



Tax Increment Financing (TIF) Assistance APPLICATION (REVISED 06/27/2006)

PROJECT NAME: KRI® NEW FACILITY

PROJECT ADDRESS / LOCATION: 1330 BLUE SPRUCE DRIVE, FORT COLLINS, CO 80524

APPLICANT / DEVELOPER / PROPERTY OWNER INFORMATION

	APPLICANT	DEVELOPER	PROPERTY-OWNER
Company Name	KAUFMAN&ROBINSON, INC.	SAME	SAME
Company Owner/CEO	HAROLD KAUFMAN, PRES		
Contact Person	JAMES KAHN		
Title	TREASURER		
Complete Address	1306 BLUE SPRUCE, FC 80524		
Phone	970-495-0188		
FAX	970-484-9350		
Email	KAHN@IONSOURCES.COM		

TYPE OF LAND USE DEVELOPMENT / REDEVELOPMENT ACTIVITY

- Residential
- Commercial/Retail
- Industrial/Warehouse
- Mixed-Use (Residential/Non-Residential)
- Mixed-Use (Commercial/Industrial)
- Other (please explain) Workshop and Custom Small Industry

PROJECT ELEMENTS

- New Construction
- Infrastructure Improvement
- Land Acquisition
- Site Clearance
- Building Rehabilitation
- Other (please explain) _____

NEW OR EXISTING BUSINESSES (NON-RESIDENTIAL PROJECTS ONLY)

New Business for URA Plan Area? Yes No
 Existing Business in URA Plan Area? Yes No Years in Business 27 years

FINANCIAL / FUNDING SUMMARY INFORMATION

Construction Loan	\$1,163,538	Current Actual Value (Assessor)	\$ 81,180
Fees	\$ 112,000	Current Property Tax	\$ 1,017.99
Soft Costs	\$ 115,534	Projected Actual Value (Assessor)	\$ 1,007,063
Land Cost	\$ 215,400	Projected Annual Property Tax	\$ 23,223.26
New Construction Costs	\$ 1,065,480	Total TIF Assistance Requested	\$ 215,000
Other Costs	\$ 73,875	Total Property Tax Increment Expected	\$ 603,170.83
Total Project	\$ 1,582,289	Total Project Cost	\$ 1,582,289
		Current Annual Sales Tax (if any)	\$ N/A
		Projected Annual Sales Tax	\$ N/A

TYPE OF TIF REQUESTED *(include general terms & conditions)*

- Grant _____
- Loan _____
- Loan Guarantee _____

SUMMARY OF FUNDING SOURCES AND USE OF FUNDS

SEE ATTACHMENT

Amount	Source	Use
\$ 95,187	URA Tax Increment Financing (TIF)	Infrastructure improvements to Stormwater drainage, sidewalks, utilities; site prep for pad (see attached detailed budget)
\$ 119,813	URA Tax Increment Financing (TIF)	Chilled Process water system (reclaimed water through a closed loop providing significant water conservation of 500K gallons/month) Total cost for system is \$135,000
\$		
\$		
\$ 215,000	URA Project Total	

ATTACH DESCRIPTION OF THE PROPOSED PROJECT

Please provide an answer for each of the following questions, no more than 1 page per question. Please include a location map, any site plans or project drawings, and any other materials related to the TIF application not previously requested.

1. What is the nature of the project?
2. Why is TIF assistance needed; how will the funds be used?
3. How will the project help improve/upgrade public infrastructure (streets, utilities, drainage, etc.)?
4. How will the project enhance the property tax base (and sales tax base, if applicable) of the area?
5. How will the project help achieve the goals of North College Urban Renewal Plan?
6. How will the project help eliminate slum and blight conditions?
7. What is the proposed project timetable (what is the estimated time frame for major steps including the City's planning decision, completion of financial commitments, start of construction, and issuance of Certificate of Occupancy (CO)?)
8. What is the financial capacity of the developer to complete the proposed project?

ATTACH BACKGROUND INFORMATION

- Owner/CEO Resume
- Owner/CEO Credit Report
- D/B Report on the Corporation
- Project Pro Forma

SIGNATURE REQUIRED

By: _____

Title: _____

Date: _____

-----AREA BELOW FOR URA STAFF USE ONLY-----

Date Received	Project Number	Project Manager

To: North College Citizen Advisory Group Members
North College Urban Renewal Authority
City Planners and Staff

From: Kaufman & Robinson, Inc. (Applicant)

Date: 8 January 2009

Subject: KRI® Small Industry, Tax Increment Financing (TIF) Assistance

**Project: KRI® Small Industry
1330 Blue Spruce Drive, Fort Collins, CO 80524**

Applicant: Kaufman & Robinson, Inc. (KRI®)
1306 Blue Spruce Drive, Unit A, Fort Collins, CO 80524
Contact: James Kahn, ph: 970-495-0188, email: kahn@ionsources.com

Summary

Kaufman & Robinson, Inc. (KRI®) makes and markets industrial ion sources. Ion sources are used in a variety of high-tech applications. For additional information on these products and their applications, see the description immediately after the Summary, or go to www.ionsources.com.

KRI® proposes to move from its present location at 1306 Blue Spruce to a new building to be constructed on 1.76 acres at 1330 Blue Spruce. The need for the new site is driven by the growth of KRI®, which has about half of its sales outside of the US. While the sales will have little direct impact on the sales-tax revenue in Fort Collins, they will contribute to the general economic influx to both Fort Collins and Colorado.

KRI® is a primary employer and the products it sells are knowledge-intensive, as shown by the high mean salary of the skilled workers it employs - about \$60,000/yr. The physical resources incorporated in these products are small compared to their market value. The proposed construction will permit a growing and desirable business to remain in the North College Urban Renewal Area. The land area of the development is quite large compared to the initial and planned building areas and will permit a desirable open, park-like appearance to the finished site.

Tax increment assistance is important in making this development economically feasible, will aid in mitigating site soil and storm water problems, and will support necessary expansion of the existing site infrastructure.

Business Background

The products. The products involved are industrial ion sources, which are used for micromachining and thin-film applications. Ion sources generate beams of ions, consisting of charged atoms or molecules. These beams are used as miniature sandblasters, either compacting the structure of whatever surface they are directed at, or removing atoms and molecules from that surface. The ion sources are operated in vacuum chambers, where the ion beams can travel from the ion source to the target without striking and being slowed down by the air.

Industrial ion sources are used for many applications. Read-write heads on computer hard drives have very small grooves which permit the heads to ride on a layer of gas, so that the heads do not touch the rapidly rotating hard-drive disk and wear out. These grooves are machined with ion beams.

Probably most familiar to consumers are the hard coatings on plastic eye-glass lenses. Most of these coatings are applied using ion beams, either for cleaning the lenses before the coatings are applied or making the coatings denser while they are being applied. This use of ion beams results in harder, longer-lasting lens coatings.

The company. Kaufman & Robinson, Inc. (KRI®) was incorporated in 1978 and has been at 1306 Blue Spruce Drive, Unit A, since 1981. From 1981 to 2000, KRI® developed new ion sources and related products for a company in Alexandria, Virginia, which manufactured and marketed these products.

In 2000, the company in Virginia was purchased by another company. The combined company was in turn purchased by a third company in 2001. In 2002, the resulting combination of companies decided that it no longer needed the services of KRI®.

After considering the various alternatives, KRI® decided to start manufacturing and marketing its own ion-source products. It has successfully made the transition from research and development to selling its own products and is now responding to rapidly expanding sales. KRI® has customers all over the US, in Europe, and the Orient. About half of its sales are outside of the US. Please keep in mind that KRI® sells ion-source products - the applications of these ion sources are carried out by the purchasers of these ion sources.

The business has grown rapidly since 2002 and additional space is necessary for future growth. KRI® has owned two lots on Blue Spruce Drive since 1995 and would prefer to build new quarters at this location. It is necessary to balance the cost of a new facility against current operational costs and profitability, as well as alternative existing facilities in adjacent areas.

The Project

KRI® proposes to build a 9,500 square-foot building (14,775 with future expansion) on what are now lots 3 and 4 (to be combined into one parcel before construction) Block 5, Replat (No. 1) of the Evergreen Park, with a total land area of 1.76 Acres. The building will incorporate small

industrial activities (electronic and mechanical fabrication) as well as office and marketing functions. For the building, the code requirements for 30 pounds/square-foot snow load and 100 mph wind velocity will be exceeded with 40 pounds/square-foot and 140 mph.

The small industrial nature of the work can be illustrated: there is no present product that cannot be carried by one person. Further, the work is knowledge intensive in that continued research and additional patents are necessary to maintain a competitive position in the ion-source field. (See Appendix A for a listing of 22 current patents held by KRI®, either solely or jointly with other entities.) The knowledge-intensive nature of the work is also shown by the mean salary of the present 12 full-time employees, about \$60,000/yr. The physical resources incorporated in the products are small compared to their value.

With visitors annually from places such as China, France, Germany, Japan, and Taiwan, it is important to meet international expectations for both external and internal appearance of our business facility. The land area is quite large compared to the building area, even with the planned future expansion. This large land area permits a park-like appearance for much of the project. This appearance should be an attractive addition to the North College Urban Renewal Area, and even more impressive to visitors from more densely populated parts of the world.

Improvement in Tax Base

The project will start with vacant land and construct a building for a high-tech business. The planned improvements on what are now vacant lots would increase the property value by more than a million dollars.

The increased employment to a projected total of about 30 highly-paid and technically-skilled employees will also help improve the local tax base.

Progress Toward the Goals of the North College Urban Renewal Plan

- KRI® employees, suppliers, and clients will continue supporting area businesses and local sales tax - this support will be enhanced over time as we grow.
- Retaining an expanding and desirable business in the North College area.
- Providing additional primary employment for highly-paid, technically-skilled employees.
- Adding a newly constructed building in the North College area with an enhanced appearance in an open, park-like site. This addition should be helpful in attracting other desirable businesses to this area, similar to CPP and ELIC.
- Supporting the expansion of a business that:

Is knowledge-intensive and uses few natural resources;

Has a majority of sales outside of both Fort Collins and Colorado, and hence contributes to a net economic influx to these areas;

Has a majority of sales tied to research, development, and production improvement. From past experience, such sales are relatively insensitive to changes in consumer activity.

How is TIF Assistance Needed

Site requirements. The land on which the new building is to be constructed was purchased in 1995, with the non-specific purpose of providing for the future expansion of KRI®. This was before the present storm water detention requirements were established (FC Ordinance No. 42, 2 March 1999). Tax increment assistance is important in providing for these requirements.

Site utilization. The original intent was to construct a building or buildings that would more fully utilize the land area. At the time of purchase, it was expected that a building of about the planned size could be built on less land than is currently required. It was not clear if one or both lots would be needed. KRI® has no objection to using both lots for buildings that, without concern for storm water detention requirements, could have been built on one lot. But tax increment assistance is important in the development of an open, park-like site that enhances the overall aesthetic value of the North College area.

Site problems. Soil studies have shown moderate expansion of the soil with water content. While this expansion is not as great as it would be with some soils (e.g., Bentonite) it will require mitigation prior to construction. This mitigation consists of removing, adding moisture to, and replacing all soil that will be under the new building, down to the current level of the water table. Without tax increment assistance in satisfying this mitigation requirement, it would be difficult to construct the size of building needed on these lots.

Water chiller. KRI® currently uses about 500,000 gallons/mo of water for cooling of vacuum chambers and associated equipment. There is no pollution added to this water. It is simply dumped down the sewer. This use of water can essentially be eliminated by installing a chilling system that uses recirculated water.

Site infrastructure. Utility and access infrastructure will be required, including, sewage and water connections (the sprinkler system will require an additional connection), electrical power, curb cutout, and construction of a sidewalk (none at present). Tax increment assistance is important in reducing the total financial impact of this improvement in infrastructure.

Site enhancement. An enhanced appearance of the site is desirable for visitors to our business. This enhanced appearance is also important in meeting urban renewal objectives. In general, both of these objectives are met with similar architectural and landscaping improvements.

Public infrastructure. The onsite storm detention enhances the performance of the public storm drainage infrastructure by metering storm flow into the system that is currently unregulated and

also provides for improved storm water quality. The improvements in the public right of way will provide pedestrian connectivity with other properties and complete the right of way improvements on the east side of Blue Spruce, dramatically improving its appearance and function.

Slum and blight conditions. Vacant lots will be transformed by the building and site improvements into a viable and productive business, and will preserve existing employment while creating new employment opportunities.

Without tax increment assistance to offset costs associated with storm drainage improvements, expansive soil, improvements in the public right of way, extending utilities to the property, and voluntarily improving the appearance of the site and building beyond required minimums, this project would not be financially viable due to the considerable amount of square footage consumed by, and cost associated with the recent requirements for onsite detention and site specific improvements.

An itemized cost breakdown for site improvements needed with tax increment assistance can be found in the URA application.

Financial information

The land (lots 3 and 4, Block 5, Replat (No. 1) of the Evergreen Park, with a total land area of 1.76 Acres.) is owned by KRI®, with no outstanding liens or mortgages. This land has an estimated market value in excess of \$200,000.

KRI® is currently committed to an approximately \$30,000 effort with Delta Construction to carry a design-build effort through the PDP approval phase. The next phase, detailed engineering design, is estimated at an additional \$50,000. The last phase, construction, is estimated at approximately \$1,100,000. KRI® can finance the project as described herein.

KRI® has multiple stockowners, with none owning more than 15% of the available stock.

Project Timetable

The current plan is to complete a Project Development Plan (PDP) by March, 2009. The detailed construction plans should be complete by June 2009, permitting construction to start after that. Completion is estimated by November 2009.

Resume of Principal

The resume of Dr. Harold R. Kaufman, one of the founders of KRI® and currently President is included in Appendix B. A credit report for Harold R. Kaufman is also included.

KAUFMAN and ROBINSON
FORT COLLINS, CO
SUMMARY OF USE OF URA FUNDS
1/7/2009



Use	Amount	Reason
Increase landscape buffer abutting Blue Spruce	\$ 6,600	Unique requirement to this lot because it abuts a zoning district boundary
Cut street and stub wet utilities to site	\$ 33,477	Wet utilities were not stubbed to site and require street cuts and taps
Primary electrical and transformer setting charges	\$ 15,000	Light and Power will not apply construction credits to this project
Overlot grading for storm detention pond	\$ 8,337	Required because the business park did not provide for storm drainage
Storm drainage easement fee	\$ 5,000	Required to access offsite storm retention pond through private property
Storm drainage piping to offsite retention	\$ 10,725	Required because the business park did not provide for storm drainage
Additional storm drainage pans	\$ 4,752	Required because the business park did not provide for storm drainage
Sidewalks in right of way	\$ 1,201	No city sidewalks were installed by business park developer
Handicap ramps in right of way	\$ 770	No city sidewalks were installed by business park developer
Overex and recompact building pad	\$ 6,490	Required due to expansive soils
Overex recompact paving subgrade	\$ 2,834	Required due to expansive soils
Chilled process water system*	\$ 119,813	Implemented to conserve 500,000 gallons per month of potable water
		*Actual cost of chilled water system is \$135,000- Difference funded by KRI
TOTALS	\$ 215,000	



KRI® Headquarters