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Real Estate Appraisal Report

of:

**Sports Pavilion Lawrence
100 Rock Chalk Lane
Lawrence, Kansas 66049**

Prepared For:

**Mr. Brandon McGuire
Assistant to the City Manager
City of Lawrence
6 E. 6th Street
Lawrence, KS 66044**



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December 2, 2014

Mr. Brandon McGuire
Assistant to the City Manager
City of Lawrence
6 E. 6th Street
Lawrence, KS 66044

Re: Appraisal Report #A-2014-619
Property: Sports Pavilion Lawrence
100 Rock Chalk Lane
Lawrence, Kansas 66049

Dear Mr. McGuire:

I am pleased to transmit this appraisal report communicating my opinion of the insurable value of the fee simple interest in the property identified above as of November 19, 2014. **Please note that insurable value does not include the value of the underlying land.** The value opinion reported is qualified by certain limiting conditions and certifications, which are set forth in Sections 1 and 9 of this report.

This report was prepared for, and our professional fee billed to City of Lawrence. It is intended for use only by the parties named above.

This appraisal has been prepared in accordance with my interpretation of the Uniform Standards of Professional Appraisal Practice (USPAP), and the appraisal policies and procedures of the client.

Respectfully submitted,

Brian A. Klahr, MAI
Certified General Real Property Appraiser
Kansas #G-1308

BAK/bak
Enclosures



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Section One - Summary of Salient Facts

EXECUTIVE SUMMARY



Type of Property:	Community/Recreation Center
Property Address:	100 Rock Chalk Lane Lawrence, Kansas 66049
Legal Description:	Lot 2, Rock Chalk Park Addition #1, City of Lawrence, Douglas County, Kansas. – See Deed in Addenda.
Site Area:	1,141,272 sq.ft. (26.20 acres)
Improvements:	Two-story, community/recreation center building of pre-cast concrete panels construction; 180,661 sq.ft. GBA; built in 2014.
Zoning:	“GPI” - General Public & Institutional Use District.
Highest and Best Use:	
“As Vacant”:	Hold for future development.
“As Improved”:	Continued Use
Property Rights Appraised:	Fee Simple Estate
Date of Inspection:	November 19, 2014



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Effective Date of Valuation: November 19, 2014

Furniture, Fixtures
& Equipment: None

Estimated Market
Exposure Time: 6 to 12 months

Estimated Marketing Time: 6 to 12 months

VALUE OPINIONS AND CONCLUSIONS

Income Approach.....	Not Applicable
Sales Comparison Approach.....	Not Applicable
Cost Approach.....	\$18,100,000
Final Opinion of Insurable Value - As Is.....	\$18,100,000

- *Please refer to the Extraordinary Assumptions & Hypothetical Conditions in Section 1 and the Contingent & Limiting Conditions in Section 9.*



TAXES & ASSESSMENT ANALYSIS

Current Valuations & Taxes

Commercial Real Estate in the State of Kansas is assessed at 25% of *Market Value*. Real estate taxes are paid in arrears, so the current taxes for the subject property are for the 2014 tax year. Taxes are typically paid twice per year, with the first half of the payment made in December and the second half made in May of the following year. The Douglas County Appraiser's Office has valued the property as shown in the following table.

County Appraised Valuations / Assessed Valuations / General Taxes							
Parcel ID	2014 Appraised Value			2014 Assessed Value			General Taxes
	Land	Impr.	Total	Land	Impr.	Total	
023-069-29-0-00-00-002.00-0	\$ 749,760	\$ 15,749,870	\$ 16,499,630	\$ 187,440	\$ 3,937,468	\$ 4,124,908	\$ -
Totals	\$ 749,760	\$ 15,749,870	\$ 16,499,630	\$ 187,440	\$ 3,937,468	\$ 4,124,908	\$ -
2014 Mill Levy:	-	mills					
2014 Specials:	\$	-					
Delinquent Taxes:		None					

Source: County records.

Note that the Improvement value for 2014 was estimated based on a condition in which the subject improvements were still under construction and do not represent a completed value.



DEFINITIONS AND CONCEPTS

Property Rights Appraised: Property rights appraised include the fee simple interest. *Fee simple estate* is defined as an absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.¹

Purpose of the Appraisal: To estimate *Market Value* of the subject property as of the effective date of the appraisal.

Standard of Value - Insurable Value: A type of value for insurance purposes.² **Please note that insurable value does not include the value of the underlying land.** [See *Property Choice Coverage Form in Addenda for details regarding coverage.*]

Intended Use of the Appraisal: The intended use of this appraisal is to document the insured value of the subject property for the City of Lawrence.

Intended Users of the Appraisal Report: City of Lawrence

¹ The Dictionary of Real Estate Appraisal - Fifth Edition, (© the Appraisal Institute, 2010.)

² The Dictionary of Real Estate Appraisal - Fifth Edition, (© the Appraisal Institute, 2010.)



SCOPE OF WORK

The *Scope of Work Rule* of USPAP states that for each appraisal, appraisal review and appraisal consulting assignment, an appraiser must:

1. identify the problem to be solved;
2. determine and perform the scope of work necessary to develop credible assignment results; and
3. disclose the scope of work in the report.³

USPAP does not require a scope of work section, but requires the scope of work to be disclosed throughout the report. This section is presented as an outline to the scope of work performed, but the user should read the entire report to fully understand the scope of work.

This appraisal has been prepared in accordance with my interpretation of the Uniform Standards of Professional Appraisal Practice (USPAP), and the appraisal policies and procedures of the client.

Site Visit	Brian A. Klahr, MAI observed the interior and exterior of the subject property on November 19, 2014. Mr. Lynn Applegate, Building @ Aquatics Maintenance Supervisor for the City of Lawrence Parks & Recreation Department accompanied the appraiser during the site visit and provided information relevant to the appraisal. The site visit was limited to a cursory tour of the property, and does not include a thorough analysis of the systems and components (including but not limited to structural, mechanical, electrical, and plumbing). The roof, crawl space (if applicable), and other inaccessible areas were not inspected. Any rating reported of a component or the property as a whole (i.e. good, average, fair, poor), or estimate of effective age and remaining life is subjective in nature and intended to communicate how the property compares to other properties in its market segment. Such a rating should not be construed as an expert opinion of the quality of the components, and should not be used as a basis for estimating maintenance and replacement schedules. The subject is an existing community/recreation center known as Sports Pavilion Lawrence.
Measurements	Land area per Douglas County measurements. Gross building area per County. Net rentable area per County.
Income Approach	The income approach is not necessary to produce a credible opinion of insurable value and was not applied in this appraisal. This omission was discussed with the client and agreed upon before completing this assignment, and it does not have a material impact on my opinion of insurable value.
Sales Comparison Approach	The sales comparison approach is not necessary to produce a credible opinion of insurable value and was not applied in this appraisal. This omission was discussed with the client and agreed upon before completing this assignment, and it does not have a material impact on my opinion of insurable value.
Cost Approach	Land value was not estimated or included in this estimate of insurable value. In the cost approach, replacement cost new was estimated based on figures from the Marshall Valuation Service Cost Manual. The actual construction costs as well as architects' estimates and bids from eight contractors were also considered. Given the

³ Uniform Standards of Professional Appraisal Practice - 2014-2015 Edition, © The Appraisal Foundation, p. U-13.



	circumstances under which the subject property improvements were constructed, the actual cost figures do not necessarily reflect a reliable estimate of the cost to replace the improvements.
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I have not previously appraised the property that is the subject of this report within the last three years.

Public information was obtained from online services of the local county courthouse and city and state offices. Market data was obtained from a variety of sources including:

- *Marshall Valuation Service*, published by Marshall & Swift
- Local appraisal and brokerage offices and other market participants

Information Requested by &/or Provided to the Appraiser:

- Definition of insurable value
- Site Survey/Plan
- Building Layout Sketches
- Actual construction costs

Extraordinary Assumptions and Hypothetical Conditions:

No extraordinary assumptions or hypothetical conditions were utilized in this appraisal.

HISTORY OF THE PROPERTY

Sales History

History of Ownership information on the subject property was obtained from various on-line services and offices of Douglas County. Transfers of ownership are recorded in the Register of Deeds Offices. The current owner of record is City of Lawrence.

The City of Lawrence bought this tract from RCP, LLC for \$784,050 (\$29,926 per acre) on August 8, 2013. This was a private sale. The city had previously agreed to build a new recreation center on the site as part of the larger Rock Chalk Park development planned by the University of Kansas.

RCP, LLC had purchased the subject site as part of a larger 108.8 acre tract from Fairway, LC on December 20, 2012 for \$3,233,040; this calculates to \$29,715 per acre. The sale is considered to be an arm’s length transaction. The buyer planned to develop the site as a sports complex for the University of Kansas, including track & field, soccer & softball facilities.

No other transfers of ownership have been recorded during the last three years.

Recent/Planned Capital Expenditures

According to information provided by the client, the subject property was built for \$10,500,000; this calculates to \$58.12 per sq.ft. Competing bids were obtained.

Encumbrances

A title search has not been authorized by the client, nor does the appraiser make any representations as to quality or transferability of title.

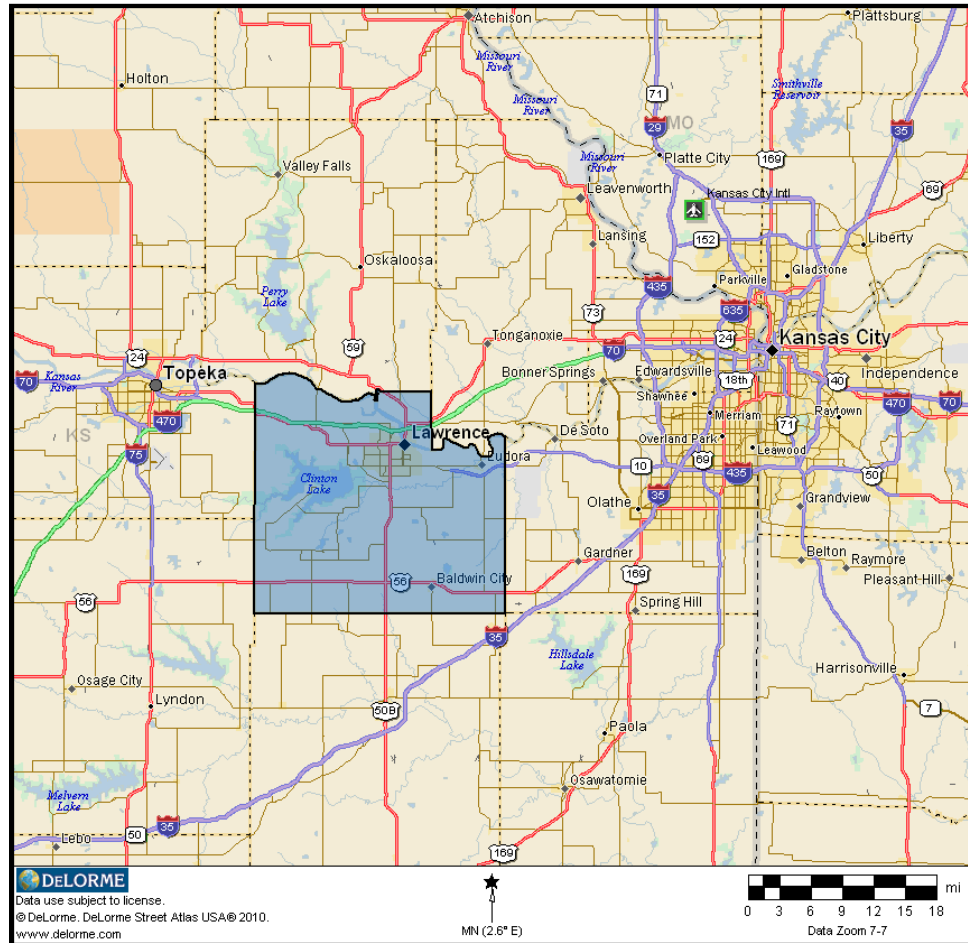


Section Two - Regional / Local Market Analysis

LAWRENCE / DOUGLAS COUNTY MARKET ANALYSIS SUMMARY

The City of Lawrence, the county seat of Douglas County, is located in northeast Kansas along the Kansas River approximately 35 miles west of metropolitan Kansas City and 20 miles east of Topeka, Kansas. In 2010, Lawrence had a population of approximately 87,650 people with nearly 111,000 in Douglas County. Population growth is projected to be around 10% through 2015.

The City of Lawrence benefits from excellent highway accessibility. Interstate 70 (The



Kansas Turnpike) travels east-west throughout the northern portion of the city and provides access to Lawrence through three interchanges as well as access to Topeka and Kansas City. U.S. Highway 59 is a regionally significant north-south arterial corridor that travels through the center of the city. U.S. Highways 24 & 40 travel east-west through the north half of the city. Kansas Highway 10 (K-10) is a four-lane freeway connecting Lawrence to the south Kansas City metro area via 23rd Street.

Lawrence is the home of the University of Kansas, which has an enrollment of over 23,000 in Spring 2013; this accounts for over 26% of the population of Lawrence. Additionally, Haskell American Indian Junior College has an enrollment of approximately 920 students and Baker University, located in Baldwin City in southern Douglas County, has an enrollment of approximately 850 students. Lawrence Public School District No. 497 is served by 15 elementary schools, 3 middle schools, and two public high schools.

A major source of employment in Lawrence comes from education related professions. It is estimated that nearly one quarter of the work force is employed in the field of education. Unemployment in the Lawrence area has historically trended lower than Kansas City, Topeka & Wichita MSA's as well as Kansas & the United States.



Like much of the country, the Lawrence economy slowed considerably with the national recession, particularly in new home construction. However, new development in both the commercial and residential sectors has improved recently.

Conclusion

The City of Lawrence enjoys the advantages of a small mid-western town, along with the recreational, cultural, educational, and spectator sports advantages of a large university. In addition, the city enjoys an excellent location in relation to metropolitan Kansas City and Topeka. Development momentum continues to build, including construction of the eastern leg of the South Lawrence Trafficway, Rock Chalk Park, the Library expansion, Venture Business Park on K-10, and various Downtown mixed-use projects. All of these projects are expected to provide a positive environment for job creation in Lawrence.



Section Three - Property Description

SITE DESCRIPTION

Site Area:	1,141,272 sq.ft. (26.20 acres)
Zoning:	"GPI" - General Public & Institutional Use District. The existing use is conforming within this district.
Easements & Restrictions:	Easements of record and building setbacks are noted on the accompanying Plat Map; typical setbacks as required by zoning are assumed.
Encroachments:	None were noted.
Flood Zone:	Zone X. Exact flood elevation should be determined by a qualified surveyor.
Utilities:	All available.
Environmental Considerations:	None are noted.
Nuisances or Hazards:	None are noted.
Accessibility / Visibility:	Access to the site is average; visibility is average.

DESCRIPTION OF THE IMPROVEMENTS

Type of Property:	Community/Recreation Center
Number of Buildings:	One
Number of Stories:	Two
Gross Building Area:	180,661 sq.ft.
Year Built:	2014
Economic Life:	40 years
Effective Age:	0 years
Remaining Economic Life:	40 years
Construction Quality:	Average, Class C - Masonry
Condition:	Good to Excellent
Building Layout:	The building is partitioned into a main entry foyer, 8 basketball/sport courts, 1/8 mile indoor track, gymnastics area, indoor soccer field, weight room, cardio/fitness area, fitness studio, snack bar, meeting rooms, a multi-purpose room,



restrooms, changing rooms, and various storage and mechanical areas. Layout is well suited for rec center uses.

Interior Finishes:

Floor coverings include carpet, tile, hardwood, rubber, and artificial turf; painted drywall and concrete block walls; 2'x2' and 2'x4' inlaid acoustical tiles, exposed frame and insulation ceilings.

Foundation:

Concrete slab on ground level; upper level is poured concrete on a metal deck. Some cracking was noted in the eastern portion of the mezzanine level concrete.

Exterior Walls / Roof:

Class C - Masonry structure with pre-cast concrete panels exterior and a thermoplastic polyolefin (TPO) roof.

Electrical:

3-phase

Lighting:

Fluorescent and Incandescent

HVAC:

Central HVAC

Site Improvements:

The site does have ample parking and several tennis courts; however, they are not included in the calculation of insurable value..

**Items of
Deferred Maintenance:**

None were reported by the property contact, nor were any noted by the appraiser.

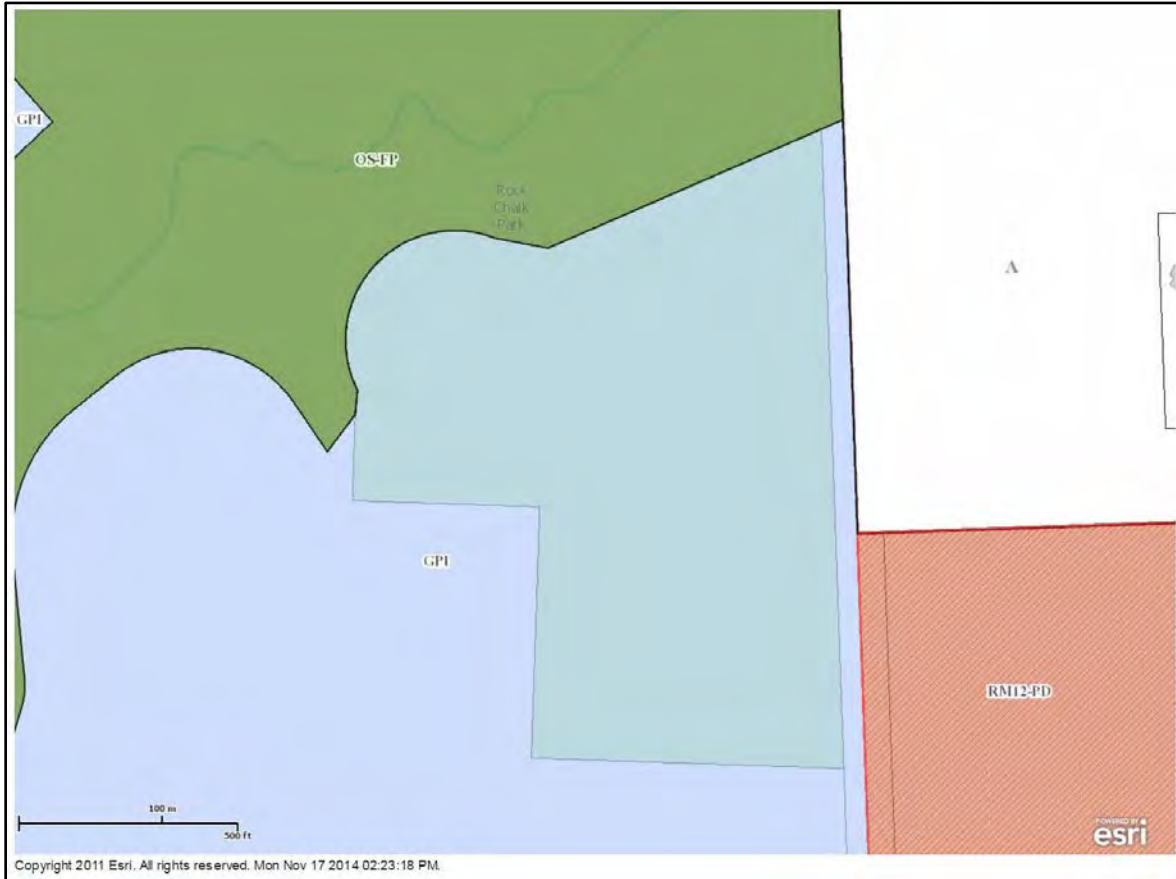
FF&E:

No personal property is included in the opinion of market value reached in this report.





ZONING MAP

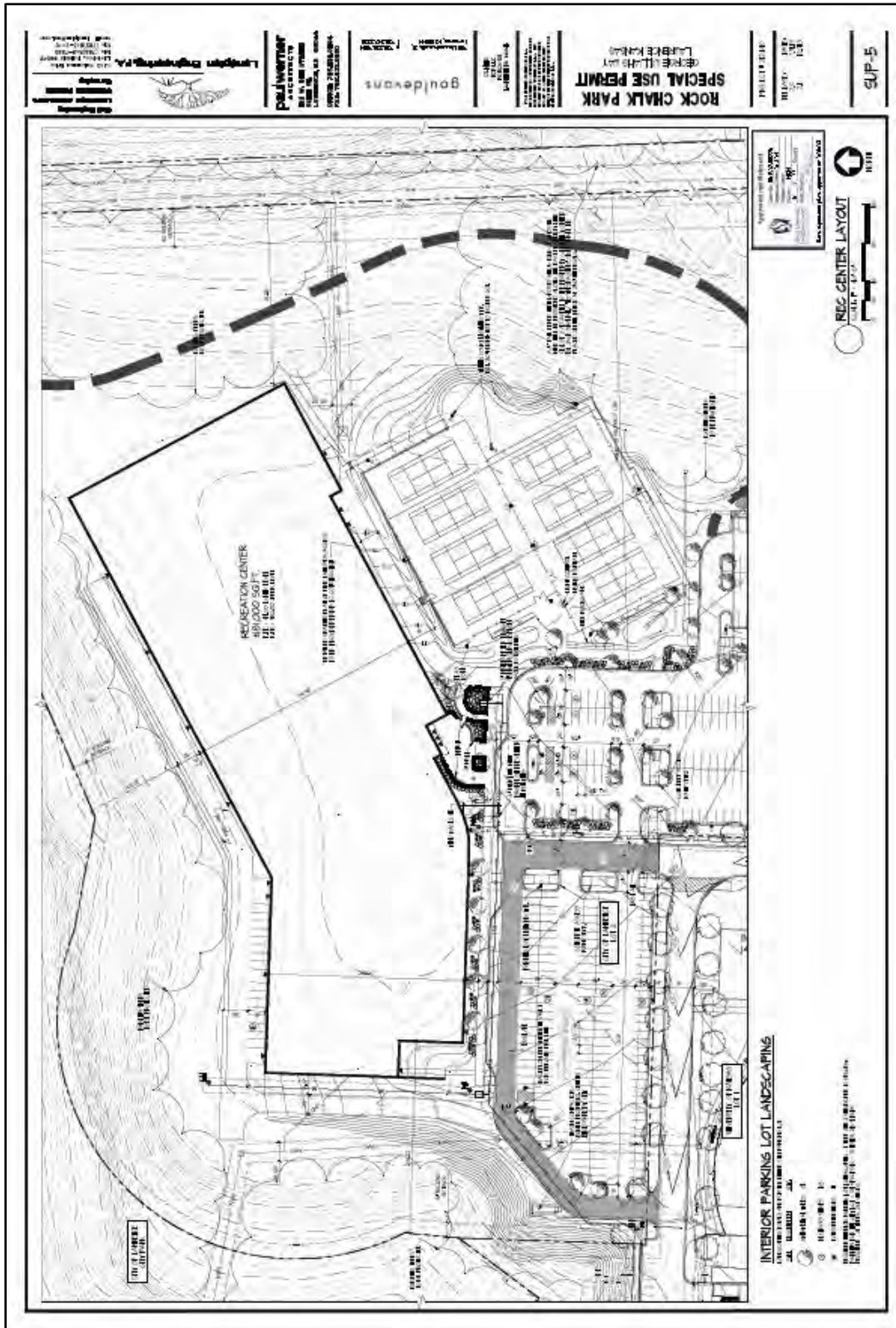


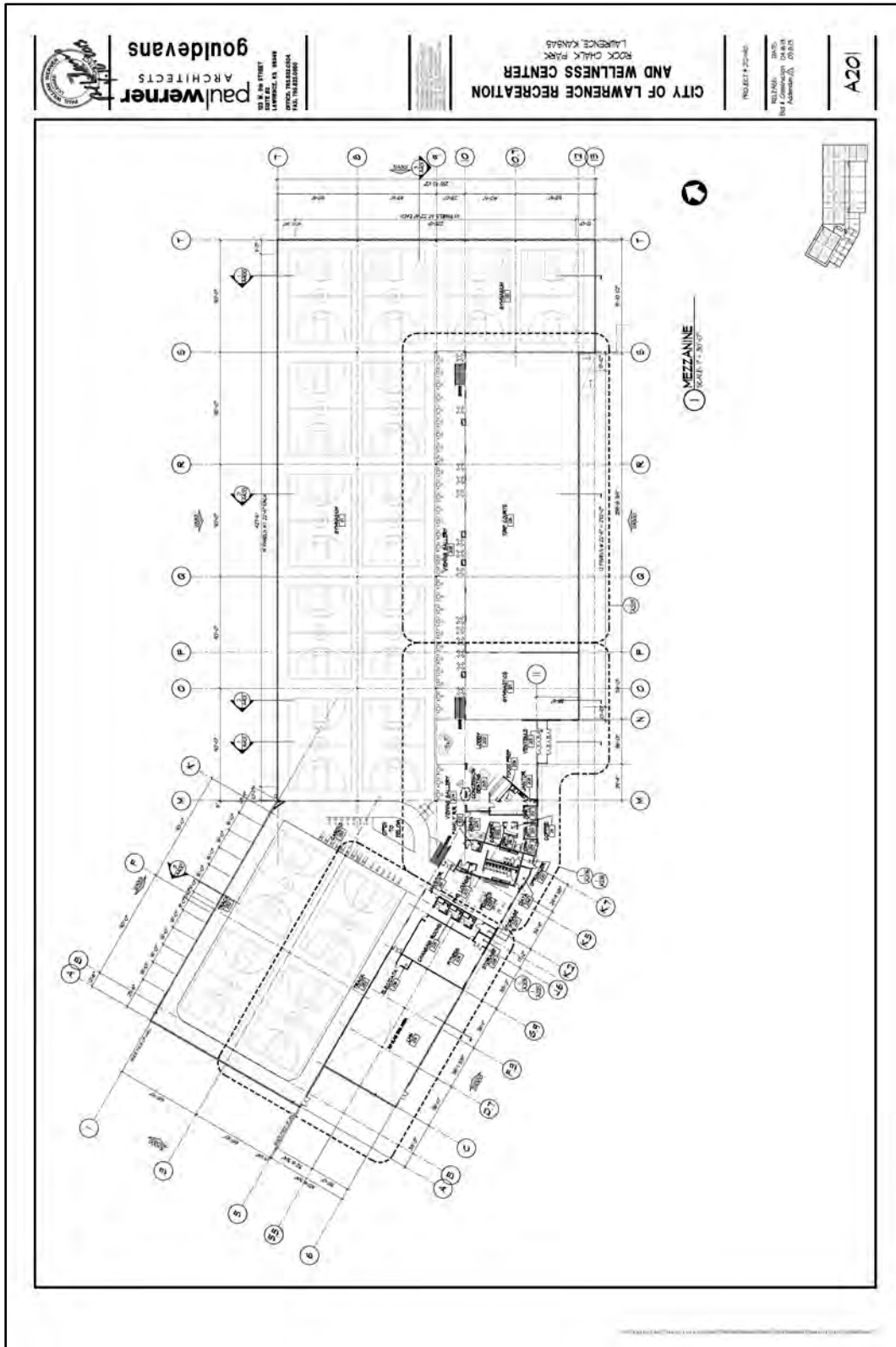


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FLOOD MAP







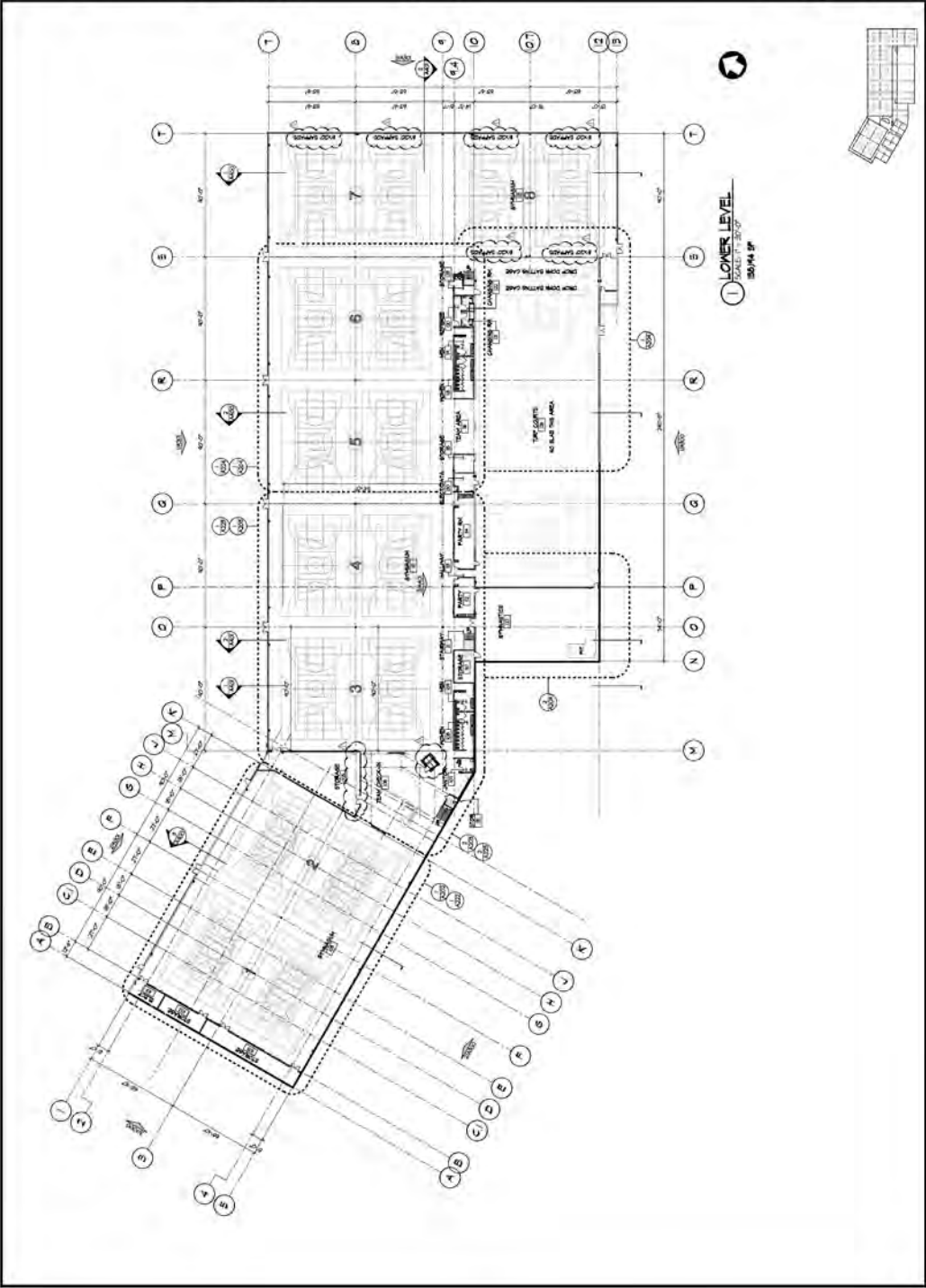


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**CITY OF LAWRENCE RECREATION
AND WELLNESS CENTER**
ROCK CHALK PARK
LAWRENCE, KANSAS

PROJECT # 22-140
DATE: 08/20/2022
REVISION: 03
DRAWN BY: [Name]
CHECKED BY: [Name]

A200



SUBJECT PHOTOS



South Side



South Side



West Side



North Side



North Side



East Side



Mezzanine Level



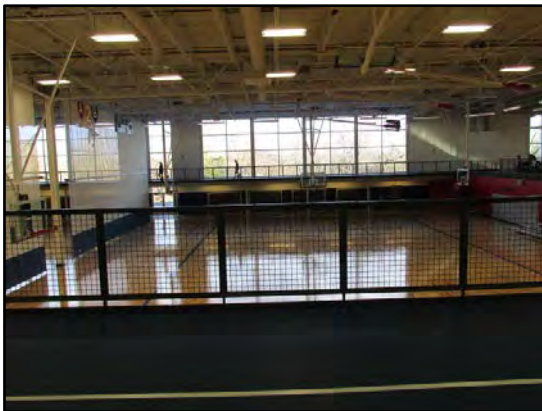
Cardio/Fitness Area



Fitness Studio



Sport Court



Sport Court



Sport Court



Meeting Room



Snack Bar



Snack Bar Kitchen



Restroom



Changing Room



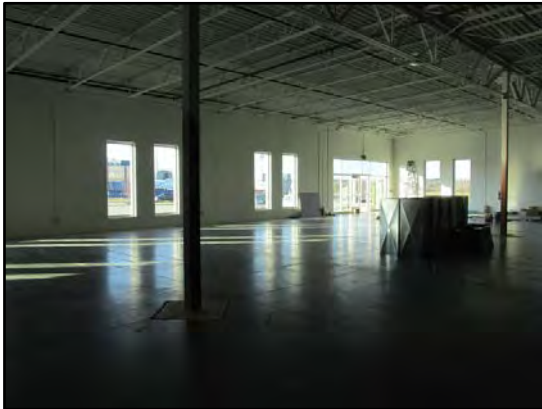
Office



Work Area



Indoor Soccer Field



Multi-Purpose Room



Mezzanine



Gymnastics Room



Elevator



Weight Room



Storage Area



Section Four - Highest and Best Use / The Appraisal Process

HIGHEST AND BEST USE ANALYSIS

Highest and best use is that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, it is that use, from among legally permissible, physically possible and reasonably probable uses, found to be economically and financially feasible, and which results in the most profitable of the alternatives.

Four questions must be answered in determining Highest and Best Use.

Highest and Best Use as Vacant

Physically Possible Uses – To what uses is it physically possible to put the subject site?

- The subject is an irregular shaped tract containing 1,141,272 sq.ft. (26.20 acres) of site area located in northwest Lawrence. The site is of sufficient size and suitable configuration to allow for a variety of residential and commercial uses if planned carefully.
- Access is average. Visibility is average. Topography is level to sloping and drainage is adequate. Aside from its size, there are no significant physical limitations that would impact my opinion of highest and best use.

Legally Permissible Uses – What uses are permitted by zoning and deed restrictions on the subject site?

- The site is zoned “GPI” – General Public & Institutional Use District. The GPI District is a Special Purpose Base District primarily intended to accommodate Institutional Uses occupying significant land areas but not appropriate for development in the H District or on property designated on the official zoning map as U. The District regulations are designed to offer the institution maximum flexibility for patterns of uses within the District while ensuring that uses and development patterns along the edges of the District are compatible with adjoining land uses.
- I am not aware of any deed, or other restrictions that would legally limit the use of the site.

Financially Feasible Uses – Which possible and permissible uses will produce any net return to the owner of the subject site?

- The property is located in a growing area of northwest Lawrence. The most financially feasible uses would include those that do not require highway frontage but would benefit from a location with access to the highway system via secondary arterial streets.
- Public facilities such as the subject are not typically constructed with financial feasibility as a primary motivation; as such, this criteria does not apply to the current use of the subject site as a community recreation center.

Optimal (Highest and Best) Use – Among the feasible uses, which use will produce the highest net return or result in the highest present worth?

- The use that results in the maximum profitability of the site is beyond the scope of this assignment. The recipient of the property’s productivity (e.g., the lender, equity investor, the public, etc.) greatly determines what the use should be. Regardless, the use for the subject should conform to the neighborhood trends and be consistent with existing land uses.
- Given the subject’s location, the site would likely be held for future residential or commercial development. There is ample land available for development in the area;



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highest and best use for the subject as vacant is to hold for future development. Complimentary land uses such as the existing community recreation center use, while they do not meet the financial feasibility standard, do serve to meet the needs of the community.

Highest and Best Use as Improved

The existing improvements are consistent with the highest and best use as vacant. There are no apparent uses that would justify razing the existing improvements in favor of an alternate use. It is my opinion that highest and best use of the subject as improved is for continued use.

THE APPRAISAL PROCESS

An appraisal is an estimate or opinion of value. This appraisal report sets forth the opinion of value of the described property as of a specified date, supported by the presentation and analysis of relevant data. The date of the appraisal is the specified date as of which the value opinion is applicable and valid. The date of the appraisal identifies the market conditions that existed when the appraisal was made. Three basic approaches to value are used. They are the income approach, sales comparison approach, and the cost approach.

Income Approach

The income approach is the process by which anticipated benefits (dollar income or amenities) are discounted to a present worth estimate through capitalization. Income capitalization is the process of converting into present value a series of periodic installments of net income. The steps in this approach include estimating potential gross income by comparison with competing properties and subtracting applicable operating expenses estimated from historical and/or market experience to reach a projected net income stream. Capitalization rates are extracted from competitive properties in the market or are developed by a consideration of interest rates currently offered on similar properties and the returns that investors require on similar real estate investments in the current marketplace. The resulting rates are then used to capitalize the income stream into an opinion of value.

Sales Comparison Approach

The sales comparison approach involves the comparison with the subject property of similar properties that have recently been sold or similar properties currently on the market. Differences in time of sale, age, location, physical characteristics (including amenities offered), and conditions influencing sale, including market conditions and any special financing conditions, are analyzed. Differences in the comparable properties are adjusted to the subject property to indicate a range of value for the property being appraised. These adjustments are extracted from the market, based on actions of typical buyers and sellers in the subject's market. The value range is then correlated into an opinion of value for the subject property.

Cost Approach

The cost approach is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. In this approach, the appraiser must first develop an opinion of value for the subject site by comparison with similar sites that have recently sold or are currently on the market. Replacement cost new of improvement is estimated by comparison to similarly constructed properties through use of cost tables prepared by a valuation service such as *Marshall Valuation Service*, published by Marshall & Swift Company. Depreciation from all sources is estimated and subtracted from replacement cost new to arrive at the present worth of the improvements, including depreciated value of the site improvements. The depreciated cost of the improvements is then added to the value of the land to reach an opinion of value by the cost approach.

Reconciliation and Final Value Opinion

The value opinions, as indicated by the three approaches, are then correlated into a final opinion of the worth of the property. Reconciliation is the process by which the appraiser weighs the relative significance, defensibility, and applicability of each approach as it pertains to the type of property being appraised. By this process, the appraiser selects from among the alternative conclusions or indications to reach a final value opinion.



It should be noted that while all applicable approaches should have some reasonable correlation, specific adjustments will not be exactly the same in each approach. This is because each approach provides market value of the property being appraised by measuring different types of market data and different market participants. For example, the location adjustment for the subject site in the cost approach may not be the same amount of adjustment (dollar or percentage) as in the sales comparison approach. This is because the purchasers of vacant land look at the land as having a larger choice of potential improvements or uses; it has greater possible utility as a vacant site. The purchaser of an existing improved property is limited to a smaller number of choices as defined by the existing improvements. And in the income approach, a prospective tenant will have a different interpretation of location based on his or her own desires and the particular leasable space, not the whole improvement or the consideration of the site as vacant. Detailed explanations and processes for each reliable approach to value follow in this report.



Section Five - Income Approach

The income approach is not necessary to produce a credible opinion of insurable value and was not applied in this appraisal. This omission was discussed with the client and agreed upon before completing this assignment, and it does not have a material impact on my opinion of insurable value.



Section Six - Sales Comparison Approach

The sales comparison approach is not necessary to produce a credible opinion of insurable value and was not applied in this appraisal. This omission was discussed with the client and agreed upon before completing this assignment, and it does not have a material impact on my opinion of insurable value.



Section Seven - Cost Approach

The cost approach is that approach in appraisal analysis, which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unusual or specialized improvements are located on the site and for which no comparable properties exist in the marketplace.

REPLACEMENT COST NEW OF IMPROVEMENTS

Direct and Indirect Costs -

The replacement cost new of the subject's improvements was calculated using information contained in the *Marshall Valuation Service*. The total replacement cost of all improvements contains a combination of both direct costs and indirect costs. If available, we compare the *Marshall Valuation* cost estimate to actual contractor bids or 'as-built' construction costs.

Direct Costs (or hard costs) are expenditures for the labor and materials used in the construction of improvements.⁴

Indirect Costs (or soft costs) are expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk-insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale.⁵

What the Costs Contain

1. The actual costs used are final costs to the owner and will include average architect and engineer's fees. These, in turn, include plans, plan check and building permits, and surveying to establish building lines and grades;
2. Normal interest on only the actual building funds during period of construction and processing fee or service charge is included. Typically, this will average half of the going rate over the time period plus the service fee;
3. All material and labor costs including all appropriate local, state and federal sales or GST taxes, etc.;
4. Normal site preparation including finish, grading and excavation for foundation and backfill for the structure only;
5. Utilities from structure to lot line figured for typical setback;
6. Contractor's overhead and profit including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities, security, etc., are included.

What the Costs Do Not Contain

1. Costs of buying or assembling land such as escrow fees, legal fees, property taxes, right of way costs, demolition, storm drains, or rough grading, are considered costs of doing business or land improvement costs;
2. Piling or hillside foundations are priced separately and are considered an improvement to the land. This also refers to soil compaction and vibration, terracing, etc.;

⁴ *The Dictionary of Real Estate Appraisal - Fifth Edition*, (© by the Appraisal Institute, 2010).

⁵ *The Dictionary of Real Estate Appraisal - Fifth Edition*, (© by the Appraisal Institute, 2010).



3. Costs of land planning or preliminary concept and layout for large developments inclusive of entrepreneurial incentives or developer's overhead and profit are not included, nor is interest or taxes on the land, feasibility studies, certificate of need, environmental impact reports, hazardous material testing, appraisal or consulting fees, etc.;
4. Discounts or bonuses paid for financing are considered a cost of doing business, as are funds for operating start up, project bond issues, permanent financing, developmental overhead or fixture and equipment purchases, etc.;
5. Yard improvements including septic systems, signs, landscaping, paving, walls, yard lighting, pools, or other recreation facilities, etc. have been priced separately from the building cost computations;
6. Off-site costs including roads, utilities, park fees, jurisdictional hook-up, tap-in, impact or entitlement fees and assessments, etc.;
7. Furnishings and fixtures, usually not found in the general contract, that are peculiar to a definite tenant, such as seating or kitchen equipment, etc.;
8. Marketing costs to create first occupancy including model or advertising expenses, leasing or broker's commissions, temporary operation of property owners' associations, fill-up or membership sales costs and fees.⁶

Marshall RCN Figures

Using the *Marshall Valuation Service Cost Manual*, the replacement cost new of the improvements are calculated as shown in the spreadsheet on the following page. Base cost figures were taken from Section 16 – Churches, Theaters and Auditoriums. It is important to note that the Marshall construction class categories correspond to the type of construction and not necessarily the local investment class. Refinements were made to the base cost for time (current multiplier), geographical (local multipliers), and shape (perimeter multiplier). Further adjustments were made for additions or subtractions to the base costs for physical features such as HVAC, sprinkler systems, and site improvements like utility buildings, paving and landscaping, as well as furniture, fixtures & equipment.

Entrepreneurial Incentive & Profit -

Entrepreneurial incentive is a market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk.⁷ The difference between the total cost of a property (cost of development) and its market value (property value after completion) represents the entrepreneur's compensation for the risk and expertise associated with development.⁸ The difference between incentive and profit is subtle. Entrepreneurial incentive is what the entrepreneur *expects* to receive while entrepreneurial profit is what the entrepreneur *actually* receives.

Typically, the location & size of the improvements, quality and cost of construction, quality of the tenants, and the supply and demand in the marketplace determines the amount or percentage of entrepreneurial profit. Public facilities like the subject property are not developed to maximize investment returns on the real estate. Rather they are typically constructed for owner occupancy to serve the needs of a community and minimal return to the real estate is anticipated for the investors. As such no entrepreneurial incentive has been included.

Total replacement cost new as estimated using Marshall Valuation Service totals \$18,086,751.

⁶ Marshall & Swift. *Marshall Valuation Service*. Los Angeles: Marshall & Swift, 2001.

⁷ *The Dictionary of Real Estate Appraisal - Fifth Edition*, (© by the Appraisal Institute, 2010).

⁸ *The Dictionary of Real Estate Appraisal - Fifth Edition*, (© by the Appraisal Institute, 2010).



Replacement Cost New						
Direct and Indirect Costs -						Marshall Valuation
Building Cost Computations:						Service
						Sec. Pg. Date
Community Recreation Centers - Class C - Average	138,194 sq.ft.	x	\$120.59 /sq.ft.	= \$	16,664,814	16 18 08-13
ADD: Fire Sprinkler System (Average)	138,194 sq.ft.	x	\$2.21 /sq.ft.	= \$	305,409	16 25 08-13
SUBTOTAL				\$	16,970,223	
Adjustment - Floor Area Multiplier				x \$	0.930	16 26 08-13
SUBTOTAL				\$	15,782,308	
ADD: Mezzanine Level - Class CDS - Average	42,467 sq.ft.	x	\$22.81 /sq.ft.	= \$	968,672	16 18 08-13
ADD: Fire Sprinkler System (Average)	42,467 sq.ft.	x	\$2.21 /sq.ft.	= \$	93,852	16 25 08-13
ADD: Passenger Elevator - Average	1 unit	x	\$49,200 /unit	= \$	49,200	16 25 08-13
SUBTOTAL				\$	16,894,032	
Adjustment - Current Multiplier				x \$	1.01	99 3 10-14
Adjustment - Local Multiplier - Lawrence, KS				x \$	1.06	99 7 10-14
Total Replacement Cost - Building Improvements:				\$	18,086,751	
Entrepreneurial Incentive -						
Developer's Overhead and Profit:		0.0% x	\$ 18,086,751	\$	-	
Total Direct Cost / Indirect Cost / Profit:				\$	18,086,751	

COMPARISON WITH ACTUAL COST BIDS/ESTIMATES

According to information provided by the client, the subject property was built for \$10,500,000; this calculates to \$58.12 per sq.ft. Cost estimates and bids were obtained from two architectural firms and eight construction companies. These cost estimates are summarized below.

Bids for Recreation Center at Rock Chalk Park received on May 15, 2013	
Architect's estimates:	
Gould Evans Architects:	18,462,000
Penzler Architects:	20,700,697
Bidder: Bid	
Burns & McDonnell	\$12,351,000
Mason & Hanger	\$12,787,424
McPherson	\$12,150,000
Murray & Sons	\$13,577,100
Excel	\$13,380,000
Titan	\$11,702,000
Crossland	\$10,779,000
Gene Fritzel Construction	\$10,500,000
McTech	\$12,611,000



CONCLUSION TO THE COST APPROACH

The costs represented above provide an indication of insurable value for the fee simple estate in the property "as is". Consideration is given to both the cost calculated using the Marshall Valuation Service Cost Manual and the various construction cost estimates and bids from the project.

In conclusion, my opinion of insurable value of the fee simple estate in the subject property "as is", exclusive of FF&E, by the cost approach, as of the effective date of this appraisal, is estimated and rounded as follows:

\$ 18,100,000

EIGHTEEN MILLION ONE HUNDRED THOUSAND DOLLARS

- *Please refer to the Extraordinary Assumptions & Hypothetical Conditions in Section 1 and the Contingent & Limiting Conditions in Section 9.*



Section Eight - Reconciliation and Final Value Opinion

Reconciliation is the process by which the appraiser weighs the relative significance, defensibility, and applicability of each approach as it pertains to the type of property appraised. The detailed analysis of all pertinent facts and data which were assembled and verified and which were considered to influence the value of the subject property have led to the following value estimates.

VALUE OPINIONS AND CONCLUSIONS

Income Approach.....	Not Applicable
Sales Comparison Approach.....	Not Applicable
Cost Approach.....	\$18,100,000
Final Opinion of Insurable Value - As Is.....	\$18,100,000

- *Please refer to the Extraordinary Assumptions & Hypothetical Conditions in Section 1 and the Contingent & Limiting Conditions in Section 9.*

Income Approach

The income approach is not necessary to produce a credible opinion of insurable value and was not applied in this appraisal. This omission was discussed with the client and agreed upon before completing this assignment, and it does not have a material impact on my opinion of insurable value.

Sales Comparison Approach

The sales comparison approach is not necessary to produce a credible opinion of insurable value and was not applied in this appraisal. This omission was discussed with the client and agreed upon before completing this assignment, and it does not have a material impact on my opinion of insurable value.

Cost Approach

In the cost approach, replacement cost new was estimated based on figures from the Marshall Valuation Service Cost Manual. The actual construction costs as well as architects' estimates and bids from eight contractors were also considered. Given the circumstances under which the subject property improvements were constructed, the actual cost figures do not necessarily reflect a reliable estimate of the cost to replace the improvements.

Conclusion to Value

The cost approach to value has been given sole consideration in this analysis. As a result of my investigation and analyses, it is my opinion that the market value of the legal interests appraised herein, exclusive of FF&E, is estimated to be:

\$ 18,100,000
EIGHTEEN MILLION ONE HUNDRED THOUSAND DOLLARS

- *Please refer to the Extraordinary Assumptions & Hypothetical Conditions in Section 1 and the Contingent & Limiting Conditions in Section 9.*



ESTIMATED MARKET EXPOSURE TIME

The market exposure time is presumed to precede the effective date of appraisal. Exposure time may be defined as follows: *The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.*⁹ Exposure time is a function of price, time and use. It must be noted that the concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but adequate, sufficient and reasonable effort.

The estimated exposure time presented herein is based on analysis of the following factors:

- statistical information about days on market;
- information gathered through sales verification;
- interviews with market participants; and
- anticipated changes in market conditions.

Based on the data presented in this report, and the fact that the market value estimated herein is representative of a price based on current acceptable returns indicated by market participants, the reasonable exposure time for the subject property would be approximately 6 to 12 months, given adequate marketing efforts.

ESTIMATED MARKETING TIME

At the request of the client, I have also provided my opinion of an estimated marketing time for the subject property. The reasonable marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date on an appraisal.¹⁰

Based on the data presented in this report, and the fact that the market value estimated herein is representative of a price based on current acceptable returns indicated by market participants, a reasonable marketing time for the subject property based on my opinion of market value would be approximately 6 to 12 months, given adequate marketing efforts.

⁹ Uniform Standards of Professional Appraisal Practice - 2014-2015 Edition, © The Appraisal Foundation, p. U-79.

¹⁰ Uniform Standards of Professional Appraisal Practice - 2014-2015 Edition, © The Appraisal Foundation, p. A-13.



Section Nine - Certification/Limiting Conditions/Qualifications

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the persons signing this report.
- I have not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program of the Appraisal Institute.

Brian A. Klahr, MAI
Certified General Real Property Appraiser
Kansas #G-1308

December 2, 2014
Date of Report

#A-2014-619
Appraisal Number



CONTINGENT AND LIMITING CONDITIONS

The certification of the appraiser appearing in the report is subject to the following conditions and to such other specific and limiting conditions as set forth in the report.

- 1) We assume but do not guarantee the accuracy of the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- 2) The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- 3) Unless otherwise stated, the opinion of value pertains to the property's surface rights only.
- 4) Responsible ownership and competent property management is assumed but is not represented to be historically based.
- 5) The appraiser applied limited structural and design analysis to the problem and the cost estimates must be considered nonprofessional. A property manager was not retained to estimate the revenue and expense projections
- 6) Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the appraiser can be assumed by the appraiser. All information furnished regarding property for sale, rental, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made as to the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.
- 7) All engineering studies are assumed to be correct. Any plot plans and illustrative material in this report are included only to help the reader visualize the property. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraiser has made no survey of the property.
- 8) It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- 9) It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- 10) It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
- 11) It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.



- 12) It is assumed that the use of the land and improvements (if any) is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- 13) Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, were not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- 14) Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 15) Values for various components of the subject parcel and improvements or the value derived by one or two approaches to value as contained within this report are valid only when making a summation or final value opinion and are not to be used independently for any purpose and must be considered invalid if so used.
- 16) Possession of this report, or a copy thereof, does not carry with it the right of publication. Disclosure of the contents of the appraisal report is governed by the regulations of the Appraisal Institute with which the appraiser is affiliated. Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be sued for any other purpose by anyone without the previous written consent and approval of the appraiser or the client for whom it is written and, in any event, only in its entirety. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the authors, particularly regarding the valuation conclusions and the identity of the appraiser or the firm with which he is associated or any of his associates.
- 17) The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless other arrangements have been previously made.
- 18) Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
- 19) Any conclusions based on the assumed completion of public or private improvements will have clearly defined conditions, extent, and effects of such assumptions stated.
- 20) The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.



- 21) Forecasts of effective demand for the highest and best use or the best fitting and most appropriate use were based on the best available data concerning the market and are subject to conditions of economic uncertainty about the future. Primary market research was not used due to time and budget limitations unless noted in the report.
- 22) The appraiser has referred to flood zone maps established under the Flood Disaster Protection Act of 1973.
- 23) On all analysis, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.
- 24) The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of the building improvements to determine whether or not they are in conformity with the various detailed requirements of the ADA, nor am I an expert in determining what is in compliance with the ADA. Given the age of the subject property, there is likelihood that there are areas of non-compliance and if the client desires a detailed survey, I suggest retaining the services of a qualified architect.

Based on the analysis of market transactions, informed buyers recognize the fiscal impact of the ADA in their purchase decisions; thus remodeling or renovation of older buildings will require a portion of that budget dedicated to curing ADA deficiencies. As such, potential ADA non-compliance is reflected in market transactions utilized in developing the opinion of market value.

Properties constructed subsequent to this act should have minimal, if any, areas of non-conformity.

- 25) With regard to the appraiser-client relationship, USPAP does not require a release from the named client in order to reappraise the property that is the subject of this report for another client. If asked to appraise this property by another party, I reserve the right to do so, without consent, so long as the confidentiality provisions of USPAP are met.



QUALIFICATIONS OF THE APPRAISER - BRIAN A. KLAHR, MAI

Education

Bachelor of Business Administration, B.B.A.
Wichita State University - December 1993

Professional Affiliations / Memberships

Member Appraisal Institute, Member Number 12535
Currently certified under the Appraisal Institute Continuing Education Program.

Professional License / Certification

Certified General Real Property Appraiser - Kansas (No. G-1308)
Certified General Real Property Appraiser - Missouri (No. 2003025245)

Appraisal Experience

Fee Appraiser with Martens Appraisal since October 1993
General Certified Appraiser in State of Kansas since July 1997
General Certified Appraiser in State of Missouri since October 2003

Geographic Experience:

Appraisal experience throughout the Midwest United States; including Kansas, Missouri, Oklahoma and Arkansas.

Property Types Appraised:

Experienced in appraising a wide variety of commercial properties; including office, retail, restaurants, lodging facilities, multi-family, churches/religious facilities, agricultural and development land, etc. Specializing in hotel/motel properties and industrial properties, including manufacturing and warehousing; particularly large facilities located in smaller, rural communities.

Representative Clients

Clients include local and national lenders, conduit lenders, attorneys, and various government entities. Have also done portfolio appraisals for estate purposes, investment analyses for holdings of individuals and corporations, condemnation appraisal, and work for litigation proceedings. A list of clients is available upon request.



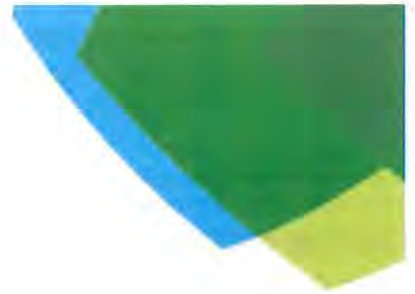
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Section Ten - Addenda

APPRAISAL ENGAGEMENT LETTER



534 South Kansas Avenue, Suite #1108, Topeka, Kansas 66603
T 785.215.8831 | F 785.232.1829 | www.martensappraisal.com



November 7, 2014

VIA EMAIL
BMcGuire@LawrenceKS.org

Brandon McGuire
Assistant to the City Manager
City of Lawrence
6 E. 6th Street
Lawrence, Kansas 66044

Re: Proposal for appraisal services

Dear Mr. McGuire:

This engagement letter serves as a proposal by Martens Appraisal ("MA") to perform appraisal services for you, our above-named client, on the following property:

Property Identification:	Sports Pavilion Lawrence
Property Address:	100 Rock Chalk Lane Lawrence, Kansas
Estimated Completion:	30-35 days from date of engagement - estimated December 12, 2014, subject to Terms of Service and Addenda as outlined on pages 4 and 5.
Purpose of Appraisal:	Provide my opinion of the insurable value of the subject property (definition to be provided by the client) as of the date of inspection.
Intended Use:	The intended use of this appraisal is to document the insured value of the subject property for the City of Lawrence.
Intended User:	City of Lawrence
Appraisal Fee:	\$2,000

The appraisals will conform to the Uniform Standards of Professional Appraisal Practice ("USPAP") in effect as of the appraisal date, and the intended scope of work is as outlined below:



PROPERTY INTEREST TO BE APPRAISED

X	Fee Simple
	Leased Fee
	Leasehold
	Going-Concern

INSPECTION

	Exterior only
X	Interior / Exterior (for multi-tenant properties, only a sample interior inspection may be performed)
X	Certified (supervising) appraiser must inspect (to the same degree noted above)

APPRAISAL DEVELOPMENT

Land Valuation

	Land valuation to be based on analysis of comparable land sales
	Land valuation may be based on alternate method (allocation, county valuation, other)
X	No land valuation analysis.

Cost Approach

	Market value (replacement cost less depreciation)
X	Insurable value (no depreciation estimate)

Sales Comparison Approach

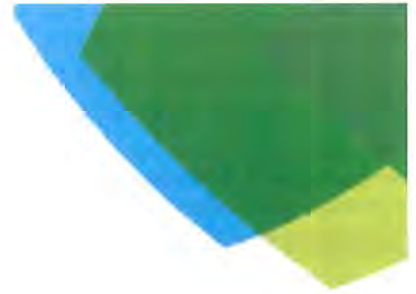
	Fully develop sales comparison approach based on comparable sales
X	No sales comparison approach

Income Approach

	Analyze contract rent (if applicable), and compare to market rents
	Project future rents based on contract rent only (no comparable rents)
	Direct capitalization analysis
	Discounted cash flow analysis (i.e. Argus)
X	No income approach.



534 South Kansas Avenue, Suite #1108, Topeka, Kansas 66603
 T 785.215.8831 F 785.232.1829 www.martensappraisal.com



REPORTING OPTIONS

	Self-Contained
X	Summary
	Restricted Use
X	MAI Signature

I would appreciate your acknowledging acceptance of the terms of this appraisal engagement (including the Terms of Service and Addenda) by signing below and returning one copy to our office via e-mail or facsimile at 785.232.1829. Your signed acceptance authorizes me to proceed with the assignment.

I look forward to the opportunity to work with you. If you have any questions regarding this proposal or if I may be of further assistance, please feel free to contact me at 785.215.8831.

Respectfully submitted,

MARTENS APPRAISAL

Brian A. Klahr, MAI
 Commercial Real Estate Appraiser

Acknowledged and agreed this 7th day of November, 2014.

By: Brian Klahr

Title: Assistant to the City Manager

Our fee quote includes an electronic copy (PDF). Hard copies will be prepared for an additional charge of \$50 each. Please indicate below how many total copies of the report you require:

Color copies: 1



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534 South Kansas Avenue, Suite #1108, Topeka, Kansas 66603
T 785.215.8831 F 785.232.1829 www.martensappraisal.com



To Be Filled in by Client	
Property Contact	Lynn Applegate
Contact Phone	(785) 843-7960



TERMS OF SERVICE

~~* Half of our appraisal fee is due in advance and should be mailed to MA within five days of acceptance of this appraisal engagement. [WAIVED BY BAK on 11/7/2014.]~~ Appraisal work will not commence until the deposit has been received. Our estimated completion date will be extended by the number of days payment is delayed. The balance of the appraisal fee is due upon completion of the report. Financial institutions with a satisfactory prior credit history with MA may disregard the advance deposit and remit the total fee upon completion of the report.

You, our client, are responsible for full payment of the appraisal fee and other charges. Payment responsibility may not be transferred to a third party without prior written agreement.

Clients should be advised that payment for our services is due upon completion of the appraisal report regardless of the scheduled closing date of a prospective transaction. We assume that you have collected the fee from your client in advance, and that those funds are immediately available for payment of the appraisal fee.

Unless specified in writing, all unpaid invoices shall bear interest at an amount equal to 1-1/2% of the outstanding balance per month (18% APR), commencing upon the date payment is due.

The appraiser, at his/her discretion, may elect to include or exclude certain approaches to value based on their applicability to the assignment.

In the event MA begins an appraisal assignment that is subsequently cancelled by the client or terminated due to non-performance of the client's responsibilities to us, we will invoice the client for actual time and expenses for work performed through that point in time.

Federally regulated financial institutions (i.e. Banks and Savings & Loans) cannot legally rely upon an appraisal report that was prepared for the property owner or developer. Thus, if conventional financing is sought, a federally regulated institution must engage our services.



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COPY OF DEED

18-628



Douglas County Register of Deeds
Book: 1105 Page: 4539-4541

Receipt #: 446809
Pages Recorded: 3
Cashier Initials: rec

Recording Fee: \$16.00
Authorized By *Lay Pearson*

Entered in Transfer Record in my office this
9th day of *Aug.*, A.D. 20 *13*
[Signature] County Clerk
MB

Date Recorded: 8/8/2013 4:31:33 PM



Kansas Secured Title
3123094

SPECIAL WARRANTY DEED

THIS SPECIAL WARRANTY DEED, made this 30 day of July, 2013, between **RCP, LLC**, a Kansas limited liability company (the "Grantor") and the **CITY OF LAWRENCE, KANSAS**, a municipal corporation duly organized, incorporated and existing under and by virtue of the laws of the State of Kansas (the "Grantee"), whose mailing address is 6 E. 6th Street, Lawrence, Kansas 66044 Attn: City Manager:

WITNESSETH, THAT THE SAID GRANTOR, in consideration of the sum of **ONE HUNDRED DOLLARS** (\$100.00) and other good and valuable consideration, the receipt whereof is hereby acknowledged, does by these presents Sell and Convey unto **GRANTEE**, its successors and assigns, all of the Grantor's interest in the **REAL ESTATE**, situated in the County of Douglas, State of Kansas, as follows:

Lot 2, Rock Chalk Park Addition No. 1, a subdivision in the City of Lawrence, Douglas County, Kansas

ALL SUBJECT to easements, restrictions, covenants and rights of way of record, zoning laws, taxes and assessments for the year 2013 and subsequent years, any matter that would be disclosed by an accurate survey of the foregoing and any encumbrances created by Grantee, including without limitation the items described on **Exhibit One** attached hereto.

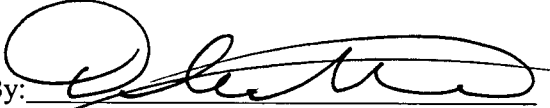
TO HAVE AND TO HOLD THE SAME, together with all and singular the tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, forever. And said Grantor, for itself and its respective successors and assigns, does hereby covenant, promise and agree to and with said Grantee, that the Grantor will warrant and forever defend said interest unto the said Grantee, against said Grantor and its successors and assigns, and all and every person or persons whomsoever lawfully claiming or to claim the same by, through or under the Grantor, except for those matters aforesaid.

IN WITNESS WHEREOF, the GRANTOR has hereunto caused this Deed to be signed on its behalf by the President of its sole member, the day and year first above written.

RCP, LLC,

a Kansas limited liability company

By: The Kansas University Endowment Association, a Kansas non profit corporation, its sole member

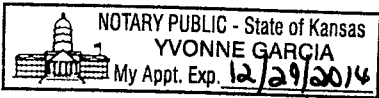
By: 
Dale Seuferling, President

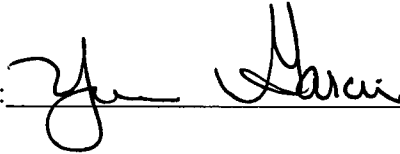
ACKNOWLEDGMENT

STATE OF KANSAS)
) ss
COUNTY OF DOUGLAS)

BE IT REMEMBERED, that on this 30 day of July, 2013, before me the undersigned, a Notary Public in and for the County and State aforesaid, came Dale Seuferling as the President of The Kansas University Endowment Association, a Kansas non profit corporation, as the sole member of RCP, LLC, a Kansas limited liability company, who is personally known to me to be such officer, and who is personally known to me to be the same person who executed the within instrument on behalf of said corporation in its capacity as member of such limited liability company, and such officer duly acknowledged the execution of the same to be the act and deed of said limited liability company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year last above written.



By: 

Notary Public

[SEAL]

My commission expires: _____

EXHIBIT ONE

General and special taxes for 2013 and subsequent years.

Any matters that a current and complete survey of the above described real estate would disclose.

Potential mechanics liens arising from the Infrastructure Improvements (as defined in the Development Agreement dated July 10, 2013 to which Grantor and Grantee are parties).

County Road Right of Way along the East property line of the real property conveyed hereby.

Grant of Right of Way to Western Resources, Inc., recorded June 23, 2000, as counterparts in Book 678 at Pages 1073, 1077 and 1081 in the office of the Register of Deeds of Douglas County, Kansas.

Permanent Sanitary Sewer Easement to the City of Lawrence, Kansas, recorded February 15, 2008 in Book 1033 at Page 345 in the office of the Register of Deeds of Douglas County, Kansas.

Permanent Greenspace and Pedestrian and Recreational Path Easement to the City of Lawrence, Kansas, recorded February 15, 2008 in Book 1033 at Page 350 in the office of the Register of Deeds of Douglas County, Kansas.

Terms and provisions of appurtenant Easement Agreement between the City of Lawrence, Kansas, Grantor, and Fairway, L.C., Grantee, recorded December 11, 2008 in Book 1042 at Page 5336 in the office of the Register of Deeds of Douglas County, Kansas.

Easements, restrictions, reservations, building set-back lines and notes, if any, established by plat recorded in Book 18 at Page 628 in the office of the Register of Deeds of Douglas County, Kansas.

Street Tree Plan recorded June 27, 2013 in Book 1103 at Page 548 in the office of the Register of Deeds of Douglas County, Kansas.

Right to Repurchase vested in the Memorandum of Repurchase Rights that provides RCP, or its successor in interest as owner of fee title to Lot 1 Rock Chalk Park Addition No. 1, a subdivision in the City of Lawrence, Douglas County, Kansas, as evidenced by Memorandum of Repurchase Rights recorded 8-8-13, 2013 in Book 1105 at Page 4541 in the office of the Register of Deeds of Douglas County, Kansas.



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PROPERTY CHOICE COVERAGE FORM



PROPERTY CHOICE COVERAGE FORM

(PROPERTY)

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Property Choice Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Form PC 00 90 PROPERTY CHOICE CONDITIONS AND DEFINITIONS for definitions.

A. COVERAGE

We will pay for direct physical loss of or direct physical damage to the following types of Covered Property caused by or resulting from a Covered Cause of Loss. Covered Property, as used in this Coverage Part, means the type of property described in this Section, A.1. Covered Property for which a Limit of Insurance and a premises address is shown in the Property Choice - Schedule of Premises and Coverages.

1. Covered Property

a. **Building** means buildings or structures that:

- (1) You own; or
- (2) Are responsible for insuring.

Building also includes:

- (1) Buildings or structures in the course of construction;
- (2) Alterations, repairs or additions to the building;
- (3) Foundations;
- (4) Underground pipes, flues or drains necessary for the service of the building;
- (5) Excavations, grading, backfilling or filling that are necessary to repair, rebuild or replace the building or its foundation;
- (6) Permanently installed machinery and equipment;
- (7) Awnings, "Building Glass" and floor coverings;

(8) Materials, equipment and supplies, used in the construction, alteration or repair of buildings;

(9) Radio or television towers, antennas and satellite dishes (including attachments), fences, signs and other outdoor fixtures;

(10) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

(11) Property owned by you for the maintenance or service of the building or its premises, including fire extinguishing equipment, alarm, communication and monitoring systems, and lawn maintenance or snow removal equipment;

(12) Retaining walls attached to buildings;

(13) Swimming pools whether or not attached to the building;

(14) Appurtenant structures whether or not attached to the building;

(15) Electronic car charging stations;

(16) Solar panels attached to the building;

(17) Walks, roadways, patios or other paved surfaces at a "Scheduled Premises".

b. Business Personal Property

(1) Business Personal Property means:

(a) All of Your Business Personal Property owned by your business; and

(b) Business Personal Property owned by others, that is in your

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care, custody or control (including leased property as provided in a written lease agreement);

(2) Business Personal Property also includes:

- (a)** Furniture, fixtures, machinery and equipment;
- (b)** "Stock";
- (c)** "Computer Equipment";
- (d)** "Electronic Data" and "Valuable Papers";
- (e)** Patterns, dies, molds and forms;
- (f)** Your interest in the labor, materials or services furnished or arranged by you on Business Personal Property you have installed or repaired;
- (g)** "Tenant Improvements and Betterments";
- (h)** Tools and equipment owned by your employees that are used in your business operations;
- (i)** Building components while removed from the premises for service or repair;
- (j)** Lottery tickets held for sale and postage stamps in current usage;
- (k)** Electronic car charging stations if not covered under Building.

(3) Coverage applies to Business Personal Property up to 1000 feet outside the premises boundary.

2. Property Not Covered

Covered Property does not include the following unless an endorsement is added to this Coverage Part:

- a.** Accounts, bills, currency, food stamps or other evidences of debt, "money", notes or "securities".
- b.** Animals, except animals inside buildings, and:
 - (1)** Owned by others and boarded by you; or
 - (2)** Owned by you as "Stock".
- c.** Property owned by and for exclusive personal use by you or your officers, members, partners or employees.

- d.** Property owned by your residents, patients, or students.
- e.** Property owned by your tenants.
- f.** Contraband, or property in the course of illegal transportation or trade.
- g.** Growing crops or standing timber.
- h.** Grain, hay, straw or other crops which have been harvested, but are outside of buildings or structures.
- i.** Outdoor trees, shrubs, plants and sod (other than those held for sale) and lawns.
- j.** Land (including land on which the property is located), land values, water (except water contained within any storage tank, for use in your manufacturing or processing operations), dams, underground mines, and caverns.
- k.** Vehicles, and self-propelled machines, including aircraft and watercraft, except the following are Covered Property:
 - (1)** Vehicles and self-propelled machines, (including aircraft and watercraft) that you manufacture, process, warehouse or hold for sale (except automobiles held for sale) while located at insured premises;
 - (2)** Vehicles and self-propelled machines, (except aircraft and watercraft) that you operate principally on your insured premises, that are not licensed or registered for use on public roads; and
 - (3)** Canoes and rowboats while out of the water at insured premises.
- l.** Business Personal Property that you have sold under:
 - (1)** Conditional sale;
 - (2)** Trust agreement;
 - (3)** Installment payment;
 - (4)** Other deferred payment plan; or
 - (5)** Other agreement under which you have retained a security interest;
- m.** Property that is more specifically covered, insured or described under another coverage form of this policy or any other policy, except for the excess of the amount due (whether you can collect on it or not) from that other insurance.

- n. Live eggs and embryos.
- o. Retaining walls not attached to the building.

3. Covered Causes of Loss

See Property Choice - Covered Causes of Loss and Exclusions Form.

B. EXCLUSIONS

See the Property Choice - Covered Causes of Loss and Exclusions Form.

C. LIMITS OF INSURANCE

The most we will pay for loss or damage in any one occurrence is the smallest applicable Limit of Insurance shown in the Property Choice Declarations, Schedules, Coverage Form(s) or Endorsement(s).

D. DEDUCTIBLE

We will not pay for direct physical loss or direct physical damage in any one occurrence until the amount of loss or damage exceeds the applicable Deductible stated in the Property Choice Schedule of Premises and Coverages or Endorsement(s). We will then pay the amount of loss in excess of the Deductible, up to the applicable Limit of Insurance.

When claim is made for loss or damage to more than one type of property, coverage, premises, or Cause of Loss and different deductible amounts apply in the same occurrence, we will only apply the largest applicable deductible for the item for which claim is made unless specified by endorsement.

E. LOSS PAYMENT AND VALUATION CONDITIONS

Covered Property will be valued at either Replacement Cost or Actual Cash Value, as stated in the Property Choice Schedule of Premises and Coverages and as described below except for the items listed below in item 3. **Specific Property Valuations.** We will not pay more than your financial interest in the lost or damaged property.

1. Replacement Cost

In the event of covered loss or damage, we will determine the value of Covered Property at the actual amount spent to repair, replace or rebuild the damaged property as of the time of the loss or damage, at the same site or another site, subject to the following:

- a. We will not pay more for lost or damaged property than the least of
 - (1) The Limit of Insurance applicable to the lost or damaged property;
 - (2) The amount it costs to replace, on the same premises, the lost or damaged property with other property;

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount you actually spend that is necessary and reasonable to repair or replace the lost or damaged property with other property:

(a) Of comparable material and quality; and

(b) Used for the same purpose.

(4) In the event of a total loss to Building property, you may choose to replace your Building property at another premises, however, we will not pay more than the cost to replace the Building property at the original premises.

(5) In the event of a total loss to Business Personal Property, we retain our right to salvage such Business Personal Property.

(6) Replacement Cost does not include any increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

b. We will pay you on an Actual Cash Value basis until the lost or damaged property is actually repaired, rebuilt or replaced.

c. If you do not repair, replace or rebuild on the same site or another site within 2 years of the date of loss, we will pay you on an Actual Cash Value basis.

d. Patterns, dies, molds and forms not in current usage at actual cash value. If loss is paid on an actual cash value basis and within 60 months from the date of the covered loss and you need to repair or replace them, we will pay you, subject to the Conditions of this insurance, the difference between actual cash value and replacement cost when the patterns, dies, molds and forms are actually repaired or replaced.

2. Actual Cash Value

a. We will pay you on an Actual Cash Value basis if:

(1) The valuation of the lost or damaged property is designated in the Property Choice Schedule of Premises and Coverages as Actual Cash Value.

(2) You elect Actual Cash Value as the basis for loss payment at the time of loss or damage.

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- b. In the event of covered loss or damage, at our option, we will do one of the following, but not pay more than the Limit of Insurance applicable to the lost or damaged property:
 - (1) Pay the value of the lost or damaged property at the time of loss;
 - (2) Take all or any part of the property at an agreed or appraised value; or
 - (3) Repair, rebuild or replace the property with other property of like kind and quality, or pay you the cost to do so.
 - c. In the event of a total loss to Business Personal Property, we retain our right to salvage such Business Personal Property.
 - d. Actual Cash Value does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.
 - e. If the actual amount spent to repair, replace or rebuild the damaged property as of the time of the loss is \$25,000 or less (after the application of the applicable deductible), we pay the loss or damage on the basis of the Replacement Cost provisions described in E.1. above. This Exception does not apply to the following Specific Property Valuations.
- 3. Specific Property Valuations**
- a. **Accounts Receivable**
We will determine the amount of Accounts Receivable loss as follows:
 - (1) If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss, the following method will be used:
 - (a) Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss occurs; and
 - (b) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss occurred or for any demonstrated variance from the average for that month.
 - (2) The following will be deducted from the total amount of accounts receivable, however that amount of accounts receivable is established:
 - (a) The amount of the accounts for which there is no loss;
 - (b) The amount of the accounts that you are able to re-establish or collect;
 - (c) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (d) All unearned interest and service charges.
 - b. **Animals**
We will determine the value of animals at the cost of replacement with animals of like kind and quality as when originally acquired by you.
 - c. **"Building Glass"**
We will determine the value of "Building Glass" at the cost of replacement with safety glazing material if required by law.
 - d. **"Electronic Data" and "Valuable Papers"**
We will determine the value of "Electronic Data" and "Valuable Papers" at your incurred cost of:
 - (1) Blank materials for reproducing the records (including blank prepackaged programs when replaced); and
 - (2) Labor to transcribe or copy the records and to research, replace or restore the lost information, copy the records, including research and development documentation.
 - e. **Fine Arts**
We will determine the value of Fine Arts, at the lesser of:
 - (1) The market value at the time of loss or damage;
 - (2) The reasonable cost of repair or restoration to the condition immediately before the covered loss or damage; or
 - (3) The cost of replacement with substantially identical property.
 For pairs or sets, we will either:
 - (1) Repair or replace any part to restore the value and condition of the pair or set to that immediately before the covered loss or damage; or
 - (2) Pay the difference between the value of the pair or set before and after the covered loss or damage.
 - f. **Party Wall**
A party wall is a wall that separates and is common to adjoining buildings that are owned by different parties. In settling covered losses involving a party wall, we

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will pay a proportion of the loss to the party wall based on your interest in the wall in proportion to the interest of the owner of the adjoining building. However, if you elect to repair or replace your building and the owner of the adjoining building elects not to repair or replace that building, we will pay you the full value of the loss to the party wall, subject to all applicable policy provisions including Limits of Insurance, the Valuation and all other provisions of this Loss Payment Condition. Our payment under the provisions of this paragraph does not alter any right of subrogation we may have against any entity, including the owner or insurer of the adjoining building, and does not alter the terms of the Transfer Of Rights Of Recovery Against Others To Us Condition in this policy.

g. Property of Others

- (1) If an item(s) of personal property of others is subject to a written contract which governs your liability for loss or damage to that item(s), then valuation of that item(s) will be based on the lesser of:
 - (a) amount for which you are liable under such contract;
 - (b) the replacement cost of the property; or
 - (c) the applicable Limit of Insurance.
- (2) If no such contract exists we will not pay more than your financial interest in Personal Property of Others not to exceed:
 - (a) the Actual Cash Value of such property; or
 - (b) the applicable Limit of Insurance.
- (3) At your option, we may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners:
 - (a) Such payments will only be for the account of the owner of the property and will satisfy your claims against us for the owners' property;
 - (b) We will not pay more than their financial interest in the property.
- (4) We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

h. "Stock"

(1) Manufactured Stock (including Selling Price)

We will determine the value of "Stock" you have manufactured at the selling price less discounts and expenses you otherwise would have incurred. This also applies to component parts manufactured by others that will become a part of your finished product.

(2) Mercantile Stock

We will determine the value of "Stock", which you have purchased for resale and have sold but not delivered, at the selling price less discounts and expense you otherwise would have had. This does not apply to "Stock" you have manufactured.

(3) Stock in Process

We will determine the value of "Stock" in process of manufacture at the replacement cost of the raw materials, plus labor expended and the proper proportion of overhead charges.

(4) Commodity Stock

For "Stock" that is bought and sold at an established market exchange, we will determine the value at:

- (a) The posted market price as of the time and place of loss;
- (b) Less discounts and expenses you otherwise would have had.

i. "Tenant Improvements and Betterments"

(1) If you do not repair or replace lost or damaged "Tenant Improvements and Betterments" within 2 years, we will pay the pro rata of the Actual Cash Value based on the duration of the lease and the installation date of the property.

(2) If others pay for repairs or replacement, we will not make loss payment to you.

j. Transit

We will determine the value of covered property in due course of transit at:

(1) The amount of invoice plus accrued costs, prepaid charges and charges since shipment; or

(2) In the absence of an invoice, the valuation provision otherwise applicable to that type of Covered Property as of the time of loss or damage.

k. Vehicles

- (1) We will determine the value of covered vehicles and self-propelled machines, including aircraft, automobiles, contractor's equipment and watercraft on an Actual Cash Value basis. This also applies to coverage provided for trailers under the Non-Owned Detached Trailer Additional Coverage.
- (2) New vehicles and machines you have manufactured will be subject to the valuation applicable to covered "Stock".

4. Value Enhancements

a. Architect and Engineering Fees

The value of Covered Property will include reasonable architect and engineering fees you incur in the course of repairing or reconstructing damaged property.

b. Customs Duty, Sales Tax

The value of Covered Property will include the cost of customs duties and sales taxes to repair or replace the property.

c. Extended Warranties

The value of Covered Property, that is a total loss during the policy period, will include the unused pro rata portion of non-refundable optional extended warranties or service contracts which you purchased for the damaged property prior to the covered loss or damage.



APPRAISER'S STATE CERTIFICATION

State of Kansas



Real Estate Appraisal Board

This is to certify that

Brian A. Klahr

has complied with the provisions of the Kansas State Certified and Licensed Real Property Appraisers Act to transact business as a

Certified General Real Property Appraiser

in the State of Kansas

License #: G-1308

Effective Date: 7/1/2014

Expiration Date: 6/30/2015

Kenton Adenlunger

Chairman