

May 3, 2018

Diane Stoddard, Assistant City Manager
Ms. Britt Crum-Cano, Economic Development
City of Lawrence
6 East 6th Street
PO Box 708
Lawrence, Kansas 66044

RE: Borders Bookstore Grocery Store Project – Updated Incentives Request

Dear Britt:

As we discussed the other day, we promised an update on our formal request for incentives for the grocery store project. The following summarizes the current status of our request, which is an update on my Memorandum dated January 12, 2018:

1. We have withdrawn our request for a low interest or no interest loan with flexible repayment terms to the grocery store operator. We met Monday with Queen's Price Chopper to go over other options to finance the equipment. They are currently analyzing their options.
2. We have revised the building program to include a 112 parking garage on one level under the building. The current plan is that this would be financed as a "pay as you go" basis with the Developer fronting all of the costs of construction of the parking facility, with the TIF district being utilized to repay this investment. The current estimate of TIF eligible costs to be paid by the Developer are approximately \$6.8 million. This includes approximately \$1.1 million in requested land cost reimbursement.
3. We would enlarge the TIF district to include the parking lot to the west across the street that is currently owned by the City of Lawrence. TIF proceeds would then be available to repay the City of Lawrence for a portion of the cost to build this public facility. The municipal parking garage would be paid for by the City, with a share of the TIF proceeds being used to repay the City for a portion of this cost.

Our current estimate of cost of the municipal parking garage is approximately \$5.4 million which would pay to construct 320 parking spaces.

4. Based on our preliminary analysis, we believe we can afford to pay around \$100,000 per year to the City for this cost, over a total of 20 years, so basically \$2 million of the total. We would be willing to provide the City with the first cut of these revenues, such that there would not be much risk, if any, that these proceeds would not be available to the City.
5. We propose to structure the deal so that if the TIF generates greater than expected return, a higher payment would be made to the City to help it repay the cost of the municipal parking garage.
6. We have requested that the City pay a slightly higher reimbursement rate, 6% instead of the expected 5.5% financing rate, in order for us to be able to close our rent gap with the grocery store operator. This may need to increase if we determine that the grocery store operator is unable to cover the cost of the grocery store equipment financing, which is the problem created by withdrawal of the low interest flexible loan request.
7. As we have discussed a number of times, we need the City's agreement to relinquish the parking spaces next to Hobbs Taylor so that we can secure its agreement to revise the covenants.

Thank you for consideration of this matter.

Very Truly Yours,

William N. Fleming, Esq.
General Counsel