Application Tips:

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)	Y
Will the project seek or be designed to LEED certification standards? (Y/N)	N
<i>If yes, please indicate level:</i>	Certification
	Silver
	Gold
	Platinum
<p>Please describe environmentally friendly features of the project: The project will consist of solar panels and the entire project will be Energy Star rated. The project will also spend additional monies on insulation, calking, green electronic hand dryers which eliminate paper waste, and will use leftover contingency money to further reduce its carbon footprint.</p>	
<p>Please describe anticipated positive environmental impacts resulting from the project: This project, as with all the projects in the Warehouse Arts District, will incorporate landscaping plans into its budget. The sister project, Poehler Lofts, has been named one of the greenest historic buildings in the Midwest. Similarly, the design of 9 Del Lofts will incorporate many of the same aspects while having the additional benefit of new construction sealing and insulation.</p>	
<p>Please describe anticipated negative environmental impacts and planned remediation efforts: We do not anticipate negative impacts. Essentially, we are taking an underutilized low land/swamp area with no signs of significant vegetation nor habitat and building and energy efficient apartment incorporating trees and native plants.</p>	

Application Tips:

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

Additional Community Benefits

Describe Other Local Economic Benefits Resulting From Project:

The Poehler Building set a national record leasing 49 units within 11 hours of opening. It was the recipient of the 2013 National Historical Project of the year from Novogradac, the authority in tax credit development. Poehler has dozens of people on its waiting list in need/want of a nice, fun, artistic place to live. 9 Del Lofts will help fill this need. Further and as with the Poehler, it will serve as a catalyst to help with the growth of the Warehouse Arts District and protect the public and private investment which has already been made in the area. A good example of this is Decade, the areas new coffee shop.

Describe Other Quality of Life Benefits Resulting From Project:

The Warehouse Arts District is unlike any other area of Lawrence with creativity and acceptance being a common thread. It provides affordable living, office, and art studios. It also provides market rate options so everyone can be a part of it. This is unique and serves Lawrence and its creative culture in a positive way.

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:								3/200	
Average Annual Salary for Full-Time, Construction Workers (during construction period):								\$55k (both)	
Construction Period (months):									
For Expansion, # of Full-Time Employees Currently Working in Lawrence:									
New Employment Resulting from Project									
Net New Jobs (full-time, permanent)	Year	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary	# Jobs	Avg Annual Salary
	1	2	50000						
	2								
	3								
	4								
	5								
	6								
	7								
	8								
	9								
	10								
Total									
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:								1	
# of Net New Full-Time Employees Anticipated to be Relocated from Outside of Lawrence/Douglas County:								1	
# of Local, Full-Time Jobs Anticipated At End of Incentives Period:									

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 Health Care Premium Covered by Company	75%
% of Employees with Company Provided Retirement Program	100%
Will You Provide Job Training for Employees? (Y/N)	Y
<i>If Yes, Please Describe:</i>	
What is the Lowest Hourly Wage Offered to New Employees?	\$15
What Percentage of Your New Employees Will Receive this Wage?	100%
Will You Provide Additional Benefits to Employees? (Y/N)	
<i>If Yes, Please Describe:</i>	

Disclosures	
Company Form of Organization:	
Company Principals: Tenants to Homeowners is the Sole General Partner. Flint Hills Development Group, LLC will be the developer and Flint Hills Management Group, LLC will be the property manager.	
List all subsidiaries or affiliates and details of ownership:	
Subsidiary :	
Principals:	
Has Company or any of its Directors/Officers been involved in or is the Company presently involved in any type of litigation?	N
Has the Company, developer or any affiliated party declared bankruptcy?	N
Has the Company, developer or any affiliated party defaulted on a real estate obligation?	N
Has the Company, developer or any affiliated party been the defendant in any legal suit or action?	N
Has the Company, developer or any affiliated party had judgments recorded against them?	N
<i>If the answer to any of the above question is yes, please explain:</i>	

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

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

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

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: Tony Krsnick (Please Print)

Signature:  Date: 8.19.14

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 conducive 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.

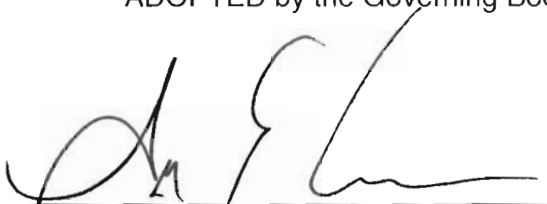
SECTION SIX: PUBLIC INCENTIVES REVIEW COMMITTEE AND GOVERNING BODY ANNUAL REVIEW OF THIS POLICY: Annually, the Public Incentives Review Committee and the Governing Body shall review this policy.

SECTION SEVEN: AUTHORITY OF GOVERNING BODY: 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: EFFECTIVE DATE: 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