

# City of Lawrence Neighborhood Revitalization Plan and Program: 9 Del Lofts, 900 Delaware Street

## Definition:

Area - used interchangeably with "Property", referring to the property located at 900 Delaware Street, Lawrence, Douglas County, Kansas

## Plan:

Tony Krsnich of 9 Del Lofts, LLC, (project Developer/Owner) is proposing the development of vacant land located at 900 Delaware Street into a multi-family housing complex. Located on the southeast corner of 9<sup>th</sup> Street and Delaware Street, adjacent to the East Lawrence Industrial Historic District, 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). Mr. Krsnich estimates the costs for purchasing and redeveloping the property to be \$7.2 million. Mr. Krsnich has requested a Neighborhood Revitalization Act (NRA) be placed on the property. The following is the Neighborhood Revitalization Plan ("Plan") for this area.

9 Del Lofts is a mixed-income development that will provide affordable and market rate housing in East Lawrence. Mr. Krsnich believes these plans complement the creative nature of the East Lawrence neighborhood and enhance the vitality of a neighborhood within the City as supported by the City's Comprehensive Plans. The project will have solar panels and be Energy Star rated, further enhancing community sustainability. 9 Del Lofts will offer quality, affordable, mixed-income housing to further expand and solidify the private/public investment in the East Lawrence Industrial Historic District also known as the "Warehouse Arts District".

This Plan is required by the Kansas Neighborhood Revitalization Act (the "Act") (see Appendix 1) in order to create a neighborhood revitalization area intended to encourage both reinvestment and improvements to a specific area or Property of the community.

*The Governing Body has determined that the real property, legally described as: Lot 1, a final plat of the 9 Del Lofts Addition in the City of Lawrence, Douglas County, Kansas, and commonly known as 900 Delaware Street, Lawrence, Douglas County, Kansas, constitutes an area which by reason of faulty lot layout in relation to size, adequacy, accessibility or usefulness impedes the provision of housing accommodations, and in its current undeveloped condition, constitutes an economic or social liability and is detrimental to the public health, safety or welfare, and such condition is one of the conditions described at K.S.A. 12-17, 115(c), and amendments thereto. The Governing Body has also determined that the rehabilitation or redevelopment of the area is necessary to protect the public health, safety, or welfare of the residents of the City of Lawrence, Kansas. Accordingly, pursuant to the Act, the Governing Body designates that real property, legally described above, as the 900 Delaware Street Neighborhood Revitalization Area ("the Revitalization Area").*

In accordance with K.S.A. 12-17,117, the components of this Plan include:

1. A general description of the Plan's purpose;
2. A legal description and map of the Property (Area);
3. The existing assessed valuation of the real estate comprising the Property;
4. A list of the name and address of the owner of record within the Property;
5. The existing zoning classifications and Property boundaries and the existing and proposed land uses of the Property;
6. The proposals for improving or expanding municipal services within the Property;
7. The term of the Plan;
8. The criteria used to determine what property is eligible for revitalization, including a statement specifying that property, existing buildings, and new construction is eligible for revitalization;
9. The contents, procedure and standard of review for an application for a rebate of property tax increments;
10. A statement specifying the maximum amount and years of eligibility for a rebate of property tax increments; and
11. A section regarding the establishment of a Neighborhood Revitalization Fund.

### **Section 1: Purpose**

Establish a property revitalization tax rebate program (the "Program" or "Revitalization") to provide incentives for property owners to build public and private improvements. The Program is intended to encourage the development of 9 Del Lofts at 900 Delaware Street.

The Program will provide a valuable incentive to private developers/property owners to redevelop the Area and will accomplish the following city goals including, but not limited to, the following:

- The opportunity to promote redevelopment activities which enhance downtown
- The opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized on site around Lawrence
- 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
- 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

**For Purposes of this Plan, the term "improvements" shall also include the private and public infrastructure for developing the Property to achieve the foregoing goals.**

**Section 2: Legal Description & Map of Neighborhood Revitalization Property**

The Property shall include the Area described herein:

9 DEL LOFTS ADD LT 1 (PLAT 2014).

As depicted below:



**Section 3: Value of Real Properties**

The appraised value of the real estate in the Area is:

2014 Appraised Values

| Year                   | Appraised |              |          |
|------------------------|-----------|--------------|----------|
|                        | Land      | Improvements | Total    |
| 900 Delaware<br>(2014) | \$78,530  | \$0          | \$78,530 |

The assessed value of the real estate in the Area is:

2014 Assessed Values

| Year                   | Assessed |              |         |
|------------------------|----------|--------------|---------|
|                        | Land     | Improvements | Total   |
| 900 Delaware<br>(2014) | \$9,424  | \$0          | \$9,424 |

**Section 4: Owner of Record of the Lots**

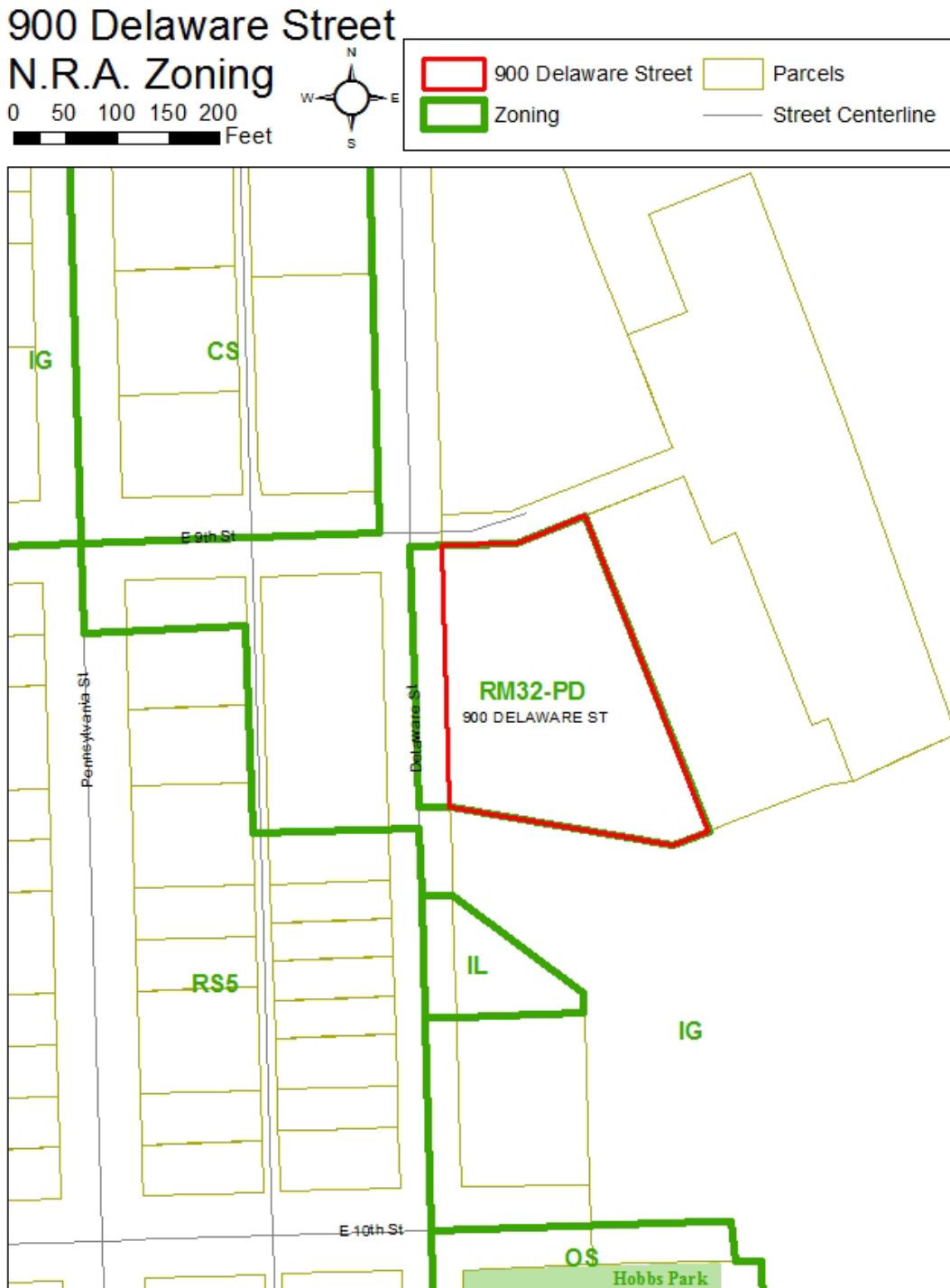
Current Owner:  
Provident Family LP  
P.O. Box 368  
Lawrence, KS 66044

Future owner anticipated to be 9 Del Lofts GP, LLC to complete project.

**Section 5: Existing Zoning Classifications and Property Boundaries; Existing and Proposed Land Uses**

The area has already been rezoned to RM32- PD. Please see the Existing Zoning Map and Existing Land Use Map below.

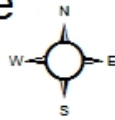
Existing Zoning Map.



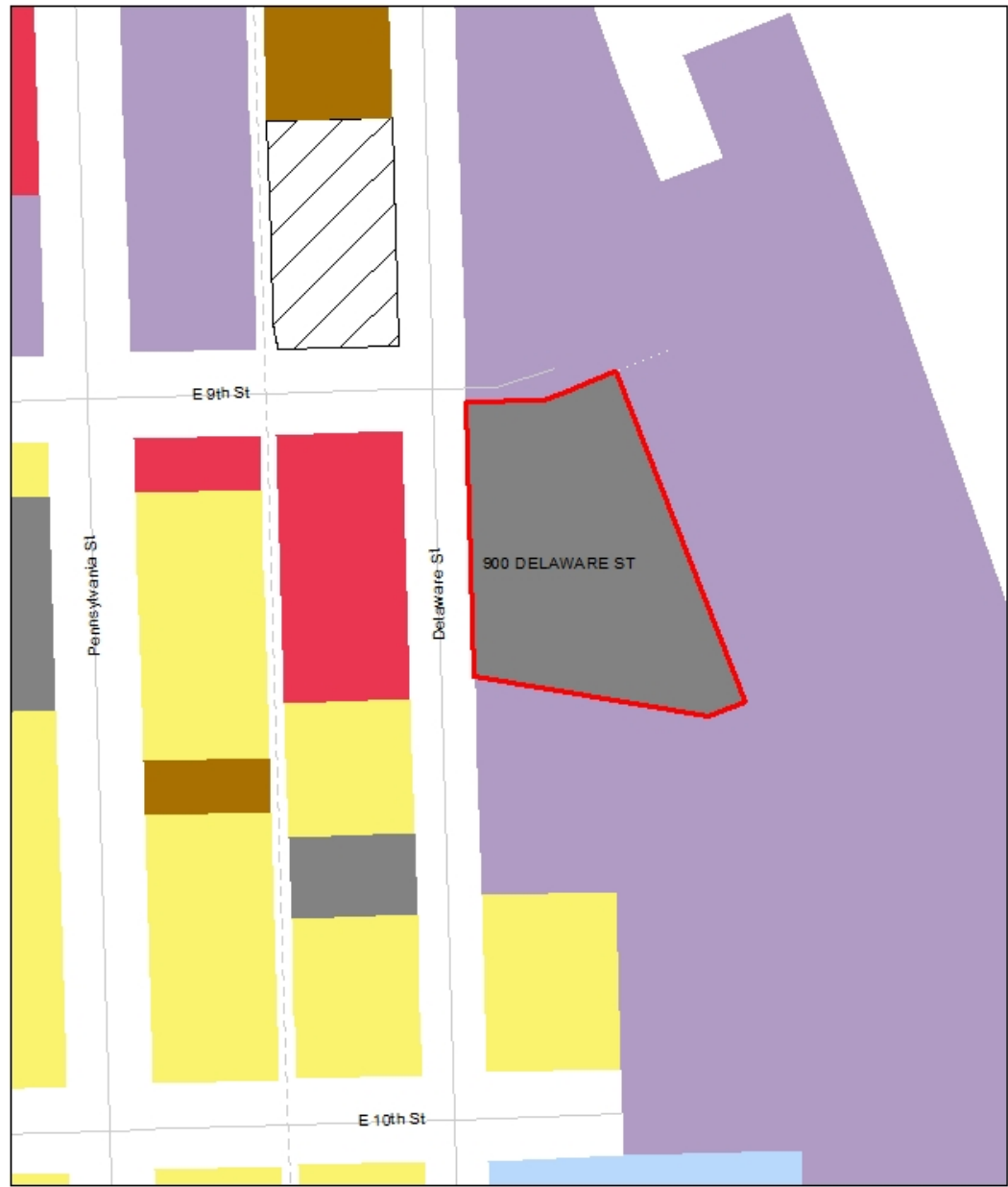
Existing Land Use Map.

# 900 Delaware Street N.R.A. Land Use

0 50 100 150 200  
Feet



| Land use                    |               |
|-----------------------------|---------------|
| Commercial                  | Industrial    |
| Parking                     | Institutional |
| Single Family Residential   | Vacant        |
| Multiple Family Residential |               |



## **Section 6: Proposals for Improving Municipal Services in the Property**

The City received a request on May 20, 2014 from Mr. Krsnich for a variety of infrastructure and improvements including: relocation of sanitary sewer main, site water line, sanitary sewer connection to the building, site storm sewer, public street improvement plan, private drive extension, and burying of overhead utility lines.

## **Section 7: Term of the Plan**

1. This Plan and tax rebate Program shall be effective upon the adoption of this Plan by ordinance of the Governing Body of the City of Lawrence.
2. This Plan and tax rebate program (the "Term") shall be congruent with the years outlined on the tax rebate schedule provided in the table within this Section. The Governing Body reserves the right to evaluate the Program at any time.
3. The owner of the property at the time the property taxes are paid will be eligible for a property tax rebate on the incremental taxes associated with improvements to the Property (the "tax increment"). The Tax Increment will equal the property tax assessment against the Property for the first year after the improvements are completed (i.e. determined including the value that such improvements add to the assessed value of the Property) reduced by the property tax assessed against the Property for the base year (the year this Plan is approved) (i.e. determined without the value that the improvements add to the assessed value of the Property). The Tax Increment will then remain constant throughout the Term of the rebate program. The tax rebate will be determined based on the Tax Increment and the following table:

**Table 1**

| <b>NRA Rebate Schedule: 900 Delaware Street (9 Del Lofts)</b> |                 |                  |   |
|---|-----------------|------------------|---|
| <b>NRA Year</b>   | <b>Tax Year</b> | <b>Rebate %</b>  | <b>Year Rebate Paid to Property Owner</b> |
| --  | 2015            | n/a              | Project complete ~ May 2015               |
| <b>1</b>  | 2016            | 95% of increment | 2017 (for 2016 Taxes)                     |
| <b>2</b>  | 2017            | 95% of increment | 2018 (for 2017 Taxes)                     |
| <b>3</b>  | 2018            | 95% of increment | 2019 (for 2018 Taxes)                     |
| <b>4</b>  | 2019            | 95% of increment | 2020 (for 2019 Taxes)                     |
| <b>5</b>  | 2020            | 95% of increment | 2021 (for 2020 Taxes)                     |
| <b>6</b>  | 2021            | 95% of increment | 2022 (for 2021 Taxes)                     |
| <b>7</b>  | 2022            | 95% of increment | 2023 (for 2022 Taxes)                     |
| <b>8</b>  | 2023            | 95% of increment | 2024 (for 2023 Taxes)                     |
| <b>9</b>  | 2024            | 95% of increment | 2025 (for 2024 Taxes)                     |
| <b>10</b>   | 2025            | 95% of increment | 2026 (for 2025 Taxes)                     |
| <b>11</b>   | 2026            | 95% of increment | 2027 (for 2026 Taxes)                     |
| <b>12</b>   | 2027            | 95% of increment | 2028 (for 2027 Taxes)                     |
| <b>13</b>   | 2028            | 95% of increment | 2029 (for 2028 Taxes)                     |
| <b>14</b>   | 2029            | 95% of increment | 20230 (for 2029 Taxes)                    |
| <b>15</b>   | 2030            | 95% of increment | 2031 (for 2030 Taxes)                     |

4. This Plan and the Program is subject to approval of each taxing unit, including Douglas County and USD 497 and the City entering into an agreement with such other taxing units relating to the implementation and payment of tax rebates provided for under this plan.



**Section 8: Contents of an Application for Rebate, Application Procedures and Standards of Criteria Used to Review an Application**

The Letter of Proposal submitted by Mr. Krsnich shall serve as the application for the Program under this Plan. **No further applications are anticipated related to the Property. Please refer to Exhibit A.**

1. The improvements must result in an assessed value increase for the Property within twelve months of completing the improvements. Some improvements, regardless of cost, may not result in an increase in assessed value and thus would not make the property eligible for a property tax rebate. Such determinations will be made solely and independently by the Douglas County Appraiser's Office and the County Clerk.
2. General Provisions Applicable to all Rebate Applications on Eligible Property
  - a) Any otherwise eligible Property with delinquent real property or special assessments shall not be eligible for a rebate until such time as all taxes and assessments have been paid. If delinquency occurs after entry into the Program, the rebate will be suspended until such time as all taxes are paid in full. The County Treasurer will monitor real estate tax delinquencies for Property participating in the Program. The County Treasurer will notify the City if a Property becomes ineligible for the program due to tax or special assessment delinquencies.
  - b) The Property owner shall notify the City when all improvements covered under the application have been completed and the city shall inspect the improvements for compliance with the required building, health and safety codes of the City. The City shall notify the County Appraiser by December 1<sup>st</sup> that the improvements have been substantially completed.
  - c) The County Appraiser shall conduct an on-site appraisal as a part of the normal valuations following completion of the Improvements and determine the increase in the taxable valuation due to the Improvements. On or before December 1<sup>st</sup> of each calendar year, the City shall notify the County Appraiser, in writing, of each property in the Area for which Improvements have been determined to be substantially completed so that the County Appraiser may conduct on-site inspections as a part of the normal valuations to determine the increase in taxable valuations due to the Improvements. The County Appraiser will notify the City and the County Clerk of the valuation.
  - d) A tax rebate will be based on the Tax Increment as provided in Section 7.3.
  - e) Upon payment in full of the real estate tax (first and second installments) for the Property for the year following the completion of the improvements provided for in Section 7.3 and within thirty (30) days after the County distributes property tax collections to the City, The City shall pay the owner the amount determined under the Plan. If the owner appeals the appraised value of the Property to the County Appraiser, no payment will be made until the appeal is resolved.

- f) For any improvements that are only partially completed as of December 1<sup>st</sup> of each year, the Property owner shall file a written document with the City indicating the status of construction as of December 1<sup>st</sup>. The City shall share that document with the County Appraiser.
- g) If this Plan is repealed or the rebate criteria changed, any approved applications shall be eligible for rebates for the remaining Term of the rebate originally provided in the plan
- h) Any taxes paid under protest for a eligible property will suspend the rebate until the protest has been resolved.
- i) Construction of an Improvement must begin on or after the date of the designation of the District and be located within the District.

**Section 9: Amount of Tax Rebate, Rebate Term, and Maximum Rebate Limit**

1. The eligible tax rebate is set forth in Table 1, Section 7. If there is no Tax Increment generated for a specific property due to a diminution of assessed values, no tax rebate shall be provided for the Property.
2. Douglas County will retain an annual administrative fee of \$100 from the Increment of the rebate program. The remaining Increment for any given year shall be distributed to the taxing jurisdictions in accordance with regular property tax distribution procedures.
3. The maximum rebate shall be the sum of all applicable incremental increases in taxes for the duration of the ten year period as further defined in the Table 1, Section 7.

**Section 10: Neighborhood Revitalization Fund**

Upon Governing Body approval of the Plan, the 9 Del Lofts (900 Delaware Street) Neighborhood Revitalization Fund will be established.

**Section 11: Other City Requirements**

1. The Improvements must conform to all codes, rules, and regulations that are in effect at the time the improvements are made. Improvements must be authorized by public improvement plans or building permit when applicable.
2. Any otherwise eligible property with delinquent taxes or special assessments shall not be eligible for a rebate until such time as all delinquent taxes and assessments have been paid.

## **Appendix I: Summary of the Kansas Neighborhood Revitalization Act**

The Kansas Neighborhood Revitalization Act (NRA) allows the governing body of any municipality to pass an ordinance designating an area within that municipality as a "Neighborhood Revitalization Area" if it finds that "the rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of the residents of the municipality." K.S.A. 12-17,116.

KSA 12-17,115(b) and 12-17,116 provide that all municipalities are authorized to participate in Neighborhood Revitalization Area programs. In addition, KSA 12-17,119, provides that two or more (i.e. all) taxing jurisdictions within a Neighborhood Revitalization Area are specifically authorized to enter into interlocal agreements pursuant to 12-2901 to exercise the powers authorized by the Act (including utilizing all or a part of the other taxing jurisdictions tax increment). The interlocal agreement(s) must be submitted to and approved by the Kansas Attorney General.

The Neighborhood Revitalization Area Act expressly provides for additional home rule provisions which are not in conflict with this act. KSA 12-17,120 permits cities to enact and enforce additional laws and regulations on the same subject of revitalization, provided they are not in conflict with the Act. This would mean, for example, that cities should be able to adopt provisions permitting use of some of the increment which is not returned to taxpayers, to be used instead for other infrastructure improvements within the NRA Property, and conceivably, even for revitalization grants or other incentives that would spur revitalization and rehabilitation in the NRA Property. The ability of cities to go beyond the statutes will depend in a large part upon the scope of their agreement with the other taxing jurisdictions.

## Exhibit A: Mr. Krsnich's Letter of Proposal

August 19, 2014

Lawrence City Commission  
City Hall  
6 East 6<sup>th</sup> 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 9<sup>th</sup> 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 9<sup>th</sup> 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,



Tony Krsnich