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: January 27, 2015
RE: Technical Report: NRA and IRB request for 705 Massachusetts Street

Executive Summary

The Eldridge Hotel LLC is proposing the expansion of the existing hotel (705 Massachusetts Street) onto the vacant lot located next to the hotel at 705 Massachusetts Street. To assist with the expansion, the company is asking for a 15-year, 95% NRA rebate and IRB financing for a sales tax exemption on construction materials.

Analysis shows that for a 10-year or 15-year NRA period at the 95% rebate level, the project will more than double the amount of property tax currently being collected. The below table shows cumulative projected property and sales tax collections for the project, assuming a15-year, 95% NRA. (Refer to Addendum E for projections by year.)

Projected Property & Sales Tax Revenues			
	10 Years (2017-2026)	**15 Years (2017-2031)**	**20 Years (2017-2026**
Property Tax Revenues	$116,952	$181,696	$1,086,806
Sales Tax Revenues	$1,819,300	$2,924,393	$4,144,504
Total Tax Projected	**$1,936,251**	**$3,106,088**	**$5,231,311**

The City, County, and School District individually considers their participation in an NRA and has the discretion to determine the rebate percentage and duration of the NRA. The rebate level and duration period should be a topic of discussion for PIRC and the governing bodies.

Project Overview
Eldridge Hotel, LLC, (project Owner) is proposing the expansion of the existing Eldridge Hotel located at 701 Massachusetts Street by developing the vacant parcel, located next to the existing hotel, at 705 Massachusetts Street.

Located along the historic Downtown Massachusetts Street corridor in Lawrence, Kansas, the Eldridge building has been part of community history and culture since 1855. The hotel underwent a complete restoration in 2005 and features historic accommodations including, 48 guest suites, a full-service restaurant and lounge, and banquet room space.

The expansion project would add approximately 54 new guest rooms and provide approximate 5,000 feet for additional meeting/banquet room space, hotel kitchen expansion, and restaurant and bar concept.

Request for NRA Assistance
A Request Letter and Incentives Application were received January 15, 2015 from Eldridge Hotel, LLC requesting a 15-year, 95% Neighborhood Revitalization Area (NRA) Industrial Revenue Bond (IRB) financing in order to receive a sales tax exemption on construction materials.

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

Neighborhood Revitalization Area (NRA)

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

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.

NRA Project Eligibility

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

State Requirements

Statutory Criteria	Governing Body determines that rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of residents and the proposed project meets at least one of the below criteria:		
	1	An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation , light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conductive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare.	***Health & Safety Need***
	2	An area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land uses relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions **deterioration of site or other improvements**, diversity of ownership, tax, or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes or a combination of such factions substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations, or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use.	***Economic Need***
	3	An area in which there is a predominance of buildings or improvements that should be preserved or restored to productive use because of age, history, architecture or significance should be preserved or restored to productive use.	***Preservation of Community/Historical Asset***

Conclusion—State Eligibility:

Staff believes the project as proposed will meet State NRA eligibility criteria due to the deterioration of the site or other improvements. The site previously had a structure on it, which staff believes was destroyed by fire in the early 1970s. The site has been vacant since that time. Additionally, expanded hotel operations are expected to support the historic downtown area and enhance economic viability by bringing in revenues anticipated to come from out-of-town customers.

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]

- ***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: <u>POLICY STATEMENT:</u>** 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.

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

City NRA 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:

<table>
<tr><th colspan="4">City Policy: NRA Eligibility</th></tr>
<tr><td rowspan="7">City Policy Criteria</td><td colspan="2">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:</td><td>Eligible</td></tr>
<tr><td>1</td><td>The opportunity to promote redevelopment activities which enhance downtown</td><td>Y</td></tr>
<tr><td>2</td><td>Provides the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized.</td><td>Y</td></tr>
<tr><td>3</td><td>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.</td><td>Y</td></tr>
<tr><td>4</td><td>Provides the opportunity to enhance neighborhood vitality as supported by the City's Comprehensive Plan or other sector planning document(s).</td><td>Y</td></tr>
<tr><td>5</td><td>Provides the opportunity to enhance community stability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.</td><td>y</td></tr>
<tr><td colspan="2">Project must meet or exceed a 1:1.25 cost-benefit ratio.</td><td>Y</td></tr>
</table>

Conclusion—City Eligibility:

Staff believes the project as proposed will meet City NRA eligibility, meeting a majority of City policy criteria.

Industrial Revenue Bonds (IRB)

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

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

IRB Eligibility

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

IRB: City Eligibility Criteria

Item #	Policy Requirement	Project Delivers	Project Qualifies (Y/N)
1	Only those projects which qualify under Kansas Law will be eligible for IRB financing.		Y
Proposed Project shall achieve one or more of the following public benefits:			
2	***2a:** Meets economic goals of the City as set forth in policy and the Comprehensive Plan of Lawrence and Douglas County:*		
	Place high priority on retention and expansion of existing businesses.	Expansion of existing business	Y
	Encourage existing industry to expand.	Expansion of existing business	Y
	Assist new business start-ups	N/A	N
	Recruit new companies from out-of-state and internationally	N/A	N
	Encourage high technology and research based businesses.	N/A	N
	Encourage training and development of Lawrence area employees	N/A	N
	Encourage location and retention of businesses which are good "corporate citizens" that will add to the quality of life in Lawrence through their leadership and support of local civic and philanthropic organizations.	The Eldridge has been a great corporate partner, supporting many local charities. Groups include the Old Fashioned Christmas Parade, Big Brothers Big Sisters, Cottonwood, LMH Endowment Association and others.	Y
	2b: Promotes infill through the development of vacant lots, the rehabilitation of deteriorated properties or the adaptive reuse of historic properties.	Project will replace long time vacant and unproductive lot (42 years) located along the community's historic downtown corridor, at 705 Massachusetts Street.	Y

Continued

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

	2c: Enhance Downtown	Project will replace vacant, unproductive lot with productive hotel space, enhancing the economic viability of downtown.	Y
	2d: Incorporate environmentally sustainable elements into the design and operation of the facility	Low-E coated insulated glass windows, florescent and LED lighting, use of environmentally safe cleaning products, recycling of glass, plastic, paper, tin and aluminum. To infill the vacant lot, which is currently gravel, will be an environmentally positive impact on the downtown area and adjacent neighboring properties: removing gravel, which can't be maintained or cleaned properly in a downtown environment is a positive outcome. Expansion will allow upgrading kitchen exhaust system to be more environmentally friendly.	Y
	2e: Provide other public benefits to the community, particularly as set forth in the Comprehensive Plan of Lawrence and Douglas County.	Increases net new revenue to the community through accommodating increased number of out-of-town visitors and their spending on lodging, food, shopping, and transportation. Increases tax revenues through retail sales tax, liquor tax, transient guest taxes, and gasoline purchases. Project will support an estimated 18 direct, net new jobs created: 2 with an average annual salary of $40,000, 3 with an average annual salary of $35,000, 1 with an average annual salary of $50,000, and 12 with an average salary of $29,120.	Y
3	Prospective tenant shall show the financial capacity to complete the proposed project and successfully market the bonds.	Owners have successfully completed and continue operating two local boutique hotels in the community. Owners have indicated they are currently working on financing for the project.	

Continued

IRB: Other Considerations (Preferred)			
Item #	**Policy Requirement**	**Project Delivers**	**Project Qualifies (Y/N)**
1	*City looks more favorably upon projects that support the below targeted industries:*		
	Life Sciences/Research	N/A	N
	Information Technology	N/A	N
	Aviation and Aerospace	N/A	N
	Value-Added Agriculture	N/A	N
	Light Manufacturing and Distribution	N/A	N
2	*The City favors issuing Industrial Revenue Bonds to projects that bring in new revenues from outside the community or enhance the local quality of life over projects that will primarily compete against other local firms.*		
	Project anticipated to bring in new revenues from outside community:	Expansion of historic and iconic Eldridge Hotel will bring in new retails sales from food/beverage sales, meeting/banquet room rental and hotel room rental. 95% of new revenues are anticipated to come from out-of-town visitors.	Y
	Project enhances local quality of life:	Expansion of iconic, historic Eldridge Hotel replaces a long-time vacant, unproductive lot with unique, revenue-generating space, supporting and enhancing the economy along the historic downtown corridor and the community at large. Majority of economic impact is through net new revenues from out-of-town visitors. Economic benefits include direct spending from visitors on entertainment, food and beverage, shopping. New revenues increase overall livability of Lawrence. Expansion will improve aesthetics of downtown, enhancing awareness of the historic corridor and hotel.	Y

IRB: Special Consideration for Retail Projects			
Item #	**Policy Requirement**	**Project Delivers**	**Project Qualifies (Y/N)**
1	Applicant demonstrates that the project is exceptional and unique	Expansion of historic and iconic Eldridge Hotel will bring in new retails sales from food/beverage sales, meeting/banquet room rental and hotel room rental.	Y
2	Project is likely to add to the retail base by attracting new retail sales or capturing sales that are leaking to other markets.	Estimated 95% of retail sales will be from out-of-town visitors	Y

Conclusion—City Eligibility:

Staff believes the project as proposed will meet City IRB eligibility, meeting a majority of City policy criteria.

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 $12.5 million will be invested in developing the property. Once redeveloped, the project is expected to support 18 new, full-time jobs anticipated to have an average annual salary of $32,469.

705 Massachusetts Street: Projected Employment	
# FT Jobs	**Average Annual Earnings**
2	$40,000
3	$35,000
1	$50,000
12	$29,120
18	**$32,469**

  Although the model does not consider part-time or temporary positions, the applicant has indicated that the project will also support 3-5 construction jobs (at an annual estimated salary of $40,000) during the construction period and an additional 10-15 part-time positions during operations.

- Occupancy Rates

  Hotel room occupancy assumptions were provided by the applicant and are shown below:

Hotel Rooms Estimated Occupancy	
Operational Year	**Occupancy Rate**
Year 1	57%
Year 2	59%
Year 3	61%
Year 4	63%
Year 5	65%
Year 6	67%
Year 7-20	69%

Occupancy levels projected by the applicant are conservative as compared to national-level data. According to the most recent lodging data from the Price Waterhouse Cooper Real Estate Investor Survey (Q3-2014), occupancy rates for full-service hotels are expected to range between 66.1% and 73.6%.

For a historic perspective, the Lawrence Convention and Visitors Bureau reports historic occupancy rates for local, full-service luxury hotels averaged 60% over the past ten years (2005-2014), with rates ranging from a low of 43% during the economic downturn, to a high of 77% during pre-recession years.

- Net New Sales Taxes

  Given the nature of the hotel business, it is reasonable to assume that some level of net new retail sales will be realized from hotel guests coming from outside the community. The applicant indicated approximately 95% of all revenues generated by the project will come from non-local sources.

  For a more conservative perspective, staff assumed that 80% of sales tax revenues generated from meeting/banquet rooms, hotel rooms, and retail sales on food or other products sold at the hotel would be generated from out-of-town visitors.

  Below shows estimated cumulative sales tax revenues generated to each taxing jurisdiction[3] assuming 80% of sales subject to sales tax comes from non-local consumers.

Sales Taxes Cumulative Total (est.)			
Jurisdiction	**10 Years** (2017-2026)	**15 Years** (2017-2031)	**20 Years** (2017-2026
City (1.55%)	$324,128	$521,012	$738,389
County (1%)	$209,115	$336,137	$476,380
State (6.5%)	$1,286,057	$2,067,243	$2,929,736
Total	**$1,819,300**	**$2,924,393**	**$4,144,504**

- Guest Taxes

  The City imposes a 6% guest tax on hotel room rentals. This revenue is primarily used for tourist marketing purposes, and as such, helps promote the local lodging industry. Although these revenues were not incorporated into the cost-benefit analysis, estimated guest tax revenues are shown below, based on occupancy assumptions provided by the applicant.

Guest Taxes Cumulative Total (est.)			
Jurisdiction	**10 Years (2017-2026)**	**15 Years (2017-2031)**	**20 Years (2017-2026**
City (6%)	$1,568,362	$2,521,028	$3,572,849

[3] School District does not receive sales tax revenue.

Property Taxes

In its present condition, the property generates approximately $4,900 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.

705 Mass. Street Tax History							
Year	Appraised			Assessed			Total Tax
	Land	Improvements	Total	Land	Improvements	Total	
2015	$315,560	$0	$315,560	$37,867	$0	$37,867	$4,922
2014	$315,560	$0	$315,560	$37,867	$0	$37,867	$4,913

After project completion, anticipated annual tax revenues received from the developer for the first year of operations is shown below. As can be seen, with a 15-year, 95% NRA, the owner/developer will pay over double what the property is currently producing in property tax revenues.

Estimated Tax Paid by Developer: Operations Year 1 (15-Year, 95% NRA)	
	2017
Base Taxes	$4,942
Incremental Taxes (5% of improved value)	$6,070
Total Taxes Due	**$11,012**

The following table provides a summary of the estimated base and incremental tax amounts the developer would be responsible for over time, given a 15-year, 95% NRA provided by all taxing jurisdictions. Note that under any of these scenarios, the estimated tax paid with an NRA more than doubles the current property tax collections.

Estimated Tax Paid from Owner Over Time (15-Year, 95% NRA Rebate)			
	During first 10 Years of Operations (2017-2026)	**During 15-Year NRA Period** (2017-2031)	**During 20 Year Evaluation Period** (2017-2036)
Base Taxes	$49,864	$75,169	$100,727
Incremental Taxes (5% of improved value)	$67,087	$106,526	$986,080
Total Taxes Due	**$116,952**	**$181,696**	**$1,086,806**

- *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.

  Results of a 15-year, 95% NRA are shown for both a 15-year and 20-year evaluation period. 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. Staff ran scenarios utilizing both a 15 and 20 year evaluation period with results shown below.

- *20 Year Evaluation Period*

  The following shows model results for a 20 year evaluation period. Note these model results do not include anticipated sales tax revenues. As can be seen, the project exceeds the 1.25 cost-benefit ratio for all taxing jurisdictions for a 10-, 12-, or 15-year NRA rebate period.

705 Massachusetts Street (20 Year Evaluation Period)					
Incentive Package	**City**	**County**	**USD 497**	**State**	**Total Package Value**
15Y-95% NRA + IRB Sales Tax Exemption *(20Y Evaluation Period)*	1.55	1.33	9.42	n/a	$2,464,892
12Y-95% NRA + IRB Sales Tax Exemption *(20Y Evaluation Period)*	1.65	1.52	11.48	n/a	$2,005,530
10Y-95% NRA + IRB Sales Tax Exemption *(20Y Evaluation Period)*	1.71	1.66	12.97	n/a	$1,715,550

State does not have any costs.

The below table shows ratio results for the requested 15-year, 95% NRA with the addition of sales tax revenues (no guest tax revenues). As can be seen, with the addition of sales tax revenues, model result increase for both the City and County. School District ratios are unaffected as that taxing jurisdiction does not receive sales tax proceeds.

Including Sales Tax Revenues: 705 Massachusetts Street (20 Year Evaluation Period)					
Incentive Package	**City**	**County**	**USD 497**	**State**	**Total Package Value**
15Y-95% NRA + IRB Sales Tax Exemption *(20Y Evaluation Period)*	2.32	2.12	9.42	n/a	$2,464,892

Assumes 80% of sales tax revenues are net new. State does not have any costs.

- *15 Year Evaluation Period*

  The following shows model results for a 15 year evaluation period. Note these model results do not include anticipated sales tax revenues. As can be seen, the project exceeds the 1.25 cost-benefit ratio for all taxing jurisdictions for a 10-, 12-, or 15-year NRA rebate period, with the exception of the County. Under this scenario, the 15- and 12-year, 95% NRA plus IRB sales tax exemption for construction materials does not meet the 1.25 cost-benefit ratio for the County.

705 Massachusetts Street (15 Year Evaluation Period)					
Incentive Package	**City**	**County**	**USD 497**	**State**	**Total Package Value**
15Y-95% NRA + IRB Sales Tax Exemption *(15Y Evaluation Period)*	1.32	0.96	6.43	n/a	$2,464,892
12Y-95% NRA + IRB Sales Tax Exemption *(15Y Evaluation Period)*	1.42	1.17	8.86	n/a	$2,005,530
10Y-95% NRA + IRB Sales Tax Exemption *(15Y Evaluation Period)*	1.49	1.32	10.63	n/a	$1,715,550

State does not have any costs.

The below table shows ratio results using a 15 year evaluation period for the requested 15-year, 95% NRA with the addition of sales tax revenues. As seen, with the addition of these tax revenues, model results increase for both the City and County, exceeding the cost benefit threshold for all taxing jurisdictions.

Including Sales Tax Revenues: 705 Massachusetts Street (15 Year Evaluation Period)					
Incentive Package	**City**	**County**	**USD 497**	**State**	**Total Package Value**
15Y-95% NRA + IRB Sales Tax Exemption *(15Y Evaluation Period)*	2.00	1.67	6.43	n/a	$2,464,892

Assumes 80% of sales tax revenues are net new. State does not have any costs.

Conclusion—Model Results:

The cost-benefit ratio is met for the City under all scenarios for both a 10- or 15-year, 95% NRA rebate and an IRB sales tax exemption on construction materials.

The cost-benefit ratio for the County can be met for a 10- or 15-year, 95% NRA rebate and an IRB sales tax exemption on construction materials under all scenarios using a 20 year evaluation period. However, under a 15 year evaluation period, the ratio is met only for a 10-year, 95% NRA with IRB sales tax construction materials if sales tax revenues are not included.

With the addition of sale tax revenues, the ratio can be met for the County for a 15-year, 95% NRA with IRB sales tax construction materials.

"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 Owner provided estimated annual revenues and expenses for the project, which were used to project annual cash flow. Property valuation information was provided by Douglas County Appraiser's Office and was used to project annual property taxes.

  As a worst case scenario, cash flow was first analyzed assuming the expansion portion of the project was not able to realize efficiencies of scale with the existing hotel:

  1. The below table shows cash flow results when <u>incentives are not provided</u>. Cash flow is negative in years 2017-2028 (first 12 years), with the project realizing positive cash flow in year 2029 and beyond. Cumulative cash flow over the 20 year evaluation period is -$1,656,084.

Cash Flow No Incentives: Eldridge Hotel Expansion										
Oper. Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
After Tax	($399,469)	($388,777)	($356,516)	($322,087)	($285,429)	($246,482)	($205,182)	($172,581)	($139,333)	($105,426)

Cash Flow No Incentives: Eldridge Hotel Expansion										
Oper. Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
After Tax	($70,848)	($35,585)	$378	$37,053	$74,454	$112,596	$151,495	$191,163	$231,618	$272,874

2. The below table shows cash flow results when requested incentives are provided (15-Y, 95% NRA with IRB sales tax exemption). Cash flow is negative (although less negative as compared to the no incentives scenario) in years 2017-2025 (first 9 years), with the project realizing positive cash flow in year 2026 and beyond. Cumulative cash flow over the 20 year evaluation period is $367,917.

Cash Flow with Incentives: Eldridge Hotel Expansion										
Oper. Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
After Tax	($284,132)	($270,900)	($236,043)	($198,960)	($159,591)	($117,872)	($73,740)	($38,243)	($2,037)	$34,894

Cash Flow with Incentives: Eldridge Hotel Expansion										
Oper. Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
After Tax	$72,563	$110,985	$150,175	$190,149	$230,922	$112,596	$151,495	$191,163	$231,618	$272,874

As a best case scenario, cash flow was then analyzed assuming the expansion portion of the project could realize cost savings through sharing efficiencies of scale with the existing hotel:

3. The below table shows cash flow results when incentives are not provided. Cash flow is negative in years 2017-2020 (first 4 years), with the project realizing positive cash flow in year 2021 and beyond. Cumulative cash flow over the 20 year evaluation period is $5,743,567.

Cash Flow No Incentives: Eldridge Hotel Expansion									
Oper. Year	2017	2018	2019	2020	2021	2022	2023	2025	2026
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y9	Y10
After Tax	($120,760)	($96,115)	($51,262)	($3,937)	$45,927	$98,400	$153,555	$229,767	$269,011

Cash Flow No Incentives: Eldridge Hotel Expansion									
Oper. Year	2027	2028	2029	2030	2031	2032	2033	2035	2036
	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y19	Y20
After Tax	$309,033	$349,850	$391,476	$433,928	$477,222	$521,375	$566,404	$659,160	$706,922

4. The below table shows cash flow results when requested incentives are provided (15-Y, 95% NRA with IRB sales tax exemption). Cash flow is negative in year 2017 (year 1), but the project reaches positive cash flow in year 2018 (year 2) and beyond. Cumulative cash flow over the total evaluation period is $7,767,569.

Cash Flow with Incentives: Eldridge Hotel Expansion										
Oper. Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
After Tax	($5,423)	$21,762	$69,212	$119,189	$171,765	$227,010	$284,998	$325,624	$367,063	$409,331

Cash Flow with Incentives: Eldridge Hotel Expansion										
Oper. Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
After Tax	$452,444	$496,419	$541,273	$587,024	$633,690	$521,375	$566,404	$612,327	$659,160	$706,922

Assuming the worst case scenario is represented by the project not realizing cost reductions from efficiencies of scale and the best case scenario was represented by the project realizing all cost reductions due to efficiencies of scale, cash flow was then examined for the average of these two projections.

5. The below tables shows cash flow results when averaged between best and worst case projections.

   Without incentives, cash flow is negative in years 2017-2023 (first 7 years), with the project realizing positive cash flow in year 2024 and beyond. Cumulative cash flow over the 20 year evaluation period is $2,043,742.

Average No Incentives

Cash Flow with Incentives: Eldridge Hotel Expansion										
Oper. Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
After Tax	($260,115)	($242,446)	($203,889)	($163,012)	($119,751)	($74,041)	($25,814)	$9,353	$45,217	$81,792

Cash Flow with Incentives: Eldridge Hotel Expansion										
Oper. Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
After Tax	$119,093	$157,133	$195,927	$235,490	$275,838	$316,986	$358,949	$401,745	$445,389	$489,898

With incentives, cash flow is negative in years 2017-2020 (first 4 years), with the project realizing positive cash flow in year 2021 and beyond. Cumulative cash flow over the 20 year evaluation period is $4,067,743.

Average with Incentives

Cash Flow with Incentives: Eldridge Hotel Expansion (15Y NRA)										
Oper. Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
After Tax	($144,778)	($124,569)	($83,416)	($39,885)	$6,087	$54,569	$105,629	$143,691	$182,513	$222,112

Cash Flow with Incentives: Eldridge Hotel Expansion (15Y NRA)										
Oper. Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
After Tax	$262,503	$303,702	$345,724	$388,587	$432,306	$316,986	$358,949	$401,745	$445,389	$489,898

Conclusion: Cash Flow

In examining the averaged cash flow scenarios, it is reasonable to assume the project would not be feasible without public support. If incentives are not provided, analysis shows a negative cash flow during the first 7 years. When cash flow is examined over time, returns are negative (-$952,706) during the first 10 years, with positive net returns of only $30,774 over a 15-year period.

Even with incentives provided at a 15-Y, 95% rebate level, cash flow is negative during the first 4 years. When cash flow is examined over time, returns are positive over both a 10- and 5-year time period with returns of $321,954 during the first 10 years, and returns of $2,054,776 over a 15-year period.

NRA Duration

Although the need for public support is evident, the duration period for the NRA is not as apparent. The cost difference between providing a 10-year, 95% NRA as compared to a 15-year, 95% NRA is shown below.

Difference in Cash Flow by NRA Term		
Average Cash Flow with Incentives	**10 Years (2017-2026)**	**15 Years (2017-2031)**
10Y NRA: Average Cash Flow: With Incentives	$321,954	$1,305,434
15Y NRA: Average Cash Flow: With Incentives	$321,954	$2,054,776
Difference	*$0*	*$749,341*

For comparison, below shows taxes paid by owner for both a 10- and 15-year NRA.

Estimated Tax Paid from Owner: 15-Year, 95% NRA Rebate				
	During first Year of Operations (2017)	**During first 10 Years of Operations** (2017-2026)	**During 15-Year NRA Period** (2017-2031)	**During 20 Year Evaluation Period** (2017-2036)
Base Taxes	$4,942	$49,864	$75,169	$100,727
Incremental Taxes (5% of improved value)	$6,070	$67,087	$106,526	$986,080
Total Taxes Due	**$11,012**	**$116,952**	**$181,696**	**$1,086,806**

Estimated Tax Paid from Owner: 10-Year, 95% NRA Rebate				
	During first Year of Operations (2017)	**During first 10 Years of Operations** (2017-2026)	**During 15-Year NRA Period** (2017-2031)	**During 20 Year Evaluation Period** (2017-2036)
Base Taxes	$4,942	$49,864	$75,169	$100,727
Incremental Taxes (5% of improved value)	$6,070	$67,087	$855,867.74	$1,735,421
Total Taxes Due	**$11,012**	**$116,952**	**$931,037**	**$1,836,148**

The NRA duration period should be a topic of discussion for PIRC and the governing bodies.

- 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.

  Since the IRR assumes the hypothetical sale of the property at some time in the future and this project represents only a portion of the total hotel property and its proportional income, review of the IRR for the entire project (existing hotel + expansion) would be necessary to evaluate potential investor returns. Therefore, IRR review under these circumstances was beyond the scope of this report and not examined.

<u>Conclusion—But For Test</u>
After examining cash flow scenarios, Staff believes it is reasonable to assume the project would not proceed without public assistance. However, it is not as apparent what the duration should be for the NRA rebate period. The NRA duration period should be a topic of discussion for PIRC and the governing bodies. Additional topics such as taxes paid over time, revenues generated for taxing jurisdictions and other considerations (see following) may want to be taken into consideration when discussing the NRA duration period.

Other Considerations

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

- Project provides an opportunity to replace an unproductive vacant lot with productive space. Records indicate the lot at 705 Massachusetts has been vacant since 1973 (42 years).

- Project provides an opportunity to promote increased visitor traffic in support of Downtown Lawrence.

- Project provides an opportunity to support downtown, infill development along the historic downtown corridor.

- Past public support for the existing Eldridge Hotel included a 10-year tax abatement (3% real property, 97% personal property) and Industrial Revenue Bond Financing authorized in 1986. See Appendix C for additional information.

- The expansion project will not provide on-site parking to accommodate additional guests. However, the downtown zoning district where the project will be located does not require redevelopment to provide off-street parking. Regardless of parking requirements, demand for parking will likely be impacted and the parking impact of the project, both during and after construction, should be considered.

  For background information, the below shows parking provided for some of the more recent developments that received public incentives.

Incentivized Projects

Project	Project Provided Private Parking	On-Site Parking Required	Notes	
NRA: **8th and Pennsylvania District, 720 E 9th St.**	Y	Y	37 provided/28 required	
NRA: **1040 Vermont** (Treanor Headquarters)	Y	N	Also relies on public parking	CD
NRA: **810/812 Pennsylvania** (Cider Building)	N	Y	Utilizes provision of shared off-site parking in meeting Development Code.	
NRA: **1106 Rhode Island St.** (Hernly Associates)	Y	Y		
NRA: **1101/1115 Indiana St.** (HERE Kansas)	Y	Y	May rely on some KU parking spaces, but not City parking spaces	
NRA: **900 Delaware St.** (9 Del Lofts)	Y	Y	60 provided/72 required, variance granted. Eventually can use proposed lot on NW corner of 9th & Delaware.	
NRA: **1001 Massachusetts** (Masonic Temple)	N	N		CD
TIF: **The Oread**	Y	Y	182 provided/320 required, variance granted	
TIF: **9th & New Hampshire: South Project**	Y	Y	Garage	CD
TIF: **9th & New Hampshire: North Project**	Y	Y	Garage	CD

City of Lawrence, Planning Department. The Development Code does not require that developments provide on-site parking in the CD (Downtown Commercial) zoning district.

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. In addition, performance provisions could be stipulated within the agreement (e.g. start and end of construction, compliance with land use requirements).

Staff Recommendation

The 1.25 ratio threshold is exceeded for the City for a 10-year and 15-year, 95% NRA with IRB sales tax exemption on construction materials under all scenarios (15- or 20-year evaluation period, with and without sales tax revenues included). The ratio threshold is met for the County for the same incentive package under all scenarios, with the exception of the 15 year evaluation period when sales tax revenues are excluded.

The current zoning district does not require projects redeveloped in downtown to provide off-street parking as would be the case in other zoning areas. However, since the project will not provide off-street parking, there likely will be some increased demand on existing parking space. The impact on existing businesses in the downtown corridor should be discussed when considering the NRA duration. In cases where off-street parking is provided, it may be appropriate to provide a longer NRA duration.

The duration period for the NRA should be a topic of discussion for PIRC and the governing bodies.

Should an incentive package be approved, Staff would recommend including the following provisions in a performance agreement:

- Condition any incentives authorized for the project on the complete compliance with all land use requirements for the property, including the City's historic and downtown design guidelines. Failure to comply with these requirements would nullify any incentives approved.

- Project construction to commence within one year and end within two years of incentives approval.

PIRC Requested Action

Public Incentives Review Committee to provide recommendation on participation in a NRA for 705 Massachusetts Street, including duration and percentage rebate level, and for an IRB sales tax exemption on construction materials.

Addendum A: Model Results

Cost-Benefit Model Results: 705 Massachusetts (Eldridge Expansion)

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (Sales Taxes not Included)

Project Summary	
Capital Investment in Plant:	$12,500,000
Annual Local Expenditures by Firm:	$1,772,157
Retained Jobs:	18
Average Wage per Retained Job:	$32,469
Indirect Jobs Created:	8
Economic Value per Indirect Job:	$49,031
Total New Households:	11
Discount Rate:	5.74%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives		
IRB Offered	Yes	
Value of IRB Construction Sales Tax:	$440,890	
Tax Rebate:	0%	annually over 10 years
Length of Tax Abatement/s:	0 Years	
Value of Tax Abatements, Total:	$0	
Other Incentives		
Site Infrastructure:	$0	
Facility Construction:	$0	
NRA Rebates:	$2,024,002	
Value of All Incentives Offered:	**$2,464,892**	
Value of All Incentives per Job per Year:	$6,847	
Value of Incentives in Hourly Pay:	$3.29	
Value of Incentives per Dollar Invested:	$0.20	

Summary of Results

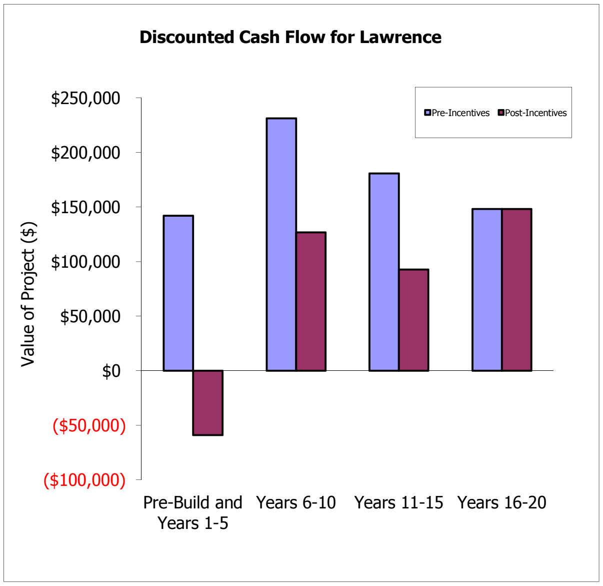
Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	$2,109,232	$1,549,206	$1,700,297	$3,393,555
Costs	$785,112	$487,237	$73,658	$0
Revenue Stream, Pre-Incentives	*$1,324,119*	*$1,061,969*	*$1,626,639*	*$3,393,555*
Value of Incentives Offered	$572,772	$662,840	$869,783	$359,497
Revenue Stream with Incentives	**$751,348**	**$399,129**	**$756,856**	**$3,034,058**

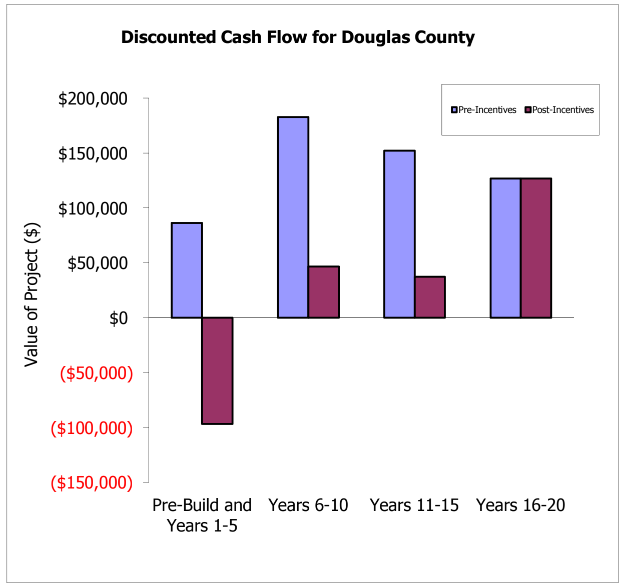
Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	5.74%			
Discounted Cash Flow, Without Incentives	$701,772	$547,722	$930,183	$2,076,478
Benefit/Cost Ratio, Without Incentives	*2.26*	*2.57*	*22.17*	*n/a*
Discounted Cash Flow, With Incentives	$308,280	$113,948	$370,109	$1,743,559
Benefit/Cost Ratio, With Incentives	**1.55**	**1.33**	**9.42**	**n/a**

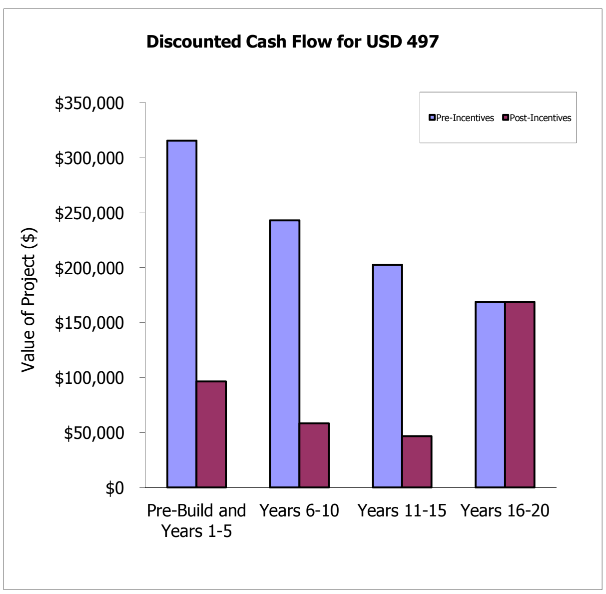
Cost-Benefit Model Results: 705 Massachusetts (Eldridge Expansion)

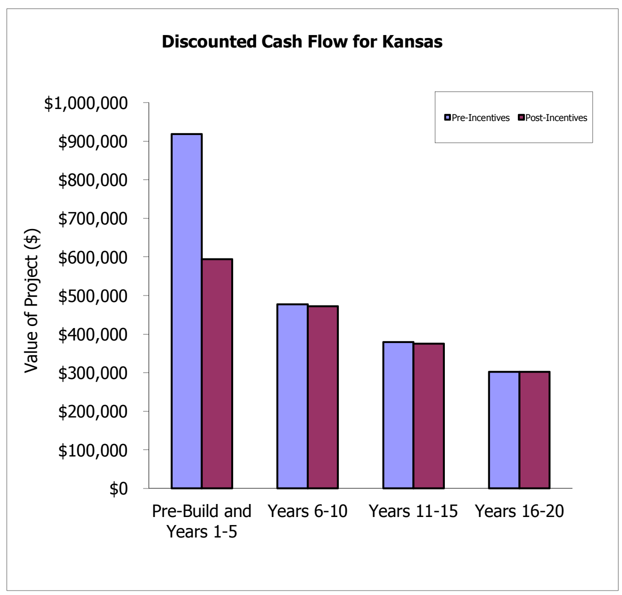
Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (Sales Taxes not Included)

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



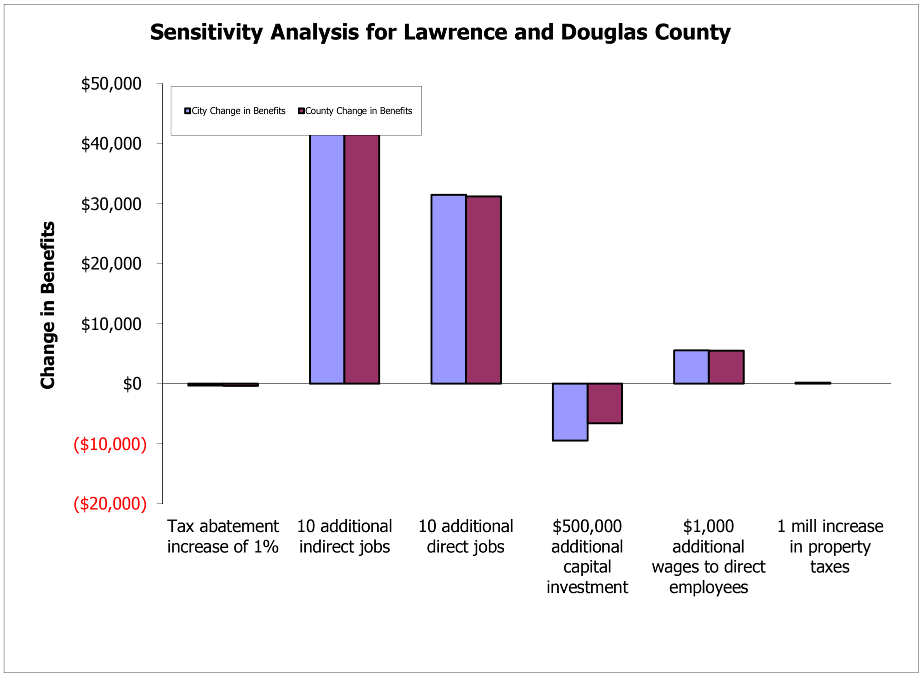






Cost-Benefit Model Results: 705 Massachusetts (Eldridge Expansion)
Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (Sales Taxes not Included)

Sensitivity Analysis



Cost-Benefit Model Results: 705 Massachusetts (Eldridge Expansion)

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (Sales Taxes not Included)

APPENDIX 1: Annual Results Not Discounted

Lawrence: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$15,606	$0	$0	$15,606	$15,606
1	$177,372	($307,070)	($109,729)	($239,427)	($223,821)
2	$96,925	($22,971)	($28,597)	$45,357	($178,464)
3	$98,246	($23,200)	($29,227)	$45,819	($132,646)
4	$99,589	($23,432)	($29,871)	$46,286	($86,360)
5	$100,953	($23,667)	($30,528)	$46,758	($39,602)
6	$102,339	($23,903)	($31,201)	$47,235	$7,633
7	$94,898	($24,142)	($31,888)	$38,867	$46,500
8	$93,261	($24,384)	($32,590)	$36,286	$82,787
9	$94,596	($24,628)	($33,308)	$36,660	$119,447
10	$95,954	($24,874)	($34,042)	$37,038	$156,485
11	$97,334	($25,123)	($34,791)	$37,420	$193,905
12	$98,738	($25,374)	($35,558)	$37,807	$231,712
13	$100,166	($25,628)	($36,341)	$38,197	$269,909
14	$101,618	($25,884)	($37,141)	$38,592	$308,502
15	$103,094	($26,143)	($37,959)	$38,992	$347,494
16	$104,598	($26,404)	$0	$78,193	$425,687
17	$106,127	($26,668)	$0	$79,458	$505,145
18	$107,682	($26,935)	$0	$80,747	$585,892
19	$109,264	($27,204)	$0	$82,059	$667,952
20	$110,872	($27,476)	$0	$83,396	$751,348

Douglas County: Annual Results (not discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$20,334	$0	$0	$20,334	$20,334
1	$86,715	($199,403)	($59,504)	($172,193)	($151,858)
2	$64,754	($13,831)	($37,261)	$13,662	($138,197)
3	$65,861	($13,969)	($38,082)	$13,809	($124,387)
4	$66,989	($14,109)	($38,921)	$13,959	($110,428)
5	$68,139	($14,250)	($39,778)	$14,111	($96,317)
6	$69,311	($14,393)	($40,654)	$14,264	($82,053)
7	$70,506	($14,536)	($41,549)	$14,420	($67,633)
8	$71,724	($14,682)	($42,465)	$14,578	($53,055)
9	$72,966	($14,829)	($43,400)	$14,738	($38,317)
10	$74,233	($14,977)	($44,356)	$14,900	($23,417)
11	$75,524	($15,127)	($45,333)	$15,064	($8,353)
12	$76,840	($15,278)	($46,331)	$15,231	$6,878
13	$78,182	($15,431)	($47,351)	$15,400	$22,277
14	$79,550	($15,585)	($48,394)	$15,571	$37,848
15	$80,945	($15,741)	($49,460)	$15,744	$53,592
16	$82,368	($15,898)	$0	$66,470	$120,062
17	$83,819	($16,057)	$0	$67,761	$187,823
18	$85,298	($16,218)	$0	$69,080	$256,903
19	$86,806	($16,380)	$0	$70,426	$327,329
20	$88,344	($16,544)	$0	$71,800	$399,129

Cost-Benefit Model Results: 705 Massachusetts (Eldridge Expansion)

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (Sales Taxes not Included)

APPENDIX 1: Annual Results Not Discounted (Continued)

USD 497: Annual Results (not discounted)					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$27,644	$0	$0	$27,644	$27,644
1	$69,549	($7,411)	($49,564)	$12,574	$40,218
2	$70,854	($3,183)	($50,656)	$17,015	$57,233
3	$72,187	($3,215)	($51,772)	$17,200	$74,433
4	$73,547	($3,247)	($52,912)	$17,388	$91,821
5	$74,935	($3,280)	($54,077)	$17,578	$109,400
6	$76,352	($3,313)	($55,268)	$17,771	$127,171
7	$77,798	($3,346)	($56,485)	$17,967	$145,137
8	$79,273	($3,379)	($57,729)	$18,165	$163,302
9	$80,780	($3,413)	($59,001)	$18,366	$181,668
10	$82,317	($3,447)	($60,300)	$18,569	$200,237
11	$83,886	($3,482)	($61,628)	$18,776	$219,013
12	$85,488	($3,516)	($62,986)	$18,985	$237,999
13	$87,122	($3,552)	($64,373)	$19,198	$257,196
14	$88,791	($3,587)	($65,791)	$19,413	$276,609
15	$90,494	($3,623)	($67,240)	$19,631	$296,241
16	$92,232	($3,659)	$0	$88,573	$384,814
17	$94,007	($3,696)	$0	$90,311	$475,125
18	$95,818	($3,733)	$0	$92,086	$567,211
19	$97,668	($3,770)	$0	$93,898	$661,109
20	$99,555	($3,808)	$0	$95,747	$756,856

State of Kansas: Annual Results (not discounted)					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$744	$0	$0	$744	$744
1	$474,745	$0	($337,429)	$137,316	$138,059
2	$140,052	$0	($1,363)	$138,689	$276,748
3	$141,469	$0	($1,393)	$140,076	$416,825
4	$142,901	$0	($1,424)	$141,478	$558,302
5	$144,348	$0	($1,455)	$142,893	$701,195
6	$145,809	$0	($1,487)	$144,322	$845,517
7	$147,286	$0	($1,520)	$145,766	$991,283
8	$148,777	$0	($1,553)	$147,224	$1,138,507
9	$150,284	$0	($1,587)	$148,697	$1,287,204
10	$151,807	$0	($1,622)	$150,184	$1,437,388
11	$153,345	$0	($1,658)	$151,687	$1,589,075
12	$154,899	$0	($1,695)	$153,204	$1,742,279
13	$156,469	$0	($1,732)	$154,737	$1,897,016
14	$158,055	$0	($1,770)	$156,285	$2,053,301
15	$159,657	$0	($1,809)	$157,848	$2,211,149
16	$161,276	$0	$0	$161,276	$2,372,426
17	$162,912	$0	$0	$162,912	$2,535,338
18	$164,565	$0	$0	$164,565	$2,699,902
19	$166,234	$0	$0	$166,234	$2,866,136
20	$167,921	$0	$0	$167,921	$3,034,058

Cost-Benefit Model Results: 705 Massachusetts (Eldridge Expansion)

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (Sales Taxes not Included)

APPENDIX 2: Discounted Annual Results

Lawrence: Annual Results (discounted)					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$15,606	$0	$0	$15,606	$15,606
1	$167,743	($290,400)	($103,772)	($226,429)	($210,823)
2	$86,687	($20,544)	($25,576)	$40,566	($170,257)
3	$83,098	($19,623)	($24,721)	$38,754	($131,503)
4	$79,661	($18,744)	($23,894)	$37,024	($94,479)
5	$76,369	($17,903)	($23,094)	$35,371	($59,108)
6	$73,215	($17,101)	($22,321)	$33,792	($25,315)
7	$64,205	($16,334)	($21,575)	$26,296	$981
8	$59,672	($15,602)	($20,853)	$23,218	$24,199
9	$57,241	($14,902)	($20,155)	$22,183	$46,382
10	$54,910	($14,234)	($19,481)	$21,195	$67,577
11	$52,676	($13,596)	($18,829)	$20,251	$87,829
12	$50,535	($12,987)	($18,199)	$19,350	$107,178
13	$48,483	($12,404)	($17,590)	$18,488	$125,667
14	$46,515	($11,848)	($17,001)	$17,666	$143,332
15	$44,629	($11,317)	($16,432)	$16,880	$160,212
16	$42,822	($10,810)	$0	$32,012	$192,224
17	$41,089	($10,325)	$0	$30,764	$222,988
18	$39,428	($9,862)	$0	$29,566	$252,554
19	$37,835	($9,420)	$0	$28,415	$280,969
20	$36,308	($8,998)	$0	$27,310	$308,280

Douglas County: Annual Results *(discounted)*					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$20,334	$0	$0	$20,334	$20,334
1	$82,007	($188,578)	($56,274)	($162,845)	($142,510)
2	$57,914	($12,370)	($33,326)	$12,219	($130,292)
3	$55,706	($11,815)	($32,211)	$11,680	($118,611)
4	$53,584	($11,286)	($31,133)	$11,166	($107,446)
5	$51,545	($10,780)	($30,091)	$10,674	($96,771)
6	$49,586	($10,297)	($29,084)	$10,205	($86,566)
7	$47,702	($9,835)	($28,111)	$9,756	($76,810)
8	$45,892	($9,394)	($27,171)	$9,328	($67,483)
9	$44,152	($8,973)	($26,262)	$8,918	($58,565)
10	$42,480	($8,571)	($25,383)	$8,527	($50,038)
11	$40,873	($8,186)	($24,534)	$8,153	($41,885)
12	$39,327	($7,819)	($23,713)	$7,795	($34,090)
13	$37,842	($7,469)	($22,919)	$7,454	($26,636)
14	$36,414	($7,134)	($22,152)	$7,128	($19,509)
15	$35,041	($6,814)	($21,411)	$6,816	($12,693)
16	$33,721	($6,509)	$0	$27,212	$14,519
17	$32,452	($6,217)	$0	$26,235	$40,755
18	$31,232	($5,938)	$0	$25,294	$66,048
19	$30,059	($5,672)	$0	$24,387	$90,435
20	$28,931	($5,418)	$0	$23,513	$113,948

Cost-Benefit Model Results: 705 Massachusetts (Eldridge Expansion)

Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (Sales Taxes not Included)

APPENDIX 2: Discounted Annual Results (Continued)

USD 497: Annual Results (discounted)

Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$27,644	$0	$0	$27,644	$27,644
1	$65,773	($7,008)	($46,874)	$11,891	$39,535
2	$63,370	($2,847)	($45,305)	$15,218	$54,753
3	$61,057	($2,719)	($43,789)	$14,548	$69,301
4	$58,830	($2,598)	($42,324)	$13,909	$83,210
5	$56,687	($2,481)	($40,908)	$13,298	$96,508
6	$54,623	($2,370)	($39,539)	$12,714	$109,221
7	$52,636	($2,264)	($38,216)	$12,156	$121,377
8	$50,722	($2,162)	($36,938)	$11,623	$133,000
9	$48,880	($2,065)	($35,702)	$11,113	$144,113
10	$47,106	($1,973)	($34,507)	$10,626	$154,739
11	$45,398	($1,884)	($33,353)	$10,161	$164,901
12	$43,753	($1,800)	($32,237)	$9,717	$174,618
13	$42,169	($1,719)	($31,158)	$9,292	$183,910
14	$40,644	($1,642)	($30,116)	$8,886	$192,796
15	$39,175	($1,568)	($29,108)	$8,498	$201,294
16	$37,760	($1,498)	$0	$36,262	$237,556
17	$36,397	($1,431)	$0	$34,966	$272,522
18	$35,084	($1,367)	$0	$33,718	$306,240
19	$33,820	($1,305)	$0	$32,514	$338,754
20	$32,602	($1,247)	$0	$31,355	$370,109

State of Kansas: Annual Results (discounted)

Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$744	$0	$0	$744	$744
1	$448,972	$0	($319,111)	$129,861	$130,605
2	$125,259	$0	($1,219)	$124,040	$254,644
3	$119,657	$0	($1,178)	$118,479	$373,124
4	$114,307	$0	($1,139)	$113,168	$486,292
5	$109,196	$0	($1,101)	$108,095	$594,387
6	$104,313	$0	($1,064)	$103,249	$697,636
7	$99,649	$0	($1,028)	$98,621	$796,257
8	$95,194	$0	($994)	$94,200	$890,457
9	$90,938	$0	($961)	$89,977	$980,434
10	$86,872	$0	($928)	$85,944	$1,066,378
11	$82,989	$0	($897)	$82,091	$1,148,470
12	$79,279	$0	($867)	$78,411	$1,226,881
13	$75,735	$0	($838)	$74,896	$1,301,778
14	$72,349	$0	($810)	$71,539	$1,373,317
15	$69,115	$0	($783)	$68,332	$1,441,649
16	$66,026	$0	$0	$66,026	$1,507,675
17	$63,075	$0	$0	$63,075	$1,570,750
18	$60,256	$0	$0	$60,256	$1,631,006
19	$57,563	$0	$0	$57,563	$1,688,569
20	$54,990	$0	$0	$54,990	$1,743,559

Cost-Benefit Model Results: 705 Massachusetts Street (Eldridge Hotel Expansion)

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

Project Summary

Capital Investment in Plant:	$12,500,000
Annual Local Expenditures by Firm:	$1,772,157
Retained Jobs:	18
Average Wage per Retained Job:	$32,469
Indirect Jobs Created:	8
Economic Value per Indirect Job:	$49,031
Total New Households:	11
Discount Rate:	5.74%
Cost and Revenue Escalation:	1.00%
Number of Years Evaluated:	20

Incentives

IRB Offered	Yes
Value of IRB Construction Sales Tax:	$440,890
Tax Rebate:	0% annually over 10 years
Length of Tax Abatement/s:	0 Years
Value of Tax Abatements, Total:	$0
Other Incentives	
Site Infrastructure:	$0
Facility Construction:	$0
NRA Rebates:	$2,024,002
Value of All Incentives Offered:	**$2,464,892**
Value of All Incentives per Job per Year:	$6,847
Value of Incentives in Hourly Pay:	$3.29
Value of Incentives per Dollar Invested:	$0.20

Summary of Results

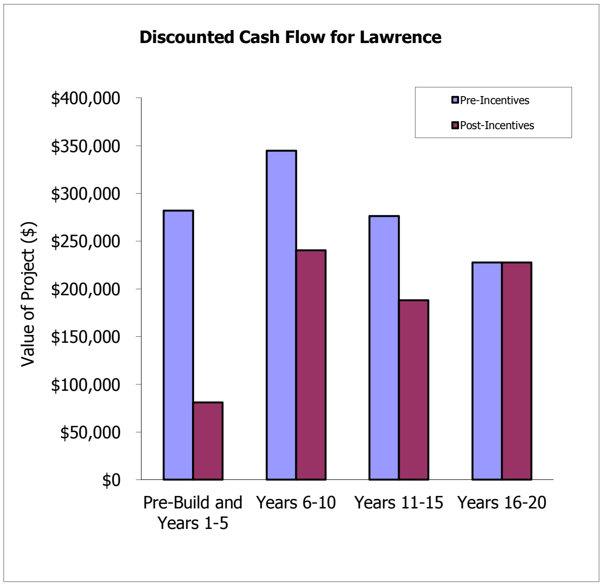
Returns for Jurisdictions	Lawrence	Douglas County	USD 497	State of Kansas
Revenues	$2,863,319	$2,035,714	$1,700,297	$6,385,579
Costs	$784,407	$486,782	$73,658	$0
Revenue Stream, Pre-Incentives	*$2,078,912*	*$1,548,932*	*$1,626,639*	*$6,385,579*
Value of Incentives Offered	$572,772	$662,840	$869,783	$359,497
Revenue Stream with Incentives	**$1,506,140**	**$886,092**	**$756,856**	**$6,026,082**

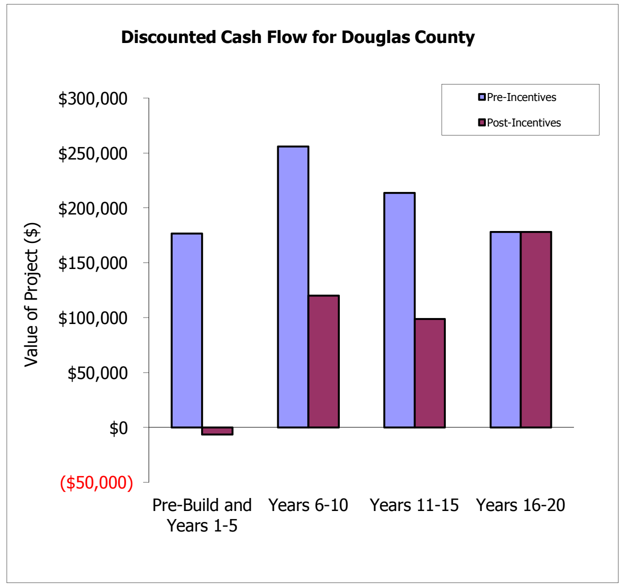
Returns for Jurisdictions, Discounted	Lawrence	Douglas County	USD 497	State of Kansas
Discount Rate	5.74%			
Discounted Cash Flow, Without Incentives	$1,130,572	$824,367	$930,183	$3,775,203
Benefit/Cost Ratio, Without Incentives	*3.03*	*3.36*	*22.17*	*n/a*
Discounted Cash Flow, With Incentives	$737,080	$390,594	$370,109	$3,442,284
Benefit/Cost Ratio, With Incentives	**2.32**	**2.12**	**9.42**	**n/a**

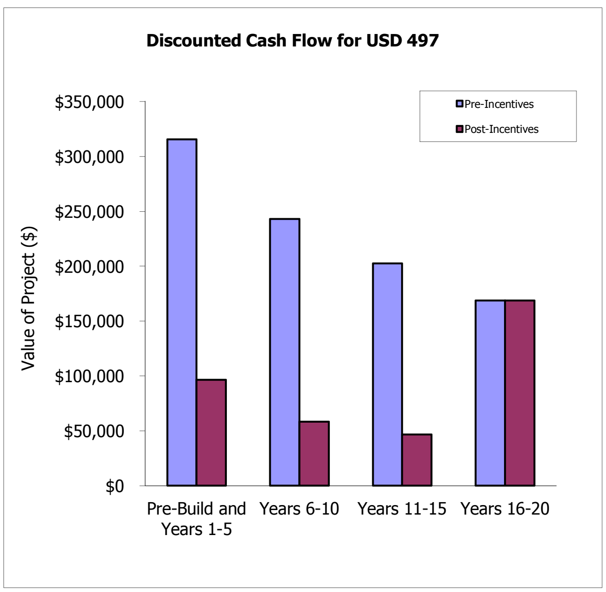
Cost-Benefit Model Results: 705 Massachusetts Street (Eldridge Hotel Expansion)

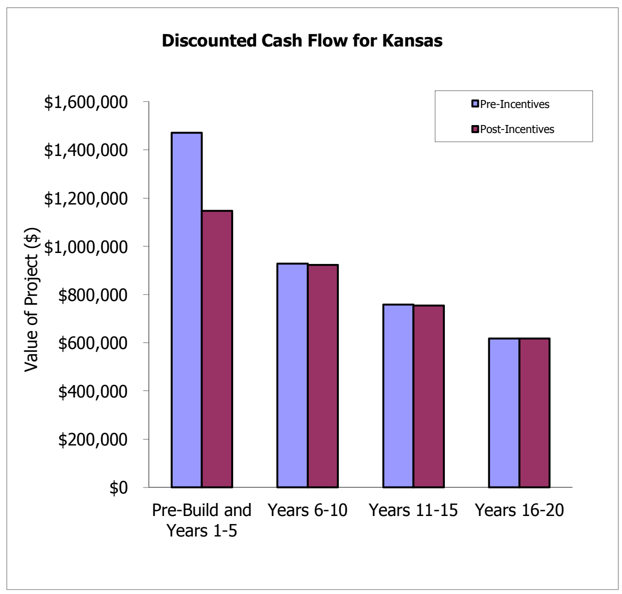
Scenario: 15-Year, 95% NRA (all jurisdictions), 20Y Evaluation Period (includes sales tax revenues)

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





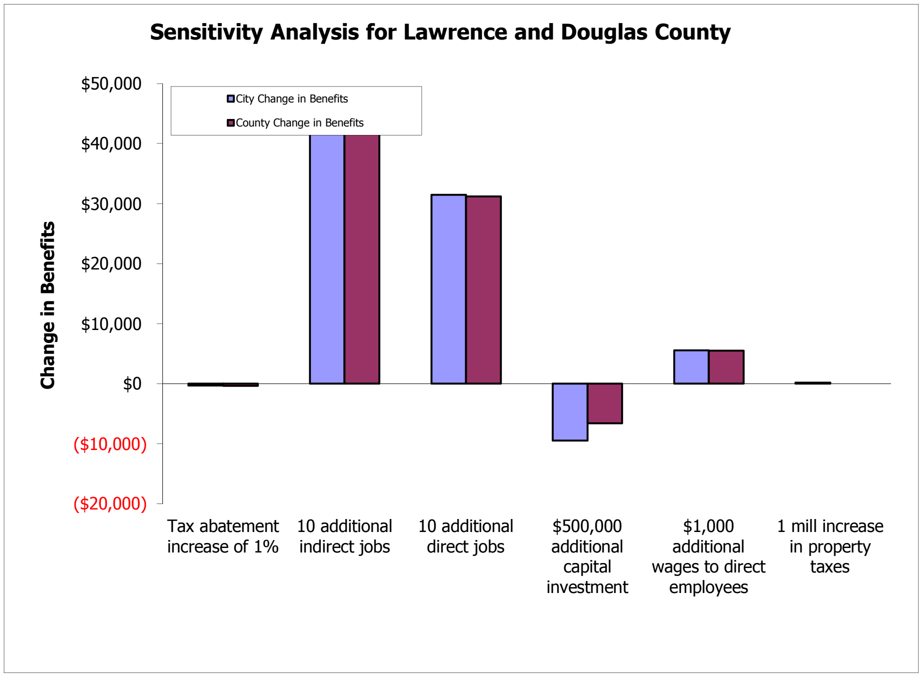




Cost-Benefit Model Results: 705 Massachusetts Street (Eldridge Hotel Expansion)

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

Sensitivity Analysis



Cost-Benefit Model Results: 705 Massachusetts Street (Eldridge Hotel Expansion)

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

APPENDIX 1: Annual Results Not Discounted

Lawrence: Annual Results (not discounted)

Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$31,305	$0	$0	$31,305	$31,305
1	$204,067	($306,365)	($109,729)	($212,027)	($180,722)
2	$124,892	($22,971)	($28,597)	$73,324	($107,398)
3	$127,525	($23,200)	($29,227)	$75,098	($32,300)
4	$130,222	($23,432)	($29,871)	$76,918	$44,618
5	$132,982	($23,667)	($30,528)	$78,786	$123,405
6	$135,807	($23,903)	($31,201)	$80,703	$204,108
7	$129,849	($24,142)	($31,888)	$73,819	$277,926
8	$128,912	($24,384)	($32,590)	$71,937	$349,864
9	$130,960	($24,628)	($33,308)	$73,024	$422,888
10	$133,045	($24,874)	($34,042)	$74,129	$497,017
11	$135,167	($25,123)	($34,791)	$75,253	$572,270
12	$137,328	($25,374)	($35,558)	$76,396	$648,666
13	$139,527	($25,628)	($36,341)	$77,559	$726,225
14	$141,766	($25,884)	($37,141)	$78,741	$804,966
15	$144,046	($26,143)	($37,959)	$79,944	$884,910
16	$146,368	($26,404)	$0	$119,964	$1,004,874
17	$148,733	($26,668)	$0	$122,065	$1,126,938
18	$151,140	($26,935)	$0	$124,205	$1,251,143
19	$153,591	($27,204)	$0	$126,387	$1,377,530
20	$156,086	($27,476)	$0	$128,610	$1,506,140

Douglas County: Annual Results (not discounted)

Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$30,463	$0	$0	$30,463	$30,463
1	$103,937	($198,948)	($59,504)	($154,515)	($124,052)
2	$82,797	($13,831)	($37,261)	$31,705	($92,347)
3	$84,751	($13,969)	($38,082)	$32,699	($59,648)
4	$86,752	($14,109)	($38,921)	$33,722	($25,926)
5	$88,802	($14,250)	($39,778)	$34,774	$8,848
6	$90,903	($14,393)	($40,654)	$35,856	$44,704
7	$93,056	($14,536)	($41,549)	$36,970	$81,674
8	$94,725	($14,682)	($42,465)	$37,578	$119,253
9	$96,427	($14,829)	($43,400)	$38,198	$157,451
10	$98,162	($14,977)	($44,356)	$38,830	$196,281
11	$99,932	($15,127)	($45,333)	$39,473	$235,753
12	$101,736	($15,278)	($46,331)	$40,127	$275,881
13	$103,576	($15,431)	($47,351)	$40,794	$316,675
14	$105,452	($15,585)	($48,394)	$41,473	$358,148
15	$107,366	($15,741)	($49,460)	$42,165	$400,313
16	$109,317	($15,898)	$0	$93,418	$493,731
17	$111,306	($16,057)	$0	$95,249	$588,980
18	$113,335	($16,218)	$0	$97,117	$686,097
19	$115,404	($16,380)	$0	$99,024	$785,122
20	$117,514	($16,544)	$0	$100,971	$886,092

Cost-Benefit Model Results: 705 Massachusetts Street (Eldridge Hotel Expansion)

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

APPENDIX 1: Annual Results Not Discounted (Continued)

USD 497: Annual Results (not discounted)					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$27,644	$0	$0	$27,644	$27,644
1	$69,549	($7,411)	($49,564)	$12,574	$40,218
2	$70,854	($3,183)	($50,656)	$17,015	$57,233
3	$72,187	($3,215)	($51,772)	$17,200	$74,433
4	$73,547	($3,247)	($52,912)	$17,388	$91,821
5	$74,935	($3,280)	($54,077)	$17,578	$109,400
6	$76,352	($3,313)	($55,268)	$17,771	$127,171
7	$77,798	($3,346)	($56,485)	$17,967	$145,137
8	$79,273	($3,379)	($57,729)	$18,165	$163,302
9	$80,780	($3,413)	($59,001)	$18,366	$181,668
10	$82,317	($3,447)	($60,300)	$18,569	$200,237
11	$83,886	($3,482)	($61,628)	$18,776	$219,013
12	$85,488	($3,516)	($62,986)	$18,985	$237,999
13	$87,122	($3,552)	($64,373)	$19,198	$257,196
14	$88,791	($3,587)	($65,791)	$19,413	$276,609
15	$90,494	($3,623)	($67,240)	$19,631	$296,241
16	$92,232	($3,659)	$0	$88,573	$384,814
17	$94,007	($3,696)	$0	$90,311	$475,125
18	$95,818	($3,733)	$0	$92,086	$567,211
19	$97,668	($3,770)	$0	$93,898	$661,109
20	$99,555	($3,808)	$0	$95,747	$756,856

State of Kansas: Annual Results (not discounted)					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$63,033	$0	$0	$63,033	$63,033
1	$580,665	$0	($337,429)	$243,236	$306,269
2	$251,018	$0	($1,363)	$249,656	$555,925
3	$257,642	$0	($1,393)	$256,249	$812,173
4	$264,443	$0	($1,424)	$263,020	$1,075,193
5	$271,428	$0	($1,455)	$269,973	$1,345,166
6	$278,600	$0	($1,487)	$277,113	$1,622,279
7	$285,965	$0	($1,520)	$284,446	$1,906,725
8	$290,231	$0	($1,553)	$288,677	$2,195,403
9	$294,567	$0	($1,587)	$292,979	$2,488,382
10	$298,975	$0	($1,622)	$297,352	$2,785,734
11	$303,456	$0	($1,658)	$301,798	$3,087,532
12	$308,012	$0	($1,695)	$306,318	$3,393,850
13	$312,645	$0	($1,732)	$310,913	$3,704,763
14	$317,354	$0	($1,770)	$315,584	$4,020,347
15	$322,143	$0	($1,809)	$320,334	$4,340,681
16	$327,012	$0	$0	$327,012	$4,667,693
17	$331,962	$0	$0	$331,962	$4,999,655
18	$336,996	$0	$0	$336,996	$5,336,650
19	$342,114	$0	$0	$342,114	$5,678,764
20	$347,318	$0	$0	$347,318	$6,026,082

Cost-Benefit Model Results: 705 Massachusetts Street (Eldridge Hotel Expansion)

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

APPENDIX 2: Discounted Annual Results

Lawrence: Annual Results (discounted)					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$31,305	$0	$0	$31,305	$31,305
1	$192,989	($289,733)	($103,772)	($200,516)	($169,212)
2	$111,700	($20,544)	($25,576)	$65,579	($103,633)
3	$107,863	($19,623)	($24,721)	$63,519	($40,113)
4	$104,164	($18,744)	($23,894)	$61,527	$21,414
5	$100,597	($17,903)	($23,094)	$59,600	$81,014
6	$97,158	($17,101)	($22,321)	$57,736	$138,749
7	$87,852	($16,334)	($21,575)	$49,944	$188,693
8	$82,483	($15,602)	($20,853)	$46,028	$234,721
9	$79,245	($14,902)	($20,155)	$44,187	$278,909
10	$76,136	($14,234)	($19,481)	$42,421	$321,330
11	$73,151	($13,596)	($18,829)	$40,726	$362,056
12	$70,286	($12,987)	($18,199)	$39,100	$401,156
13	$67,535	($12,404)	($17,590)	$37,540	$438,697
14	$64,893	($11,848)	($17,001)	$36,044	$474,740
15	$62,357	($11,317)	($16,432)	$34,607	$509,348
16	$59,923	($10,810)	$0	$49,113	$558,461
17	$57,585	($10,325)	$0	$47,260	$605,721
18	$55,340	($9,862)	$0	$45,478	$651,199
19	$53,185	($9,420)	$0	$43,765	$694,963
20	$51,115	($8,998)	$0	$42,117	$737,080

Douglas County: Annual Results *(discounted)*					
Year	Revenues	Costs	Incentives	Net	Cumulative
Pre-Operation	$30,463	$0	$0	$30,463	$30,463
1	$98,295	($188,147)	($56,274)	($146,127)	($115,664)
2	$74,052	($12,370)	($33,326)	$28,356	($87,308)
3	$71,684	($11,815)	($32,211)	$27,658	($59,650)
4	$69,393	($11,286)	($31,133)	$26,974	($32,676)
5	$67,177	($10,780)	($30,091)	$26,306	($6,370)
6	$65,033	($10,297)	($29,084)	$25,652	$19,282
7	$62,959	($9,835)	($28,111)	$25,013	$44,294
8	$60,609	($9,394)	($27,171)	$24,044	$68,339
9	$58,348	($8,973)	($26,262)	$23,114	$91,453
10	$56,174	($8,571)	($25,383)	$22,221	$113,673
11	$54,082	($8,186)	($24,534)	$21,362	$135,035
12	$52,070	($7,819)	($23,713)	$20,538	$155,573
13	$50,134	($7,469)	($22,919)	$19,745	$175,318
14	$48,271	($7,134)	($22,152)	$18,984	$194,303
15	$46,478	($6,814)	($21,411)	$18,253	$212,556
16	$44,754	($6,509)	$0	$38,245	$250,801
17	$43,095	($6,217)	$0	$36,878	$287,679
18	$41,498	($5,938)	$0	$35,560	$323,238
19	$39,962	($5,672)	$0	$34,290	$357,528
20	$38,483	($5,418)	$0	$33,066	$390,594

Cost-Benefit Model Results: 705 Massachusetts Street (Eldridge Hotel Expansion)

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

APPENDIX 2: Discounted Annual Results (Continued)

USD 497: Annual Results (discounted)					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$27,644	$0	$0	$27,644	$27,644
1	$65,773	($7,008)	($46,874)	$11,891	$39,535
2	$63,370	($2,847)	($45,305)	$15,218	$54,753
3	$61,057	($2,719)	($43,789)	$14,548	$69,301
4	$58,830	($2,598)	($42,324)	$13,909	$83,210
5	$56,687	($2,481)	($40,908)	$13,298	$96,508
6	$54,623	($2,370)	($39,539)	$12,714	$109,221
7	$52,636	($2,264)	($38,216)	$12,156	$121,377
8	$50,722	($2,162)	($36,938)	$11,623	$133,000
9	$48,880	($2,065)	($35,702)	$11,113	$144,113
10	$47,106	($1,973)	($34,507)	$10,626	$154,739
11	$45,398	($1,884)	($33,353)	$10,161	$164,901
12	$43,753	($1,800)	($32,237)	$9,717	$174,618
13	$42,169	($1,719)	($31,158)	$9,292	$183,910
14	$40,644	($1,642)	($30,116)	$8,886	$192,796
15	$39,175	($1,568)	($29,108)	$8,498	$201,294
16	$37,760	($1,498)	$0	$36,262	$237,556
17	$36,397	($1,431)	$0	$34,966	$272,522
18	$35,084	($1,367)	$0	$33,718	$306,240
19	$33,820	($1,305)	$0	$32,514	$338,754
20	$32,602	($1,247)	$0	$31,355	$370,109

State of Kansas: Annual Results (discounted)					
Year	**Revenues**	**Costs**	**Incentives**	**Net**	**Cumulative**
Pre-Operation	$63,033	$0	$0	$63,033	$63,033
1	$549,142	$0	($319,111)	$230,031	$293,064
2	$224,504	$0	($1,219)	$223,285	$516,349
3	$217,918	$0	($1,178)	$216,740	$733,089
4	$211,528	$0	($1,139)	$210,390	$943,479
5	$205,329	$0	($1,101)	$204,228	$1,147,707
6	$199,313	$0	($1,064)	$198,249	$1,345,956
7	$193,476	$0	($1,028)	$192,448	$1,538,404
8	$185,702	$0	($994)	$184,708	$1,723,112
9	$178,244	$0	($961)	$177,284	$1,900,396
10	$171,090	$0	($928)	$170,162	$2,070,557
11	$164,227	$0	($897)	$163,330	$2,233,887
12	$157,644	$0	($867)	$156,777	$2,390,664
13	$151,328	$0	($838)	$150,490	$2,541,154
14	$145,268	$0	($810)	$144,458	$2,685,612
15	$139,455	$0	($783)	$138,672	$2,824,284
16	$133,878	$0	$0	$133,878	$2,958,161
17	$128,526	$0	$0	$128,526	$3,086,688
18	$123,392	$0	$0	$123,392	$3,210,080
19	$118,466	$0	$0	$118,466	$3,328,546
20	$113,739	$0	$0	$113,739	$3,442,284

Addendum B: Additional Cost-Benefit Model Scenarios

705 Massachusetts Street (20 Year Evaluation Period)					
Incentive Package	**City**	**County**	**USD 497**	**State**	**Total Package Value**
15-Year, 85% NRA + IRB Sales Tax Exemption *(20Y Evaluation Period)*	1.61	1.45	10.76	n/a	$2,251,839
12-Year, 85% NRA + IRB Sales Tax Exemption *(20Y Evaluation Period)*	1.70	1.62	12.60	n/a	$1,840,831
10-Year, 85% NRA + IRB Sales Tax Exemption *(20Y Evaluation Period)*	1.75	1.74	13.94	n/a	$1,581,375

CBA did not consider guest tax revenues or retail sales tax revenues generated.

705 Massachusetts Street (15 Year Evaluation Period)					
Incentive Package	**City**	**County**	**USD 497**	**State**	**Total Package Value**
15-Year, 85% NRA + IRB Sales Tax Exemption *(15Y Evaluation Period)*	1.38	1.10	8.01	n/a	$2,251,839
12-Year, 85% NRA + IRB Sales Tax Exemption *(15Y Evaluation Period)*	1.47	1.28	10.19	n/a	$1,840,831
10-Year, 55% NRA + IRB Sales Tax Exemption *(15Y Evaluation Period)*	1.54	1.42	11.78	n/a	$1,581,375

CBA did not consider guest tax revenues or retail sales tax revenues generated.

Addendum C: Historic account of public assistance for existing Eldridge Hotel

On October 1, 1985**,** The City Commission received a letter from Rob Phillips requesting a public hearing to consider a letter of Intent to issue $2,000,000 in Industrial Revenue Bonds for the purpose of renovating the Eldridge House. During the public hearing held on October 22, 1985, the City Commission unanimously approved a motion to require $1,000,000 in private investment capital be raised before issuance of the IRBs. The Commission adopted a Resolution of Intent (Res No. 4882) to issue $2,000,000 in IRBs for Eldridge House Investors L.P., which was amended to include the private capital investment requirement.

The first and second readings of Ordinance No. 5723 authorizing the issuance of the bonds were done at the August 19 and 26th, 1986 City Commission meetings. Rob Phillips, representing Eldridge Hotel Investors Limited Partnership stated that the in-lieu-of-tax payment would be $10,000 more than current taxes. Ordinance 5723 was approved 5-0 supporting bond issuance for the project and executed on August 26, 1986.

IRBs (Series of August 1, 1986) were issued for $2,000,000 for the Eldridge House Project on behalf of Eldridge House Investors L.P. (Rob Phillips, general partner; Edward Seyfert, original limited partner).

In association with the IRBs, there was 10-year tax abatement (3% on real property, 97% on personal property) from 1-1-1987 through 12-31-1996. No jobs were estimated to be created as a result of the abatement. Under terms of a separate agreement, the tenant covenanted and agreed to an annual payment-in-lieu of taxes in the amount of $25,934.20 for the period of the exemption.

Addendum D: About the Cost-Benefit Model

The City of Lawrence uses a proprietary Cost-Benefit model when examining projects. The Cost-Benefit model is one tool that government decision makers can incorporate in their decision-making process. 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). As with all economic models, there are limitations, which are generalized below:

- **Does not consider intangible effects**
  The model does not speak to the effects of intangible costs or benefits resulting from a 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 a 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 a project, including the amount of market share a project captures from existing businesses or the amount of new revenues brought into the community as a direct result of a 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 a 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 under consideration 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 a 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:
There could be several important considerations that fall outside of the realm of municipal budgets and cost-benefit analysis. For example, fiscal impacts of development on abutters, local businesses and natural resources are not accounted for in cost-benefit analysis.

Cost-benefit analysis 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. 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 cost-benefit analysis, as well as give consideration to other, non-quantifiable elements to gain insight into a project's overall value to the community.

Addendum E: Projected Property and Sales Tax Revenues

Projected Property Tax Revenues (from Owner, given a 95% NRA)

	BASE Year	Under Construction	NRA Full Tax Year															No NRA Rebates					Projected Property Tax Revenues		
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20			
	2015	***2016***	***2017***	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***2024***	***2025***	***2026***	***2027***	***2028***	***2029***	***2030***	***2031***	***2032***	***2033***	***2034***	***2035***	***2036***	**10 Years** (2017-2026)	**15 Years** (2017-2031)	**20 Years** (2017-2026
Base Taxes	$4,922	$4,932	$4,942	$4,952	$4,962	$4,972	$4,981	$4,991	$5,001	$5,011	$5,021	$5,031	$5,041	$5,051	$5,061	$5,071	$5,081	$5,091	$5,101	$5,111	$5,122	$5,132	$49,864	$75,169	$100,727
Incremental Taxes (5% of improved value)	$0	$59,396	$6,070	$6,204	$6,341	$6,480	$6,623	$6,769	$6,918	$7,070	$7,226	$7,385	$7,548	$7,714	$7,884	$8,058	$8,235	$168,331	$172,038	$175,827	$179,700	$183,657	$67,087	$106,526	$986,080
Total Taxes Due	**$4,922**	**$64,328**	**$11,012**	**$11,156**	**$11,302**	**$11,452**	**$11,604**	**$11,760**	**$11,919**	**$12,082**	**$12,247**	**$12,416**	**$12,589**	**$12,765**	**$12,945**	**$13,129**	**$13,316**	**$173,422**	**$177,140**	**$180,939**	**$184,821**	**$188,789**	**$116,952**	**$181,696**	**$1,086,806**

Projected Sales Taxes (assumes 80% of total is net new)

	BASE Year	Under Construction	NRA Full Tax Year															No NRA Rebates					Projected Sales Tax Revenues		
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20			
	2015	***2016***	***2017***	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***2024***	***2025***	***2026***	***2027***	***2028***	***2029***	***2030***	***2031***	***2032***	***2033***	***2034***	***2035***	***2036***	**10 Years** (2017-2026)	**15 Years** (2017-2031)	**20 Years** (2017-2026
City (1.55%)	$0	$15,699	$26,695	$27,967	$29,279	$30,633	$32,028	$33,468	$34,952	$35,651	$36,364	$37,091	$37,833	$38,590	$39,361	$40,149	$40,952	$41,771	$42,606	$43,458	$44,327	$45,214	$324,128	$521,012	$738,389
County (1%)	$0	$10,128	$17,223	$18,043	$18,890	$19,763	$20,663	$21,592	$22,550	$23,001	$23,461	$23,930	$24,408	$24,897	$25,394	$25,902	$26,420	$26,949	$27,488	$28,038	$28,598	$29,170	$209,115	$336,137	$476,380
State (6.5%)	$0	$62,290	$105,920	$110,967	$116,172	$121,542	$127,080	$132,791	$138,680	$141,453	$144,282	$147,168	$150,112	$153,114	$156,176	$159,300	$162,486	$165,735	$169,050	$172,431	$175,880	$179,397	$1,286,057	$2,067,243	$2,929,736
Total	**$0**	**$88,117**	**$149,838**	**$156,977**	**$164,341**	**$171,938**	**$179,772**	**$187,851**	**$196,181**	**$200,105**	**$204,107**	**$208,189**	**$212,353**	**$216,600**	**$220,932**	**$225,351**	**$229,858**	**$234,455**	**$239,144**	**$243,927**	**$248,805**	**$253,781**	**$1,819,300**	**$2,924,393**	**$4,144,504**

Total Projected Property and Sales Tax Revenues

	BASE Year	Under Construction	NRA Full Tax Year															No NRA Rebates					Projected Property & Sales Tax Revenues		
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20			
	2015	***2016***	***2017***	***2018***	***2019***	***2020***	***2021***	***2022***	***2023***	***2024***	***2025***	***2026***	***2027***	***2028***	***2029***	***2030***	***2031***	***2032***	***2033***	***2034***	***2035***	***2036***	**10 Years** (2017-2026)	**15 Years** (2017-2031)	**20 Years** (2017-2026
Property Tax Revenues	$4,922	$64,328	$11,012	$11,156	$11,302	$11,452	$11,604	$11,760	$11,919	$12,082	$12,247	$12,416	$12,589	$12,765	$12,945	$13,129	$13,316	$173,422	$177,140	$180,939	$184,821	$188,789	$116,952	$181,696	$1,086,806
Sales Tax Revenues	$0	$88,117	$149,838	$156,977	$164,341	$171,938	$179,772	$187,851	$196,181	$200,105	$204,107	$208,189	$212,353	$216,600	$220,932	$225,351	$229,858	$234,455	$239,144	$243,927	$248,805	$253,781	$1,819,300	$2,924,393	$4,144,504
Total Taxes Due	**$4,922**	**$64,328**	**$160,851**	**$168,133**	**$175,644**	**$183,390**	**$191,377**	**$199,611**	**$208,100**	**$212,186**	**$216,354**	**$220,605**	**$224,942**	**$229,365**	**$233,877**	**$238,479**	**$243,174**	**$407,877**	**$416,283**	**$424,865**	**$433,626**	**$442,570**	**$1,936,251**	**$3,106,088**	**$5,231,311**

THE ELDRIDGE
EST. 1925

701 Massachusetts St.
Lawrence, KS 66044
785-749-5011
eldridgehotel.com

January 13, 2015

Dear Lawrence City Commissioners:

The Eldridge hotel has been an important and integral part of Lawrence history and the Lawrence community since the original hotel was built in 1855. The existing Eldridge is the fourth hotel on the most historic corner in Kansas and underwent a major renovation in 2005. The current hotel is on the National Register of Historic Places and remains a premiere hotel in the Midwest. The current owners have invested significantly in the property and in delivering the very best in customer service, enhancing the hotel's value to the community.

When the original Free State Hotel was rebuilt in 1856, after being burned down by the infamous Sheriff Sam Jones and again in 1863 after Quantrill's raid, it stood as an example of the Kansas Territory's commitment to Kansas entering the Union as a free state. When Billy Hutson and a group of investors rebuilt The Eldridge hotel in 1925, they demonstrated the Lawrence community's commitment to this historic property, and to our downtown.

Why NRA (Neighborhood Revitalization Act) for The Eldridge?

Parade Magazine has referred to Massachusetts Street in Lawrence, Kansas, as the number one attraction in the State of Kansas. On the corner of 7th and Massachusetts, The Eldridge has always been the cornerstone for this community; we could not be better situated for an expansion. The lot next to The Eldridge is vacant, unproductive, and underutilized, and this expansion provides the opportunity to remove this vacancy in exchange for a quality project, while maintaining the integrity of The Eldridge on Massachusetts Street.

Additionally, The Eldridge has the ability to add considerable tax dollars to the city of Lawrence; we are proud to be a contributing business helping to enrich the quality of life in Lawrence.

We see the proposed expansion as the perfect example of a Neighborhood Revitalization Plan, plans for which Neighborhood Revitalization Grants are intended; we are asking for your support as we move forward.

Project Overview:

The Eldridge is proposing an expansion of the historic Eldridge hotel, located at 701 Massachusetts, in Lawrence, Kansas. The proposed $12.5 million dollar construction project consists of 50,000 square feet, on a .17-acre lot in Downtown Lawrence. Included will be approximately 54 new hotel rooms, a multi-purpose space, expansion of the current Eldridge hotel kitchen, and added restaurant and bar space. Not only will the project enhance the vitality of The Eldridge hotel, it also develops a vacant lot on Massachusetts Street – both of which help to strengthen one of our community's most treasured assets...downtown Lawrence.

Both the nature of our business and the patrons we serve bring new business and new spending dollars into our community – numbers that will only increase with the expansion of this property and its features. We have a team of sales managers enticing corporate businesses outside of Lawrence to use our facilities for conferences and as getaway retreats. The Eldridge provides the perfect setting for these business gatherings, while also offering close proximity to a myriad of amenities Downtown Lawrence has to offer. Other local merchants and restaurateurs will also enjoy the commerce generated by hotel traffic; this is a winning scenario for all!

Our request for support:

The Eldridge is requesting a Neighborhood Revitalization Act (NRA) be placed on this property. Our Neighborhood Revitalization Plan (the proposed project) will establish this as a neighborhood revitalization area, encouraging both reinvestment and improvements to this property in the community. (As defined by the City of Lawrence, a "neighborhood revitalization area" is "An area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significances should be preserved or restored to productive use.") We request economic developmental support in the form of a 95% rebate of property tax for a period of 15 years. This period would begin once the certificate of occupancy is completed.

The Eldridge is requesting a stand-alone IRB for a sales tax exemption on construction materials. This is a one-time benefit of materials and forgiveness of sales tax estimated to be approximately $435,500.00.

During construction, this project will realize many jobs, both part- and full-time.

The Eldridge is proud to take this next step in expanding and protecting our development, and we look forward to working closely with the City Commission, the City of Lawrence, and the community.

Sincerely,

Nancy H. Longhurst
General Manager

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:	Nancy Longhurst
Title:	General Manager
Organization:	Eldridge Hotel
Address 1:	701 Massachusetts
Address 2:	
Phone:	785-749-5011
Email:	nancy@oliviacollection.com
Fax:	785-830-3959

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)		
Tax Abatement (TA)	95%	15
Industrial Revenue Bonds (IRBs)	$12,500,000.00	*
Community Improvement District (CID)		

Other (Please Describe):

*The Eldridge is requesting a standalone IRB for sales tax exemption on construction materials.

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):	Eldridge Hotel	
Project Type *(check one)*:	Expansion:	X
	New Facility:	
Company Type *(check one)*:	Existing Local Company:	X
	Out-of-Area Company Locating Locally:	
Current Company Address:	701 Massachusetts Lawrence, KS 66044	
Location of Proposed New Facility/Expansion Project:	705 Massachusetts Lawrence, KS 66044	
Describe the Company's Plans to Develop or Expand in the Community: To add 54 hotel rooms and 5000 sq. ft. of multi-purpose space to compliment the existing Historic Eldridge Hotel.		
Operations Start Date at the Expansion or New Facility:		12/31/16
Industry NAICS # for the New or Expanded Facility *(6-digit code)*:		721120
Describe the Primary Industry the New or Expanded Facility Will Support: Hotel Hospitality Industry.		

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)*:		50,000.00 approx.	
Estimated Size of Land for New Facility *(acres)*:		.17 acres	
For the new or expanded facility, enter the amount the company anticipates spending for initial and subsequent investments in land, buildings and improvements *(do not include machinery or equipment)*:			
Year	**Buildings & Other Real Property Improvements**	**Land**	**Total**
1	$12,500,000.00	zero	12.5 M
2			
3			
4			
5			
6			
7			
8			
9			
10			
Total			
Will land be leased from the City or County *(Y/N)*:		No	
If yes, Monthly Lease Rate for Land:		N/A	

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	$2,004.00/mo.	$2,254.50/mo
Electricity	$7,270.00/mo.	$8,179.00/mo
Phone	$2,466.00/mo.	$2,774.00/mo
Cable	$1,388.00/mo.	$1,562.00/mo

Operating Expenditures	
For Expansion Projects, Current Annual Operating Expenses at Existing Facility:	$2,013,505.60
Annual Operating Expenses after Expansion/Relocation:	$4,228,702.40
% of Additional Operating Expenses Anticipated to be Spent Locally:	80%

Revenues	
% of Revenues at the new Lawrence Facility Anticipated to Come from Non-Local Sources.	95%
Anticipated Annual Gross Profits:	$553,799.00

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.

Anticipated Annual Gross Profits: Please provide an estimate of anticipated Annual Gross Profits ($). Note: For expansions, please enter anticipated gross annual profits from expansion.

IRB and Tax Abatement Request Information	
If you are seeking an IRB, please list the firm that will be receiving the IRB: The Eldridge Hotel	
Will your firm be leasing the building or the land in your expansion or newly constructed facility? *(Y/N)*	No
If you are leasing the building or land, and you are seeking a tax abatement <u>without</u> an IRB, please list the tenant and owner and the financial relationship between tenant and owner. N/A	
Total Cost of <u>Initial</u> Construction for the Project:	$12,500,000.00
Estimated Cost of Construction Materials for <u>Initial</u> Construction:	$ 5,000,000.00

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

Environmental Information		
Will the new facility meet Energy STAR criteria? (Y/N)		Yes
Will the project seek or be designed to LEED certification standards? (Y/N)		No
If yes, please indicate level:	Certification	Certifiable
	Silver	
	Gold	

	Platinum	

Please describe environmentally friendly features of the project:

The Eldridge will provide the following environmentally friendly features:

- Low-E coated insulated glass windows
- Florescent and LED lighting.

- Environmentally safe and effective cleaning products.
- The Eldridge recycles all recyclable glass, plastic, paper, tin and aluminum

Please describe anticipated positive environmental impacts resulting from the project:

There are NO environmentally bad impacts that will be the result of this project.

Please describe anticipated negative environmental impacts and planned remediation efforts:

To infill the vacant lot, which is currently gravel, will be an environmentally positive impact on the downtown area and adjacent neighboring properties. Removing a gravel area which cannot be maintained or cleaned properly in a downtown environment is a positive outcome. The expansion will allow for upgrading the kitchen exhaust system to be more environmentally friendly.

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 economic benefits include: Strengthening of our downtown….the Core of the City. Major economic increases include: retail sales tax, liquor tax, transient guest tax, gasoline purchases. Local additional benefits: Direct spending for entertainment, food and beverage, shopping, increasing overall livability of Lawrence, enhance awareness of new students to KU and assist's our Chamber of Commerce when selling our community to new employers.
Describe Other Quality of Life Benefits Resulting From Project: The Eldridge has always been a great corporate partner supporting many local charities. The more revenue for the company, the more we can "give back" and become active in strengthening the missions of different organizations in our city. Groups include the Old Fashioned Christmas Parade, Big Brothers Big Sisters, Cottonwood, LMH Endowment Association, to name a few.

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 to 5
Average Annual Salary for Full-Time, Construction Workers *(during construction period)*:										$40,000.
Construction Period (months):								18 months		
For Expansion, # of Full-Time Employees Currently Working in Lawrence:										
New Employment Resulting from Project										
	Year	**# Jobs**	**Avg Annual Salary**	**# Jobs**	**Avg Annual Salary**	**# Jobs**	**Avg Annual Salary**	**# Jobs**	**Avg Annual Salary**	
Net New Jobs (full-time, permanent)	1	2	$40k	3	$35K	1	$50K	12	$29,120	
	2									
	3									
	4									
	5									
	6									
	7									
	8									
	9									
	10									
	Total	2	$80	3	$105	1	$50	12	$378,560	
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:								ZERO		
# of Net New Full-Time Employees Anticipated to be Relocated from Outside of Lawrence/Douglas County:								ZERO		
# 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.)

Note: We will have 10 – 15 other part time hourly employees

That could work anywhere from 20 to 36 hours dependent

On business needs.

Employee Benefits	
Description	**After Expansion or Relocation**
% of Employees with Company Provided Health Care Insurance	Potential 30%
% of Health Care Premium Covered by Company	50%
% of Employees with Company Provided Retirement Program	0
Will You Provide Job Training for Employees? *(Y/N)*	Y
If Yes, Please Describe: *The company has training documents and job descriptions for all positions.*	
What is the Lowest Hourly Wage Offered to New Employees?	$14.00/hr.
What Percentage of Your New Employees Will Receive this Wage?	10%
Will You Provide Additional Benefits to Employees? *(Y/N)*	Y

If Yes, Please Describe:

All employees receive 50% discount on food in our restaurants. Discounts are given on hotel rooms to family members dependent upon occupancy of the hotel.

NRA Eligibility Statement
If applying for an NRA, please describe how your project meets one of the following state statute requirements for eligibility:
(1) Project is in an area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision for ventilation, light, air, sanitation, 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: See #3
(2) Project is in 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: See #3
(3) Project is in 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: The expansion of the Eldridge is in an area which there IS a predominance of buildings that are significant in regards to architecture age and history and should be preserved, restored and in this case, put back in to productive use. Note: City Staff report Lawrence's Downtown Commercial Historic District was listed in the National Register of Historic Places in 2004 for its significance in Commerce, Architecture, and Community Planning and Development. The identified period of significance for the district is 1856-1953, according to the nomination. This area has served as the center of Lawrence's historic downtown central business core since the platting of the city in 1854. It is generally located along Massachusetts Street between 6th and South Park. There are wide concrete sidewalks with curbs, light standards, and stop lights at intersections. Most buildings in this district have identical setbacks, usually constructed to the edge of the property line along sidewalks. The primary building materials of the district are brick and stone. Larger, anchored buildings with a more monumental appearance are found at the end of the blocks with smaller one- to two-story buildings situated in the center. The vast majority of buildings in the district are commercial with a distinction between the storefront level and the upper zone. Most of the storefront levels have large display windows flanking an entry which is generally recessed. Second story windows are usually narrower than those on the first floor. Most buildings also have flat roofs with symmetrically arranged facades (Lawrence's Downtown Commercial Historic

District Nomination).

New Structure Comments:

As proposed, the structure contains many valuable elements compatible with the historic fabric of Lawrence's Downtown Commercial Historic District. The zero setback at the sidewalk is consistent with the District. The building also contains a storefront window system, symmetry in façades, a flat roof, and narrower second story windows. The building floors align with the floors of the Eldridge. The modern window systems help to identify the structure as new construction but are compatible with the overall façade of the structure. Decorative detailing and the storefront systems are compatible with the district.

Downtown Urban Conservation Overlay District and Guidelines

The City Commission established the Downtown Urban Conservation Overlay district and it's associated Design Guidelines in 2001. The Design Guidelines were revised and adopted by the City Commission in 2009. The intent of the Downtown Urban Conservation Overlay District and Downtown Design Guidelines is to provide the regulatory authority to ensure that new construction and renovation of existing structures in the Downtown Area is 1) consistent with Downtown Lawrence's character-defining elements; and 2), compliant with National, State, and Local laws regulating the protection of historic properties against adverse impact. The guidelines are not meant to dictate design choices or serve as a checklist for "good" design. They are not meant to force new development into narrowly-defined molds that would recreate only turn of the century architectural forms. Nor are they intended to be applied in such a stringent manner as to prevent creative or contemporary design alternatives. They are intended to be used as a holistic document to achieve the overall goal. It is the intent of these architectural and urban design guidelines to "promote density in Downtown while preserving the established scale and character, recognizing that Massachusetts is the established primary street." The promotion of downtown density while protecting historic resources is identified in Horizon 2020. It is possible to meet the intent of the Design Guidelines while not meeting each specific guideline in the document. Again, staff reviewed this proposal as infill new construction and not as an addition to the Eldridge. While there will be a connection through the party wall, the structure is stand alone and visually separate.

The proposed building at 705-709 Massachusetts Street meets the majority of the design guidelines that pertain to new infill construction in the Urban Conservation Overlay District. It also meets the majority of the General Urban Design Principles and the Street and Landscape Elements. The proposed structure is an urban form that maximizes connectivity and access and uses a creative, architectural style that is both compatible with the existing built environment and recognizable as a new design. The proposed project maintains the existing Downtown vehicular, streetscape, and pedestrian traffic patterns and promotes safety and appeal through appropriate boundaries and transitions. While the site plan has not been submitted or approved, the proposed plan maintains the existing street patterns. The project does not propose the closure of existing streets or alleyways.

Block elements identified in the Design Guidelines and achieved by the proposed construction include commercial use at street level, the main or primary entrance to building is oriented toward a primary street, and the proposed location for the building has a zero front setback from the front property line.

Guidelines for new construction in the Downtown Conservation Overlay District are identified in Section 7 of Chapter 2. Additional guidelines throughout the document identify appropriate materials and design elements that new construction should achieve. The proposed project is multi-story, as recommended by the guidelines. The width of the proposed building's façade fills the entire available space while the divisions of the storefront and upper stories correspond with the traditional divisions of the downtown area. The mass of the new building's facade is broken into a number of smaller bays to maintain a rhythm similar to surrounding buildings. This is particularly true for storefront level facade elements. The new structure is multi story in height and follows the floor level patterns of the adjacent Eldridge. The height does not vary greatly from the Eldridge, but it is taller than the Eldridge. Typically the corner building should be taller and larger in scale. While it is taller than the Eldridge, it is not more than one story taller than the Eldridge. It is, however, four stories taller than 715 Massachusetts Street. The applicant has created a setback for the fourth through sixth floors to help mitigate this impact. The buildings overall proportions are consistent with historic buildings in the overlay district. This infill project fills the entire available space as prescribed by 7.8.

Overall, the building meets the intent of the Downtown Design Guidelines. The only concern for staff is the material selection for the structure. The ARC should work with the applicant on the final material selection for the structure.

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: Nancy H. Longhurst (Please Print)

Signature: Nancy H Longhurst Date: 1/14/15

RESOLUTION NO. 6954

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

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

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

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

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

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

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

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

SECTION THREE: CRITERIA:

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

2. STATUTORY FINDINGS AND OTHER CRITERIA:

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

1. An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation, light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conductive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare;
2. an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use; or
3. an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use.

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

1. the opportunity to promote redevelopment activities which enhance Downtown Lawrence;
2. the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized;
3. the opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base;
4. the opportunity to enhance the vitality of a neighborhood within the City as supported by the City's Comprehensive Plan and/or other sector planning documents;
5. the opportunity to enhance the community's sustainability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.

SECTION FOUR: AMOUNT OF REBATE:

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

SECTION FIVE: PROCESS:

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

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

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

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

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

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

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

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

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

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

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

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

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

Aron E. Cromwell, Mayor

ATTEST:

Jonathan M. Douglass, City Clerk

ORDINANCE NO. 8523

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

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

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

INDUSTRIAL REVENUE BONDS: PURPOSE.

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

SECTION TWO: CRITERIA.

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

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

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

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

SECTION THREE: SPECIAL CONSIDERATION FOR HOUSING AND RETAIL PROJECTS.

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

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

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

SECTION FOUR: PROCEDURES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Adopted this 18th day of May, 2010.

APPROVED:

Mike Amyx, Mayor

ATTEST:

Jonathan M. Douglass
City Clerk

APPROVED AS TO FORM AND LEGALITY:

Toni Ramirez Wheeler, Director of Legal Services