EXHIBIT 5B
LCRA 12/19/18

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MEMORANDUM

TO: Dan Moye, Economic Development Corporation of Kansas City, Missouri

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DATE: May 1, 2018

RE: Preliminary Financial Review of the Platform Ventures Project

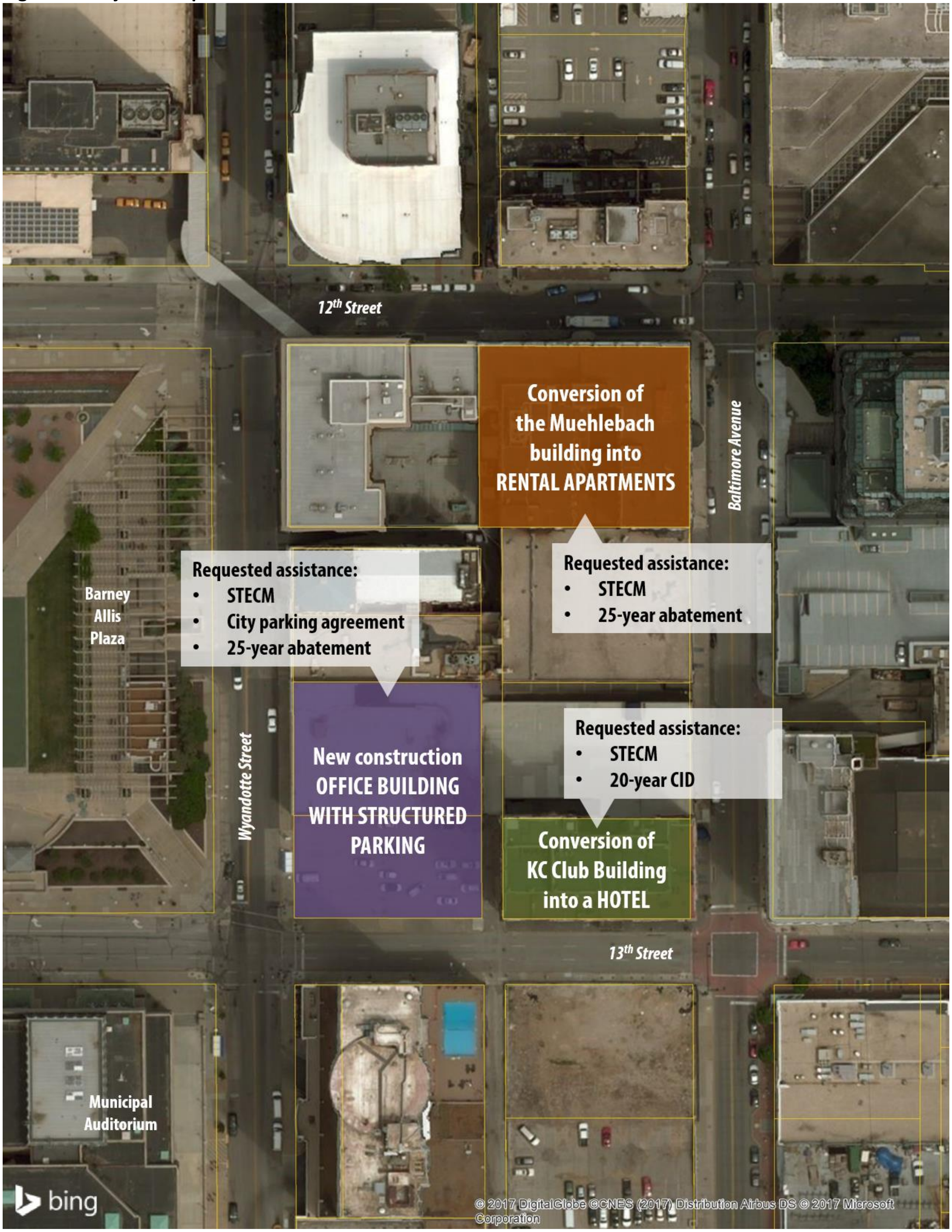
SB Friedman Development Advisors (SB Friedman) was engaged by the Economic Development Corporation of Kansas City, Missouri (EDCKC) to conduct a preliminary financial review of related hotel, multifamily, and office projects (collectively, the "Project"), located on portions of the block bound by Wyandotte Street, 13th Street, Baltimore Avenue and 12th Street in downtown Kansas City (the "Site"). The Project consists of:

- Conversion of the historic Kansas City Club (KC Club) building into a hotel ("Hotel Component");
- Conversion of the historic Hotel Muehlebach building into rental apartments ("Apartment Component"); and
- Construction of a new office building with structured parking to support the entire Project ("Office/Garage Component").

Platform Ventures (the "Developer") has indicated that extraordinary construction costs related to the Office/Garage Component are challenging Project feasibility. Therefore, the Developer is requesting:

- Sales tax exemption on construction materials (STECM) for each of the three Project components;
- 100% reimbursement of sales tax revenues from a 1% Community Improvement District (CID) on the Hotel Component for 20 years;
- Payment of $250,000 annually (over 25 years, with 5% increases every 5 years) through a parking agreement with the City of Kansas City (the "City") which would make parking spaces available to the public after business hours and on weekends at no cost; and
- Abatement of property taxes (above current predevelopment taxes) generated by the Apartment and Office/Garage Components for 25 years under the Land Clearance for Redevelopment Authority (LCRA) (75% abatement in Years 1-10; 37.5% abatement in Years 11-25).

Figure 1: Project Components



Source: *SB Friedman*

For the purpose of evaluating the need for assistance, the three Project components have been considered a single project, as requested by EDCKC. The requested property tax abatement is beyond the typical 10-year term offered through the LCRA. An extended abatement period can be offered through a sale/leaseback structure. If the LCRA agrees to a sale/leaseback structure, the Developer will reserve 10% of units in the Apartment Component for households earning less than 80% of area median income (AMI). The parking agreement is anticipated to be modeled after a similar arrangement between the City and the developer of the Corrigan Station project at 1828 Walnut Street.

This memorandum includes a review of the following:

- Project characteristics
- Development budget
- Proposed sources of financing
- Pro forma assumptions and 10-year cash flow
- Need for requested financial assistance

Our analysis indicates that public assistance appears to be necessary for the Project, as presented, to be financially feasible. With STECM and CID assistance, the Project achieves the low-end of market-appropriate rates of return. However, with additional public assistance, including the LCRA abatement and the City parking agreement, the Project would satisfy other downtown public policy goals without over-incentivizing the Project. *SB Friedman*'s recommendations are provided in more detail in the Conclusions and Recommendations section of this memorandum.

Project Characteristics

The proposed $114.1 million Project consists of three related projects, totaling approximately 330,000 gross square feet, in Downtown Kansas City:

- **Hotel Component.** A $59.5 million conversion of the 15-story historic Kansas City Club (KC Club) building, built in 1920, into a 144-room independent, upper upscale hotel with approximately 57,000 square feet of event and meeting space. The Hotel Component is located on the northwest corner of Baltimore Avenue and 13th Street.

- **Apartment Component.** A $25.6 million historic conversion of the 12-story Hotel Muehlebach building, built in 1915, into a 117-unit apartment building, including the following unit mix: 8 studios, 76 one-bedrooms, and 33 two-bedrooms. The Apartment Component is located on the southwest corner of Baltimore Avenue and 12th Street.

- **Office/Garage Component.** A $29.0 million new construction Class A office building with 70,000 rentable square feet and 360 structured parking spaces to serve the entire Project. The Office/Garage Component would be built on a surface parking lot, located on the northeast corner of Wyandotte Street and 13th Street, and involve the demolition and redevelopment of an existing parking structure to the north. The site is adjacent to Barney Allis Plaza and the Municipal Auditorium.

The Developer stated that they are primarily focused on completing the Hotel Component of the Project first, though they intend to phase all components of the Project closely together, with the Office/Garage Component finished soon after the hotel. The Developer has indicated that the need for a new parking structure is driven primarily by the parking needs of the Apartment Component, though the structure will serve the entire Project. Additional detail on the status of each component is provided below.

- **Hotel Component.** The Developer acquired the KC Club building in September 2015. Since that time, the Developer has renovated the interior of the KC Club building in order to make a portion of the building tenable as an event and meeting space, called Brass on Baltimore. This work is complete and considered to be the first phase of the Hotel Component. The portion of the building that will be converted to hotel rooms currently functions as loft apartments following a 2002 conversion/renovation project. Residential space in the KC Club currently rents for between $0.70 and $1.40 per square foot.

- **Apartment Component.** The Developer has entered into an ownership agreement with the current owners of the Hotel Muehlebach building, who will contribute its current basis of $1.2 million in the Project. The Developer stated that the property has been vacant for over 2 decades. The Developer has indicated that the Apartment Component is being developed, in part, as replacement housing for the moderately-priced units that will be converted to hotel use in the KC Club building.

- **Office/Garage Component**. The Developer acquired the surface lot on the northeast corner of Wyandotte Street and 13th Street in 2015. The Developer has entered into a purchase agreement with the owners of the neighboring Marriott Muehlebach Hotel for the existing parking structure to the north. The Developer stated that the City prefers construction of the Office/Garage Component as an alternative to a stand-alone parking structure. The Developer has indicated that the Office/Garage Component is the greatest challenge to the Project's financial feasibility and is driving the Project's need for assistance.

PROJECT SCHEDULE

The Hotel Component has been under construction since 2015 and is expected to be finished by 2018. The Office/Garage Component is expected to open in 2019, following a 16-month design and construction period. The Developer stated that the timeline for the Apartment Component has yet to be determined.

Developer Pro Forma Assumptions

SB Friedman reviewed the EDCKC application and supplemental materials submitted by the Developer, and engaged the Developer in subsequent conversations to obtain additional and updated information to best understand underlying Project assumptions. The Developer included the following documents for review:

Hotel Component:

- 10-year pro forma, including development budget, sources and uses, cash flow and project assumptions
- Appraisal report from Colliers International, dated June 13, 2017
- Guaranteed Maximum Price proposal for construction services from McCownGordon Construction, dated July 10, 2017
- Construction loan agreement from Equity Bank, dated October 13, 2017

- Deed of Trust from Equity Bank, dated October 13, 2017
- Historic Tax Credit (HTC) application materials, Part II approvals, and amendments
- Purchase agreement for a prior HTC equity investment entered into with the Developer
- EB-5 Subscription Agreement, dated April 25, 2017
- PACE program promissory note from the Missouri Clean Energy District, dated November 2017
- PACE financing letter of intent and term sheet from Greenworks Lending, dated March 30, 2017
- PACE energy savings review letter from FSI Engineers, dated October 9, 2017
- Project site plan and renderings
- Property tax projections and assumptions

Apartment Component:

- 10-year pro forma, including development budget, sources and uses, cash flow and project assumptions
- Preliminary construction cost estimates from Rau Construction, dated May 4, 2016
- Apartment market data from CoStar, dated October 10, 2017
- Ownership organization chart
- Property tax projections and assumptions

Office/Garage Component:

- 10-year pro forma, including development budget, sources and uses, cash flow and project assumptions
- Preliminary construction cost estimates from Burns McDonnell, dated September 22, 2017
- Office market data from CoStar, submitted October 20, 2017
- Project renderings
- Property tax projections and assumptions

PROJECT BUDGET

Tables 1A-1D present total development costs (by component and as a whole) from the Developer's preliminary pro forma, as well as adjustments made by *SB Friedman* for the purposes of evaluating the Project's need for financial assistance. Hard costs were estimated by third-party construction firms (McCownGordon Construction, Rau Construction, and Burns McDonnell). *SB Friedman* evaluated the Developer's budget line items on per square foot or per unit basis and as a percentage of total costs using benchmarks from comparable Kansas City projects and *SB Friedman's* past experience. Hard construction costs for each component were adjusted to reflect the Developer's projection of STECM benefits. EDCKC validated the Developer's STECM assumptions, which applied an 8.475% tax rate to 40% of hard costs.

An explanation of key line items, by Project component, is provided below. Detailed development costs are presented in **Appendix B.**

Hotel Component

Table 1A: Preliminary Development Budget and Comparable Benchmarks, Hotel Component

Development Costs [1]	Developer Budget	SBF Adjusted Budget	Adjusted Cost per Gross SF or Hotel Key	% of Adjusted TDC	Benchmark [2]	Key Line Item
Acquisition Costs	$17,000,000	$4,945,617	$34/SF	8.6%	$21-29/SF	☒
Hard Construction Costs	$28,813,363	$37,484,403	$258/SF	65.1%	56-67%	
Phase 1 Costs [3]		$9,621,371		16.7%		
Phase 2 Costs		$27,863,032	$195,000/key [4]	48.4%	$187,000/ key (avg)	☒
Furniture, Fixtures, Equip.	$7,404,000	$7,988,623	$55,500/key	13.9%	$55,000/ key	☒
Soft Costs	$2,565,000	$2,660,227	$73/SF	4.6%	[5]	
Financing Costs	$1,723,798	$1,995,161	$14/SF	3.5%		
Developer Fees	$750,000	$754,747	$5/SF	1.4% [6]		
Reserves and Other Costs	$1,228,000	$1,728,000	$12/SF	3.0%		
TOTAL DEVELOPMENT COSTS (TDC)	**$59,484,161**	**$57,556,779**	**$395/SF**	**100%**		

[1] Costs reflect Developer budget received October 20, 2017
[2] Based on data from comparable projects in Kansas City and *SB Friedman's* experience elsewhere in the Midwest
[3] Previously incurred costs
[4] For the purposes of benchmarking costs, this metric reflects costs prior to STECM
[5] Within typical range
[6] Percent of adjusted budget, net of acquisition
Source: Platform Ventures, *SB Friedman*

Key findings from our review of the Hotel Component budget, as well as adjustments made to the Developer's budget for the purposes of evaluating the Project's need for financial assistance, are outlined below:

- **Acquisition Costs.** The Developer's initial budget submittal for the Hotel Component indicated an acquisition price of $17.0 million, which represented a significant portion of total development costs. Upon further discussion, the Developer clarified that the $17.0 million included previously incurred renovation and holding costs for Phase 1 of the Project. The Developer provided a detailed breakdown showing that they purchased the KC Club building in September 2015 for $5.6 million. After depreciation, the Developer indicated the building is currently worth $4.9 million, or approximately $34 per gross square foot of building, which is the cost being allocated to the Project. The detailed breakdown also included approximately $1.1 million for land acquisition and approximately $11.1 million for costs related to the building renovation. As described further below, *SB Friedman* allocated the $1.1 million land acquisition price for the surface parking lot on which the Office/Garage Component will be built to the Office/Garage Component of the Project. *SB Friedman* allocated the remaining $11.1 million to the Hotel Component hard, soft, financing and reserve costs. The Developer also included $500,000 of accumulated losses for the past two years of operations. For the purposes of this analysis, *SB Friedman* recognized the accumulated losses as an operating reserve.

  The Developer provided an as-is appraisal, prepared by Colliers International in June 2017, which arrived at an as-is (partially complete) value of $20.2 million. The as-is appraisal is based on projected market value at completion, less remaining development costs. *SB Friedman* analyzed the per-gross-square-foot of building acquisition price against recent sales transactions over the last three years in the downtown area, focusing specifically on vacant shell buildings or buildings being purchased for conversion to another use. The results of that analysis indicate that sales per gross square foot of building consistently range from $21 to $29, with an average of $25 per building square foot.

Based on this analysis, the Developer's building acquisition price appears to be somewhat higher on a per-square-foot basis than comparable properties. The increased acquisition price is likely due to the cash flow and value generated by the loft apartments at the time of acquisition. *SB Friedman* did not adjust the building acquisition price for the purpose of this analysis.

- **Hard Construction Costs.** The Developer's third-party contractor estimates hard construction costs of approximately $195,000 per hotel key for the renovation of the building (pre-STECM and exclusive of Phase 1 work). Costs associated with the rehabilitation of structures can be difficult to benchmark, as property conditions vary by property, especially with historic rehabilitations; however, hard cost estimates appear to be on the high end of comparable hotel rehabilitation or conversion projects reviewed by *SB Friedman*, which averaged approximately $187,000 in hard costs per key.

- **Furniture, Fixtures and Equipment (FF&E).** Approximately $8.0 million, including Phase 1 costs related to event space buildout, has been allocated to supplies, equipment and finishes for the hotel. This figure amounts to approximately $55,500 per hotel key. The HVS U.S. Hotel Development Cost Survey 2016/17 lists $55,000 as the average FF&E cost for luxury hotels, therefore it appears that this assumption is reasonable.

<u>Apartment Component</u>

Table 1B: Preliminary Development Budget and Comparable Benchmarks, Apartment Component

Development Costs [1]	Developer Budget	SBF Adjusted Budget	Adjusted Cost per Gross SF	% of Adjusted TDC	Benchmark [2]	Key Line Item
Acquisition Costs	$1,242,000	$1,242,000	$9	5.0%	Up to $21-29	☒
Hard Construction Costs	$19,960,000	$19,317,256	$150 [3]	82.6% [3]	$150-170	☒
Soft Costs	$1,627,200	$1,627,200	$12	6.6%	[4]	
Financing Costs	$500,000	$500,000	$4	2.0%		
Developer Fees	$1,250,000	$936,019	$7	4.0% [5]	3-4% [5]	☒
Reserves and Other Costs	$1,020,000	$1,020,000	$8	4.1%		
TOTAL DEVELOPMENT COSTS (TDC)	**$25,599,200**	**$24,642,475**	**$184**	**100.0%**		

[1] Costs reflect Developer budget received October 11, 2017
[2] Based on data from comparable Kansas City projects (without STECM)
[3] For the purposes of benchmarking costs, this metric reflects costs prior to STECM
[4] Within typical range
[5] Percent of adjusted budget, net of acquisition
Source: Platform Ventures, *SB Friedman*

Key findings from our review of the Apartment Component budget, as well as adjustments made to the Developer's budget for the purposes of evaluating the Project's need for financial assistance, are outlined below:

- **Acquisition Costs.** It is our understanding that the building is currently owned by Kansas City Downtown Hotel Group, LLC, which will be an investor in the Apartment Component of the Project and contribute the property at a value of $1.2 million. According to the Developer, the $1.2 million figure represents the remaining depreciable value of the building. The Developer did not provide an as-is appraisal for the building; therefore, *SB Friedman* analyzed the per-gross-square-foot of building acquisition cost against recent sales transactions over the last three years in the downtown area, focusing specifically on vacant shell buildings or buildings being purchased for conversion to another use. The results of that analysis indicate that acquisition cost per gross square foot of building is below recent sales, likely reflecting the deteriorated condition of the building, which has been vacant for nearly two decades.

- **Hard Construction Costs.** The Developer's third-party contractor estimates hard costs of approximately $150 per gross square foot with contingency (before STECM). While it is difficult to accurately benchmark renovation projects due to large variations in property conditions, this estimate appears to be reasonable based on the $150-170 per gross square foot hard cost range reviewed in comparable Kansas City conversion/renovation projects. The Developer's assumed hard costs represent approximately 82.6% of total development costs, net of acquisition, which also appears to be reasonable based on benchmarks from comparable Kansas City projects.

- **Developer Fee.** The Project budget assumes a $1.3 million developer fee, which accounts for 5.3% of total development costs, net of acquisition. Based on *SB Friedman's* experience with other Kansas City projects, a more typical developer fee would range from 3-4% of total development costs, net of acquisition. Therefore, for the purposes of this analysis and sizing public assistance for the Project, *SB Friedman* has normalized the developer fee to 4.0% of total development costs, net of acquisition (or approximately $936,000).

Office/Garage Component

Table 1C: Preliminary Development Budget and Comparable Benchmarks, Office/Garage Component

Development Costs [1]	Developer Budget	SBF Adjusted Budget	Adjusted Cost per Gross SF or Space	% of Adjusted TDC	Benchmark [2]	Key Line Item
Acquisition Costs	$0	$2,160,000		7.1%		☒
Hard Construction Costs	$25,464,424	$24,763,815		81.2%		☒
Office Component	$16,047,500	$15,632,225	$157 [3] [4]	51.3%	$175-195	
Garage Component	$9,416,924	$9,131,590	$26,200/ space [3]	30.0%	$20,000-24,000/ space	
Soft Costs	$1,400,000	$1,400,000	$14	4.6%		
Financing Costs	$600,000	$600,000	$6	2.0%		
Developer Fees	$1,150,000	$1,132,867	$11	4.0% [5]	3-4%	☒
Reserves and Other Costs	$425,000	$425,000	$4	1.4%		
TOTAL DEVELOPMENT COSTS (TDC)	**$29,039,424**	**$30,481,683**	**$299**	**100%**		

[1] Costs reflect Developer budget received October 11, 2017
[2] Based on data from comparable in Kansas City and elsewhere in the Midwest
[3] For the purposes of benchmarking costs, this metric reflects costs prior to STECM
[4] Includes Tenant Improvement costs
[5] Percent of adjusted budget, net of acquisition
Source: Platform Ventures, *SB Friedman*

Key findings from our review of the Office/Garage Component budget, as well as adjustments made to the Developer's budget for the purposes of evaluating the Project's need for financial assistance, are outlined below:

- **Acquisition Costs.** The Developer's pro forma did not include an acquisition cost associated with the Office/Garage Component. Based on conversations with the Developer regarding the ownership structure of the Project, *SB Friedman* understands that the Project site includes the surface parking lot on the northeast corner of 13th Street and Wyandotte Street that was conveyed to the Developer as part of the acquisition of the KC Club property. Therefore, *SB Friedman* allocated the approximately $1.1 million land acquisition line item originally included in the Hotel Component budget to the Office/Garage Component. The Developer also stated that the acquisition price for the parcel to the north (the existing parking structure) is anticipated to be $1.1 million, which was not reflected in the Project pro forma. *SB Friedman* added this additional $1.1 million in anticipated purchase price to the development budget, but was unable to review documentation, since the agreement was verbal at the time of our review.

- **Hard Construction Costs.** The Developer's third-party contractor is assuming base hard construction costs for the office component of approximately $126 per gross square foot and tenant improvement costs of approximately $31 per gross square foot, or $157 per gross square foot in total. The benchmark range of combined base hard costs and tenant improvement costs for comparable office projects reviewed by *SB Friedman* in Kansas City and the Midwest are $175-195 per gross square foot. The Developer's cost assumption therefore appears to be somewhat low. However, costs related to the foundational work for the office component are included within the garage hard costs, which is contributing to the relatively lower cost.

  The Developer is assuming hard construction costs of approximately $26,200 per space for the garage component. This assumption appears to be slightly above the benchmark range of $20,000-24,000 per space for above-ground structured parking in Kansas City. The Developer indicated two factors are driving the somewhat higher parking: 1) the proposed parking garage is less efficient than a typical garage due to the relatively small size of the site, and 2) the parking garage costs include foundational work that supports the vertical office development.

- **Developer Fee**. The Project budget includes a $1.2 million developer fee, which accounts for 4.1% of total development costs, net of acquisition. Based on *SB Friedman's* experience with other Kansas City projects, a more typical developer fee would range from 3-4% of total development costs, net of acquisition. Therefore, for the purposes of this analysis and sizing public assistance for the Project, *SB Friedman* has normalized the developer fee to a slightly lower amount of 4.0% of total development costs, net of acquisition (or approximately $1.1 million).

<u>All Components</u>

Table **1D** below presents the combined development budget for all Project components.

Table 1D: Preliminary Development Budget and Comparable Benchmarks, All Components

Development Costs	Developer Budget	SBF Adjusted Budget	Adjusted Cost per Gross SF	% of Adjusted TDC
Acquisition Costs	$18,242,000	$8,347,617	$22	7.4%
Hard Construction Costs	$74,237,787	$81,565,474	$214	72.4%
Soft Costs	$12,996,200	$13,676,050	$36	12.1%
Financing Costs	$2,823,798	$3,095,161	$8	2.7%
Developer Fees	$3,150,000	$2,823,633	$7	2.7% [1]
Reserves and Other Costs	$2,673,000	$3,173,000	$7	2.8%
TOTAL DEVELOPMENT COSTS (TDC)	**$114,122,785**	**$112,680,937**	**$296**	**100.0%**

[1] Percent of adjusted budget, net of acquisition
Source: Platform Ventures, *SB Friedman*

PROPOSED CONSTRUCTION FINANCING SOURCES

The Developer anticipates leveraging several sources to finance the different Project components, including conventional debt, developer and investor equity, EB-5, Property Assessed Clean Energy (PACE) financing, and federal and state Historic Tax Credits (HTC). The level of commitment and documentation of the financing sources varies between Project component. The financing of the Hotel Component is nearly finalized, while financing assumptions for the Apartment and Office/Garage Components are preliminary.

SB Friedman reviewed the financing assumptions, particularly in terms of the status of financing, maximization of debt, the presence of a reasonable amount of equity, and adherence to market terms, using market data and information from recent comparable projects in Kansas City. As discussed further in the Need for Assistance section, our financial analysis was ultimately based on unleveraged returns, therefore we did not make adjustments to the Developer's financing assumptions beyond accounting for STECM. The anticipated financing sources, by Project component, are presented in **Tables 2A-2C** and discussed further below.

Hotel Component

Table 2A: Preliminary Construction Financing Sources, Hotel Component

Development Sources	Developer Sources	SBF Adjusted Sources	% of Adjusted Sources	Benchmark
Conventional Debt	$32,500,000	$32,500,000	56.5%	50-75%
PACE Financing	$3,203,333	$3,203,333	5.6%	
EB-5 Financing	$15,000,000	$15,000,000	26.1%	
Cash Equity	$8,780,828	$6,853,446	11.9%	
TOTAL DEVELOPMENT SOURCES	**$59,484,161**	**$57,556,779**	**100.0%**	

Sources: Platform Ventures*, SB Friedman*

Financing assumptions for the Hotel Component are as follows:

- **Conventional Debt.** The Developer provided an executed construction loan agreement from a regional bank for $32.5 million. The loan will cover approximately 56.5% of development costs for the Hotel Component with a 4.5% interest rate and a 25-year amortization period. While the construction loan agreement does not specifically outline terms for conversion to a permanent loan, the Developer's pro forma assumes debt service over the 10-year analysis period using the same 4.5% interest rate and 25-year amortization period. Conventional debt, as a percentage of total development sources, is at the low end of the range observed for recent Kansas City hotel projects; however, as outlined below, the Developer is also pursuing EB-5 financing, which functions as mezzanine debt. Overall leverage on the Hotel Component (conventional and EB-5 debt) is 82.5%. Interest rate and amortization terms are within the range of comparable projects.

- **PACE Financing.** The Developer anticipates financing $3.2 million of clean energy improvements through the Missouri Commercial PACE Program. The Developer provided a draft PACE Promissory Note and indicated that financing terms are expected to be finalized soon. PACE financing is repaid through an additional levy on property taxes, which does not appear to be reflected within the Developer's pro forma; however, the Developer stated that annual operating expense assumptions were based on standard building systems and the increased energy efficiency associated with the PACE-financed improvements would offset PACE repayment. The Developer provided a term sheet stating that the PACE financing would earn an effective interest rate of 4.99% over the 20-year repayment term.

- **EB-5 Financing.** The Developer is engaged with Central Western Regional Center, LLC to raise up to $15 million of Project capital through the EB-5 Immigrant Investor Visa Program. The Developer provided the Subscription Agreement being used to generate capital and stated that approximately $3.5 million had been raised as of November 20, 2017. The Developer indicated that if the full $15 million could not be raised, the remainder of the Project would be financed with traditional equity. Within the Project pro forma, repayment of the loan is structured as interest only, generating a 5.25% interest rate over the 10-year analysis period. This appears to reasonable based on information from Bloomberg and National Real Estate Investor.

- **Historic Tax Credit Equity.** The KC Club building is listed on the National Register of Historic Places and the Developer anticipates receiving $12.6 million in Federal and State Historic Tax Credits. The Developer provided a preliminary determination letter for the federal credits, a state approval letter for state credits, and other associated documentation (all dated October 2016 through March 2017). However, no term sheets from potential investors were available. The Developer indicated that the state credits are expected to be sold to a third-party investor, while the federal credits are expected to be retained by members of the development entity. Both federal and state credits are assumed to be valued at $0.92/credit, with federal credits amortized over 5 years and discounted back to Year 0 using a 7.0% discount rate. This results in $9.3 million in HTC benefit. The Developer's value assumptions appear to be somewhat aggressive based on *SB Friedman's* review of recent projects and understanding of HTC investment markets. However, actual HTC pricing is impacted by a number of market-driven and project-specific factors; therefore, *SB Friedman* has not adjusted the Developer's pricing assumptions.

- **Cash Equity.** During construction, equity is estimated to account for 11.9% of financing sources for the Hotel Component, with the equity investment reducing to approximately 3.9% of sources following funding of the state HTC equity. The Developer indicated that cash equity would be provided from a combination of institutional investors (± 65%) and individual investors (± 35%), which have varying return expectations. Equity, as a percentage of total development costs, is low when compared to a conventionally financed project; this is appropriate given the presence of financing sources less costly than equity, including EB-5, PACE, and HTC.

Apartment Component

Table 2B: Preliminary Construction Financing Sources, Apartment Component

Development Sources	Developer Sources	SBF Adjusted Sources	% of Adjusted Sources	Benchmark
Conventional Debt	$16,639,480	$16,017,609	65.0%	65-70%
Cash Equity	$8,959,720	$8,624,866	35.0%	30-35%
TOTAL DEVELOPMENT SOURCES	**$25,599,200**	**$24,642,475**	**100.0%**	

Sources: Platform Ventures, SB Friedman

Preliminary financing assumptions for the Apartment Component are as follows:

- **Conventional Debt.** The Developer anticipates securing financing equal to 65% loan-to-cost, with a 4.5% interest rate and 25-year amortization period. The Developer did not provide official terms or letters of intent from potential lenders to validate these financing terms; however, based on recent Kansas City projects of comparable size and scale, the permanent financing assumptions appear to be reasonable.

- **Historic Tax Credit Equity.** The Developer is in the process of applying for $8.5 million in Federal and State Historic Tax Credits. Similar to the Hotel Component, the Developer indicated that the state credits will be sold to a third-party investor, while the federal credits will be retained by members of the development entity. Both federal and state credits are assumed to be valued at $0.92/credit, with federal credits amortized over 5 years and discounted back to Year 0 using a 7.0% discount rate. This results in $6.3 million in HTC benefit. Term sheets from potential HTC investors were not available. As with the Hotel Component, the Developer's value assumptions appear to be somewhat aggressive based on *SB Friedman's* review of recent projects and understanding of HTC investment markets. The Developer indicated that if HTCs could not be secured, the remainder of the Project would be financed with traditional equity.

- **Cash Equity.** The Developer assumes that 35% of development costs would be financed with equity during construction, with the equity investment reducing to approximately 25.1% of sources during operations if state HTC equity is secured. The Developer indicated that cash equity would be provided from a combination of institutional investors (± 65%) and individual investors (± 35%).

Office/Garage Component

Table 2C: Preliminary Construction Financing Sources, Office/Garage Component

Development Sources	Developer Sources	SBF Adjusted Sources	% of Adjusted Sources	Benchmark
Conventional Debt	$18,875,626	$19,8130,094	65.0%	70-75%
Cash Equity	$10,163,798	$10,668,589	35.0%	25-35%
TOTAL DEVELOPMENT SOURCES	**$29,039,424**	**$30,481,683**	**100.0%**	

Sources: Platform Ventures, SB Friedman

Preliminary financing assumptions for the Office/Garage Component are as follows:

- **Conventional Debt.** The Developer anticipates securing financing equal to 65% loan-to-cost, with a 5.0% interest rate and 25-year amortization period. The Developer did not provide official terms or letters of intent from potential lenders to validate these financing terms; however, based on recent projects of comparable size and scale, the permanent financing assumptions used by the Developer appear to be reasonable.

- **Cash Equity.** The Developer assumes that 35% of development costs would be financed with equity during construction. The Developer indicated that cash equity would be provided from a combination of institutional investors (± 65%) and individual investors (± 35%), which have varying return expectations.

CASH FLOW ASSUMPTIONS

SB Friedman compared cash flow assumptions in the Developer's pro forma with market data provided by the Developer, market comparables, and recent projects in Kansas City reviewed by *SB Friedman*. Key assumptions from the Developer's pro forma are outlined below.

Hotel Component Cash Flow Assumptions

The Developer provided an appraisal completed by Colliers International for the Hotel Component dated June 13, 2017. All pro forma assumptions appear to reconcile with the conclusions in the appraisal.

- **Average Daily Rate (ADR) and Occupancy.** The Developer is assuming an ADR of $192 in 2019, which appears to be reasonable based on the ADR of comparable hotels in Kansas City. **Table 3A** presents market data from the 2017 Colliers appraisal. The Developer is also assuming a stabilized occupancy rate of 76.8%. This assumption appears to be achievable, though somewhat aggressive, given that comparable properties generally range from 70-75%. The Developer is assuming a 3.0% annual growth in ADR.

Table 3A: Hotel Comparables Summary

Property	Keys	Occupancy (2016)	ADR (2016$)	ADR (2019$) [1]
PROJECT [2]	**144**	**76.8% [2]**		**$192**
Hilton Kansas City President	213	57.0% [3]	$163	$178
Autograph Collection Ambassador Hotel KC	43	75.0%	$165	$180
Marriott Kansas City Country Club Plaza	295	71.0%	$180	$197
The Fontaine	132	79.0%	$197	$215
InterContinental Kansas City at The Plaza	366	70.0%	$182	$199
Autograph Collection The Raphael Hotel	126	67.0%	$160	$175
Sheraton Suites Country Club Plaza	257	70.0%	$162	$177
Average		**69.0%**	**$175**	**$191**
Average of Stabilized Properties		**72.0%**		

[1] Rates adjusted to 2019 dollars using Developer's 3.0% annual escalation assumption
[2] Developer's stabilized occupancy assumption
[3] Appears to not be stabilized
Source: Platform Ventures, Colliers International, *SB Friedman*

- **Parking Revenues.** The Developer is assuming parking revenues, on average, of $12 per room night, which is consistent with the appraisal conclusions. The Developer is assuming operating expenses will account for 25% of the parking revenues. The Developer stated that the parking revenue and expense assumptions include both valet and structured parking operations.

- **Food and Beverage Revenues.** The Developer is assuming approximately $4.2 million of revenue from hotel food and beverage services in Year 1 of operations and approximately $4.5 million at stabilization. Revenue is expected to increase 3.0% annually following stabilization. Assumed food and beverage revenues account for approximately 24.5% of total revenue at stabilization. Based on operational benchmarks of comparable properties, this assumption appears to be reasonable.

- **Operating Expenses.** The Developer's assumed expenses for the hotel represent 78% of assumed revenues, net of property taxes. This assumption appears to be reasonable based on operating expense ratios of comparable hotel projects reviewed by *SB Friedman*, which typically range from 67-82% of revenues, net of taxes.

- **Real Estate Tax Payments.** Annual real estate tax expenses in the Project pro forma differed from the Developer's projection of assessed value and taxes. *SB Friedman* adjusted the pro formas to match the assessed value and tax projections. Within the projections, the Developer is assuming annual real estate tax payments of approximately $325,000, or approximately $2,300 per hotel key. This assumption is relying on an assumed assessed value per room of $24,000. *SB Friedman's* engagement does not include estimating assessed value or property taxes; however, based on a high-level review of comparable assessed value assumptions from other Kansas City hotels, the Colliers appraisal, and EDCKC's review, this assumption appears to be reasonable. Real estate tax assumptions were adjusted slightly to account for updated levy rates.

- **Exit Capitalization Rate.** The Developer's pro forma assumes a hypothetical sale in Year 10 using a 9.5% terminal cap rate. Based on our review of market data, this assumption appears to be conservative and was adjusted to 8.5% for the purposes of sizing public assistance.

<u>Apartment Component Cash Flow Assumptions</u>

The Developer provided market information from CoStar, dated October 2017, for comparable apartment properties in Kansas City. *SB Friedman* reviewed key cash flow assumptions for the Apartment Component and evaluated the Project against the Developer market information and prior projects in Kansas City.

- **Apartment Rents**. The Developer projected an average monthly rent of $1.74 per square foot, or approximately $1,578 per unit, beginning in the first quarter of 2019. As indicated in the market data presented in **Table 3B**, both the chunk rent and rent per square foot rates are in line with rents (adjusted to reflect 2019 values) for certain other comparable recently built or redeveloped rental properties in the downtown area. The proposed apartment units are not anticipated to offer the same level of amenities as luxury units nearby achieving above $2.00 per square foot rents. Additionally, the proposed units are intended to be a replacement for the units lost in the hotel conversion of the current KC Club building. The Developer provided a rent roll for the current KC Club apartments, dated February 2018, indicating average rents of $1.00 per square foot for those units. Though the $1.00 per square foot rent is lower than the Developer's assumption for the Project apartment units, the KC Club apartments were renovated in 2004 and represent older product that would not command similar rates to newly renovated units. The Developer is assuming rent escalation of 3% annually, which is within a range typical of other comparable Kansas City projects.

Table 3B: Apartment Comparables Summary

Property	Year Built	Units	Percent Vacant	SF (Avg)	Rent/Unit (Avg) [1]	Rent/SF (Avg) [1]
PROJECT [2]	**Proposed**	**117**	**5%**	**905**	**$1,578**	**$1.74 [2]**
Power & Light Apartments	2016	291	22.2% [4]		$1,703	
531 Grand	2017	185		737	$1,245	$1.69
River Market West	2015	137	2.2%	836	$1,355	$1.62
Apex on Quality Hill	2017	138		1,060	$1,678	$1.58
Sky on Main	2016	30	13.3% [4]		$1,668	
Traders on Grand [1]	Proposed	203	N/A	870	$1,492	$1.72
Weighted Average (2017 dollars)					**$1,520**	**$1.66**
Weighted Average (2019 dollars) [3]					**$1,613**	**$1.76**

[1] Project rents are presented in 2019 dollars, comparables are presented in 2017 dollars
[2] Reflects market-rate rents only
[3] Rents adjusted to 2019 dollars using Developer's 3.0% annual escalation assumption
[4] Project is in its stabilization period
Source: CoStar, Platform Ventures, *SB Friedman*

Following discussions with EDCKC and the Developer, for the purposes of analyzing the Project's need for assistance, 12 one-bedroom units previously priced at $1,495 per month were adjusted from the original pro forma to $1,196 per month to meet the 80% AMI affordability requirements that would be a condition of an extended LCRA abatement period. However, this adjustment is not reflected in the evaluation of market rents above.

- **Absorption and Vacancy.** The Developer is assuming an absorption rate of approximately 15 units per month for the first six months of operations. This assumption appears to be reasonable based on absorption rates for comparable apartment properties in Kansas City. The Developer is assuming a stabilized vacancy rate of 5%, which also appears to be reasonable.

- **Parking Revenue.** The Developer indicated that a 1:1 parking ratio would be required for the apartment component of the Project. The required parking stalls would be located in the Office/Garage component of the Project. The Developer has indicated that revenues associated with parking are included in apartment rents.

- **Operating Expenses.** The Developer is assuming operating expenses of approximately 23% of revenues, net of property taxes. This assumption appears to be reasonable based on the benchmark range of 23-27% for comparable Kansas City projects.

- **Real Estate Tax Payments.** Annual real estate tax expenses in the Project pro forma differed from the Developer's projection of assessed value and taxes. *SB Friedman* adjusted the pro formas to match the assessed value and tax projections. Within the projections, the Developer is assuming real estate tax payments of approximately $165,000 per year, based on an assumed assessed value of $17,000 per unit. *SB Friedman's* engagement does not include estimating assessed value or property taxes; however, the assessed value assumption appears to be somewhat low based on a high-level review of comparable Kansas City apartment properties, which was confirmed by

EDCKC. Therefore, *SB Friedman* adjusted the assessed value assumption to $20,000 per unit, which is more typical of similar projects as confirmed by EDCKC. Real estate tax assumptions were also reviewed by EDCKC and adjusted slightly to account for updated levy rates.

- **Exit Capitalization Rate.** The Developer's pro forma assumes a hypothetical sale in Year 10 using a 7.0% terminal cap rate. Based on our review of market data, this assumption appears to be conservative and was adjusted to 6.0% for the purposes of sizing public assistance.

Office/Garage Component Cash Flow Assumptions

The Developer provided market information from CoStar for comparable office properties in Kansas City. *SB Friedman* evaluated key items from the Developer's pro forma for the Office/Garage Component using information submitted from the Developer and comparable projects reviewed by *SB Friedman* in Kansas City and the Midwest.

- **Office Rents.** The Developer is assuming a base rent of $26 per square foot (gross; in 2018 dollars) for the 70,000 rentable square feet of office space. Rent growth varies over time due to the proposed structure of the office leases, with 3.1% average annual rent growth rate over the first 10 years of operations. The building is anticipated to have four suites, each of which have recurring seven-year leases. For all suites, rents increase by $0.50 per square foot annually through the end of the first seven-year lease, an increase of approximately 1.8% per year. The base rent of the second seven-year lease, to begin in Year 8, increases by an average of 14% over the Year 7 rents and thereafter increases by 3.0% annually. The 3.0-3.1% annual escalation rate assumptions appear to be reasonable based on data from comparable projects.

  The Developer stated that the office project is expected to be very appealing to potential tenants given its visibility and proximity to the interstate and nearby amenities. Because of this, the Developer indicated the Project should achieve rents at the high end of the Downtown market. Based on *SB Friedman's* review of market rents for comparable Kansas City office properties, assumed Project rents do not appear to reflect the location premium anticipated by the Developer. The properties included in our review were either provided by the Developer or researched in CoStar. *SB Friedman* selected properties that represent the top of the Kansas City market, which has experienced relatively few new construction projects in recent years. Given the desirability of the Site, it is anticipated that the Project would achieve rents at the higher-end of the Downtown market, likely comparable to the recently completed rehabilitation phase of the Corrigan Station development, which is currently achieving gross rents of $28 per square foot. Top-tier Class A office properties, generally located in Country Club Plaza, are currently achieving rents above $30 per square foot; however, the anticipated hard costs and tenant improvement allowance assumed for the Project are unlikely to support Top-Tier tenant requirements. **Table 3C** presents market rents for comparable properties included in this review.

  Based on our review of comparable, high-end office properties in Kansas City and the Project's premium location, it appears the Project could achieve higher rents than the Developer's assumption of $26 per square foot. It appears the Project would be competitive with Corrigan Station and would therefore likely be able to achieve similar gross rents. Based on our review of comparable properties and recent deal flows for Class A office properties in downtown Kansas City, *SB Friedman* adjusted the Project base rent to $28.50 per square foot, inclusive of parking, for the purposes of analyzing the Project's need for public assistance.

Table 3C: Office Comparables

Property	Year Built	Rentable SF	Percent Vacant	Rent Type	Average Rent/SF (2017$)	Average Rent/SF (2018$)
PROJECT	**2018**	**70,000**	**5.0%**	**Gross**		**$26**
Corrigan Station	2017	110,000	9.7%	Gross	$28	$29
Plaza Colonnade/Husch Building	2004	320,000	0%	Gross	$32	$33 [1]
Valencia Place	2000	251,335	0%	Gross	$32	$33 [1]

[1] Rents inflated from 2017 dollars to 2018 dollars using the Developer's 3.1% growth assumption.
Source: CoStar, *SB Friedman*

- **Absorption.** The Developer assumes that 50,000 square feet (71% of total rentable area) will be occupied at Project completion. The Project is then expected to achieve stabilization during Year 1 of operations, with a stabilized vacancy rate of 5%. The assumed absorption schedule appears to be reasonable.

- **Parking Revenues and Expenses.** The Developer has indicated that revenues and expenses associated with parking are included in the office rent and operating expenses categories, respectively. The Developer is requesting an additional payment of $250,000 annually over 25 years through a parking agreement with the City in order to allow for free public parking in the structure on evenings and weekends. Because this agreement would be made under the assumption that the Developer is foregoing additional private parking revenue to accommodate the free public parking, adjustments to the agreement should be considered in the event of external parking agreements. Should the Developer enter into external parking revenue agreements, such as with a neighboring property owner, during the 25-year period of the parking agreement with the City, the City's annual payments to the Developer should reduce by the amount of said external parking revenue agreement dollar-for-dollar.

- **Operating Expenses.** The Developer is assuming operating expenses of approximately $9 per square foot, net of real estate taxes, in Year 1, inflating at 3.0% per year thereafter. *SB Friedman* compared this assumption to data from the 2017 Institute of Real Estate Management (IREM) Income/Expense Analysis, which surveyed 31 office properties in downtown Kansas City. The IREM data indicated that operating expenses, net of real estate taxes, range from $6-10 per square foot in downtown Kansas City, with an average of $8 per square foot. Based on this information, the Developer's operating expense assumptions appear reasonable.

- **Real Estate Tax Payments.** Annual real estate tax expenses in the Project pro forma differed from the Developer's projection of assessed value and taxes. *SB Friedman* adjusted the pro formas to match the assessed value and tax projections. Within the projections, the Developer is assuming annual real estate tax payments of approximately $165,000 per year, based on an assumed assessed value of $25 per rentable square foot. *SB Friedman's* engagement does not include estimating assessed value or property taxes; however, this assumption appears to be reasonable based on a high-level review of comparable office properties in Kansas City. Real estate tax assumptions were reviewed by EDCKC and adjusted slightly to account for updated levy rates.

- **Exit Capitalization Rate.** The Developer's pro forma assumes a hypothetical sale in Year 10 using an 8.0% terminal cap rate. Based on our review of market data, this assumption appears to be conservative and was adjusted to 7.0% for the purposes of sizing public assistance.

Need for Financial Assistance

SB Friedman analyzed the Project's need for financial assistance under three scenarios:

1. **Base Case Scenario.** As requested by EDCKC, this scenario assumes that the Project will receive the Developer's requested STECM for all three components and the 20-year CID assistance for the Hotel Component.

2. **Base Case Scenario and Requested LCRA Abatement.** This scenario assumes that the Project will receive the Developer's requested 25-year LCRA abatement for the Apartment and Office/Garage Components, STECM for all components and CID for the Hotel Component.

3. **With Full Requested Assistance.** This scenario assumes that the Project will receive the Developer's requested 25-year LCRA abatement for the Apartment and Office/Garage Components, 25 years of City parking agreement revenues, STECM for all components and CID for the Hotel Component.

RETURNS ANALYSIS

SB Friedman typically uses the following return metrics to evaluate the need for financial assistance:

1. **Unleveraged Internal Rate of Return (IRR)**. This is the rate of return or discount rate for a project, accounting for initial expenditures to construct the Project (net of HTC value) and ongoing cash inflows (annual net operating income [NOI] before debt service), as well as a hypothetical sale of the Project at the end of the analysis period.

2. **Stabilized Yield on Cost.** This metric is calculated by dividing NOI before debt service in the first year of stabilized operations by total project costs (net of HTC value), and is an indicator of the annual overall return on investment for the Project.

3. **Leveraged Internal Rate of Return.** This is the annualized rate of return the Project's equity investors would be projected to realize over their full investment period, including an assumed hypothetical sale of the Project at the end of the analysis period.

4. **Stabilized Cash on Cash Return.** This metric indicates the annual cash return to equity investors once the Project reaches stabilization, and is calculated by dividing net cash flow (after debt service) in a given year by the total initial equity investment.

For this Project, *SB Friedman* evaluated the Project's need for assistance on an unleveraged basis only. Unleveraged metrics, including stabilized yield on cost and unleveraged IRR, evaluate overall Project feasibility, rather than returns to specific investors. *SB Friedman* based the decision to evaluate the project using only the unleveraged return metrics on the following factors:

- Number of combined financing sources;
- Request by EDCKC and the Developer that the Project components be evaluated as a single project;
- Preliminary status of financing sources for the Apartment and Office/Garage Components;
- Uncertainty regarding the final amount of EB-5 that will be raised; and

- Likelihood that some sources will need to be bridged during construction, which is not contemplated in the Developer's pro forma.

SB Friedman made the following adjustments to the Developer's original pro forma to analyze returns:

- **STECM Adjustment.** The Developer requested STECM assistance, but their pro forma did not reflect a reduction in hard costs from STECM. For the purposes of this analysis, *SB Friedman* reduced Project hard costs by the calculated STECM amounts.

- **Hotel Component Cost Basis.** The Developer's initial submittal included a hotel acquisition cost of $17.0 million. A detailed breakdown of the $17.0 million acquisition cost revealed that the Developer had purchased the Hotel Component building for $4.9 million, land for the Office/Garage Component for $1.1 million and had incurred $11.1 million in costs related to the Phase 1 building renovation. For the purposes of this analysis, *SB Friedman* therefore adjusted the Hotel Component acquisition price to $4.9 million.

- **Hotel Component Budget.** As discussed above, the Developer's initial budget included a hotel acquisition cost of $17.0 million that included $11.1 million of previously incurred costs related to the building renovation. *SB Friedman* allocated the $11.1 million to appropriate hard, soft and financing cost line items within the Hotel Component budget.

- **Office/Garage Land Acquisition Cost.** *SB Friedman* allocated $1.1 million in land acquisition costs from the Hotel Component to the Office/Garage Component. Furthermore, the Developer stated verbally that an additional $1.1 million acquisition cost related to the acquisition of the existing parking garage was not included in their submitted budget. Therefore, for the purposes of this analysis, *SB Friedman* included an acquisition cost of $2.2 million for the Office/Garage Component.

- **Apartment and Office/Garage Component Developer Fees.** The assumed developer fees for the Apartment Component and the Office/Garage Component were above the typical range of 3-4% of total development costs, net of acquisition. The Developer's assumed developer fee was 5.3% for the Apartment Component and 4.1% for the Office/Garage Component, both net of acquisition. For the purposes of this analysis, *SB Friedman* adjusted the developer fees for both components to 4.0%.

- **Apartment Rents.** The Developer's initial submittal included a unit mix with average rents of $1.74 per square foot in Year 1 of operations. Following the initial submittal, the Developer verbally agreed to offer 10% of the apartment component's one-bedroom units at affordable rents targeted towards renters with incomes of 80% or less of the area median income. Therefore, for the purposes of this analysis, *SB Friedman* adjusted apartment rents to reflect these affordability parameters, which results in average rents of $1.72 per square foot in Year 1 of operations.

- **Office Rents.** The Developer is assuming base gross office rents of $26 per square foot. Based on office rents of comparable office properties in the Kansas City market, this assumption appears low. Therefore, for the purposes of this analysis, *SB Friedman* adjusted office rents to $28.50 per square foot, inclusive of parking, which is more reflective of rents at the high end of the Class A market.

- **Real Estate Tax Payments.** Annual real estate tax expenses in the Project pro formas differed from the Developer's projections of assessed value and taxes. *SB Friedman* adjusted the pro formas to match the assessed value and tax projections, in addition to updating levy rates, per EDCKC.

- **Exit Capitalization Rate.** For the purposes of this analysis, *SB Friedman* used a weighted average exit capitalization rate to calculate internal rate of return and value assistance beyond the analysis period. The Developer's exit cap rate assumptions appeared to be conservative and were adjusted downward to 8.5% for the Hotel Component, 6.0% for the Apartment Component and 7.0% for the Office/Garage Component. The resulting blended rate of 7.6% was used to calculate internal rate of return and as the discount rate to determine present values of assistance cash flows beyond the 10-year analysis period.

As presented in **Table 4** and in further detail in **Appendix Tables 2B-4B**, *SB Friedman* estimates that the Project would generate returns at the low end of market appropriate ranges under the base case scenario with a stabilized yield on cost of 6.9% and an unleveraged IRR of 8.8%. With the addition of LCRA assistance and the parking agreement, the Project would be closer to the midpoint of market-appropriate rates of return.

Table 4: Projected Developer Returns

Returns Metric	Base Case Scenario (CID/STECM)	CID, STECM and LCRA Scenario	Full Requested Assistance	Benchmark [1]
Stabilized Yield on Cost	6.9%	7.1%	7.3%	± 7.3%
Unleveraged IRR	8.8%	9.0%	9.4%	± 9.1%
Undiscounted Value of Total Assistance	± $7,149,000	± $10,478,000	± $17,385,000	
Discounted Value of Assistance at 7.0% [2]	± $4,676,000	± 6,371,000	± $9,490,000	
Discounted Value as a Percent of TDC (net of HTC)	4.8%	6.6%	9.8%	

[1] Midpoint of range; per *SB Friedman* experience and recent Kansas City projects
[2] Discounted using a weighted average of assumed terminal cap rates for each Project component
Source: *SB Friedman*

Conclusions and Recommendations

The Project, as presented by the Developer and described above, appears to require public assistance to be financially feasible. The need for assistance appears to be driven by high redevelopment costs associated with the Hotel Component and the relatively low potential revenue generation associated with the Office/Garage component, as compared to the costs of constructing structured parking. It appears that the Apartment Component alone would generate above-market returns, which are effectively subsidizing the other Project components.

In the Base Case Scenario, the Project achieves the low-end of market-appropriate rates of return, signifying that the Project would likely be financially feasible if offered just STECM and CID. However, with additional public assistance, including the LCRA abatement and the City parking agreement, the Project would satisfy other downtown public policy goals without over-incentivizing the Project. The requested LCRA abatement, which is beyond the typical 10-year term offered through the LCRA, would result in the reservation of 10% of units in the Apartment Component for households earning 80% or less of area median income over the term of the property tax abatement. The 25-year parking agreement would allow for public use of the parking garage on weekday nights and weekends at no cost to users.

With the full amount of assistance, the Project, as presented by the Developer would achieve the midpoint of stabilized yield on cost and unleveraged return benchmarks identified through SB Friedman's experience and recent Kansas City projects that have moved forward with construction, signifying that even with the additional assistance, the Project would achieve market-appropriate rates of return. The resulting assistance package would amount to approximately 10% of total development costs, or $9.5 million (discounted to 2018 at 7%).

Appendix A

LIMITATIONS OF OUR ENGAGEMENT

Our deliverables are based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings/teleconferences with the Economic Development Corporation of Kansas City and the Developer during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the deliverables. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise analyses or the deliverables to reflect events or conditions that occur subsequent to the date of the deliverable. These events or conditions include, without limitation, economic growth trends, governmental actions, changes in state statute or City ordinance, additional competitive developments, interest rates, and other market factors. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our deliverables are intended solely for your information, for purposes of reviewing a request for financial assistance, and is not a recommendation to issue bonds or other securities. The report should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document intended for use in obtaining funds from individual investors without our prior written consent.

We acknowledge that upon submission to EDCKC, the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.

Appendix B

Table 1B-i: Detailed Development Budget – Hotel Component

Development Costs	Developer Assumption	SBF Adjustment	% of Total	$ PSF of Bldg
Acquisition Costs				
Land Acquisition	$17,000,000	$4,945,617		
Total Acquisition Costs	**$17,000,000**	**$4,945,617**	**8.6%**	**$34**
Hard Construction Costs				
Hard Costs	$28,033,363	$37,654,734		
- STECM		-$950,331		
TI/LC				
Contingency	$780,000	$780,000		
Total Hard Construction Costs	**$28,813,363**	**$37,484,403**	**65.1%**	**$258**
Soft Costs				
Design	$1,315,000	$1,315,000		
FF&E	$7,404,000	$7,988,623		
Branding/Preopening	$1,250,000	$1,345,227		
Total Soft Costs	**$9,969,000**	**$10,648,850**	**18.5%**	**$73**
Financing Costs				
Financing Costs	$1,723,798	$1,995,161		
Total Financing Costs	**$1,723,798**	**$1,995,161**	**3.5%**	**$14**
Developer Fees				
Developer Fee	$750,000	$750,000		
Total Developer Fees	**$750,000**	**$754,747**	**1.4%**	**$5**
Reserves and Other Costs				
Owner Held Items	$440,000	$940,000		
Structuring	$718,000	$718,000		
Insurance	$70,000	$70,000		
Total Reserves and Other Costs	**$1,228,000**	**$1,728,000**	**3.0%**	**$12**
TOTAL DEVELOPMENT COSTS	**$59,484,161**	**$57,556,779**	**100.0%**	**$395**

Source: Platform Ventures and *SB Friedman*

Table 1B-ii: Detailed Development Budget – Apartment Component

Development Costs	Developer Assumption	SBF Adjustment	% of Total	$ PSF of Bldg
Acquisition Costs				
Land Acquisition	$1,242,000	$1,242,000		
Total Acquisition Costs	**$1,242,000**	**$1,242,000**	**5.0%**	**$9**
Hard Construction Costs				
Hard Costs	$18,960,000	$18,960,000		
- STECM		-$642,744		
TI/LC				
Contingency	$1,000,000	$1,000,000		
Total Hard Construction Costs	**$19,960,000**	**$19,317,256**	**78.4%**	**$144**
Soft Costs				
Design	$1,327,200	$1,327,200		
FF&E	$200,000	$200,000		
Branding/Preopening	$100,000	$100,000		
Total Soft Costs	**$1,627,200**	**$1,627,200**	**6.6%**	**$12**
Financing Costs				
Financing Costs	$500,000	$500,000		
Total Financing Costs	**$500,000**	**$500,000**	**2.0%**	**$4**
Developer Fees				
Developer Fee	$1,250,000	$936,019		
Total Developer Fees	**$1,250,000**	**$936,019**	**4.0%**	**$7**
Reserves and Other Costs				
Owner Held Items	$800,000	$800,000		
Structuring	$150,000	$150,000		
Insurance	$70,000	$70,000		
Total Reserves and Other Costs	**$1,020,000**	**$1,020,000**	**4.1%**	**$8**
TOTAL DEVELOPMENT COSTS	**$25,599,200**	**$24,642,475**	**100.0%**	**$184**

Source: Platform Ventures and *SB Friedman*

Table 1B-iii: Detailed Development Budget – Office/Garage Component

Development Costs	Developer Assumption	SBF Adjustment	% of Total	$ PSF of Bldg
Acquisition Costs				
Land Acquisition		$2,160,000		
Total Acquisition Costs	**$0**	**$2,160,000**	**7.1%**	**$21**
Hard Construction Costs				
Hard Costs	$20,666,924	$20,666,924		
- STECM		-$700,609		
TI/LC	$3,185,000	$3,185,000		
Contingency	$1,612,500	$1,612,500		
Total Hard Construction Costs	**$25,464,424**	**$24,763,815**	**81.2%**	**$243**
Soft Costs				
Design	$1,250,000	$1,250,000		
FF&E	$75,000	$75,000		
Branding/Preopening	$75,000	$75,000		
Total Soft Costs	**$1,400,000**	**$1,400,000**	**4.6%**	**$14**
Financing Costs				
Financing Costs	$600,000	$600,000		
Total Financing Costs	**$600,000**	**$600,000**	**2.0%**	**$6**
Developer Fees				
Developer Fee	$1,150,000	$1,132,867		
Total Developer Fees	**$1,150,000**	**$1,132,867**	**3.7%**	**$11**
Reserves and Other Costs				
Owner Held Items	$225,000	$225,000		
Structuring	$100,000	$100,000		
Insurance	$100,000	$100,000		
Total Reserves and Other Costs	**$425,000**	**$425,000**	**1.4%**	**$4**
TOTAL DEVELOPMENT COSTS	**$29,039,424**	**$30,481,683**	**100.0%**	**$299**

Source: Platform Ventures and *SB Friedman*

Table 1B-iv: Detailed Development Budget – All Components

Development Costs	Developer Assumption	SBF Adjustment	% of Total	$ PSF of Bldg
Acquisition Costs				
Land Acquisition	$18,242,000	$8,347,617		
Total Acquisition Costs	**$18,242,000**	**$8,347,617**	**7.4%**	**$22**
Hard Construction Costs				
Hard Costs	$67,660,287	$77,281,658		
- STECM		-$2,293,684		
TI/LC	$3,185,000	$3,185,000		
Contingency	$3,392,500	$3,392,500		
Total Hard Construction Costs	**$74,237,787**	**$81,565,474**	**72.3%**	**$214**
Soft Costs				
Design	$3,892,200	$3,892,200		
FF&E	$7,679,000	$8,263,623		
Branding/Preopening	$1,425,000	$1,520,227		
Total Soft Costs	**$12,996,200**	**$13,676,050**	**12.2%**	**$36**
Financing Costs				
Financing Costs	$2,823,798	$3,095,161		
Total Financing Costs	**$2,823,798**	**$3,095,161**	**2.8%**	**$8**
Developer Fees				
Developer Fee	$3,150,000	$2,818,886		
Total Developer Fees	**$3,150,000**	**$2,823,633**	**2.7%**	**$7**
Reserves and Other Costs				
Owner Held Items	$1,465,000	$1,965,000		
Structuring	$968,000	$968,000		
Insurance	$240,000	$240,000		
Total Reserves and Other Costs	**$2,673,000**	**$3,173,000**	**2.8%**	**$0**
TOTAL DEVELOPMENT COSTS	**$114,122,785**	**$112,680,937**	**100.0%**	**$296**

Source: Platform Ventures and *SB Friedman*

Table 2B: Cash Flow Pro Forma: Base Case Assistance (STECM/CID)

				STABILIZATION							
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
BASE CASE	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
DEVELOPMENT SOURCES											
Hotel											
Conventional Debt	-$32,500,000										
PACE Financing	-$3,203,333										
EB-5 Financing	-$15,000,000										
Cash Equity	-$6,853,446										
Apartments											
Conventional Debt	-$16,017,609										
Cash Equity	-$8,624,866										
Office/Parking Garage											
Conventional Debt	-$19,813,094										
Cash Equity	-$10,668,589										
TOTAL	**-$112,680,937**										
UNLEVERAGED CASH FLOW - BASE CASE											
Hotel NOI		$2,751,318	$3,411,472	$3,845,247	$4,052,654	$4,403,609	$4,704,817	$4,983,701	$5,287,051	$5,449,109	$5,623,129
Apartment NOI		$173,092	$1,439,363	$1,506,953	$1,581,181	$1,654,434	$1,674,784	$1,729,998	$1,765,443	$1,797,447	$1,834,128
Office/Parking Garage NOI		-$30,710	$1,047,058	$1,178,736	$1,232,049	$1,283,247	$1,339,073	$1,392,785	$719,711	$1,283,510	$1,607,206
CID Revenues		$157,634	$172,512	$182,211	$191,333	$200,039	$208,242	$216,821	$225,794	$232,568	$239,545
Parking Revenues		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
PV of Remaining Assistance											$1,894,098
Reversion Proceeds (Year 10)											$120,039,415
Total Project Costs with STECM	-$112,680,937										
+ Historic Tax Credits	$15,633,831										
TOTAL	-$97,047,106	$3,051,334	$6,070,404	$6,713,146	$7,057,217	$7,541,328	$7,926,916	$8,323,305	$7,998,000	$8,762,635	$131,237,520
Annual Yield on Cost		*3.1%*	*6.3%*	*6.9%*	*7.3%*	*7.8%*	*8.2%*	*8.6%*	*8.2%*	*9.0%*	*9.6%*
Unleveraged IRR - No Assistance	**8.8%**										

Reversion Calculations		
11th Year NOI		$9,418,477
Terminal Cap Rate / Value	7.65%	$123,117,349
Cost of Sale	2.50%	-$3,077,934
Net Reversion Proceeds		$120,039,415
PV of Assistance After Analysis Period Assumption		7.65%
PV of Total Assistance (Developer's Assumption)		7.00%

Source: *SB Friedman*

Table 3B: Cash Flow Pro Forma: CID, STECM and Requested LCRA Assistance

				STABILIZATION							
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
CID, STECM AND LCRA ASSISTANCE	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
DEVELOPMENT SOURCES											
Hotel											
Conventional Debt	-$32,500,000										
PACE Financing	-$3,203,333										
EB-5 Financing	-$15,000,000										
Cash Equity	-$6,853,446										
Apartments											
Conventional Debt	-$16,017,609										
Cash Equity	-$8,624,866										
Office/Parking Garage											
Conventional Debt	-$19,813,094										
Cash Equity	-$10,668,589										
TOTAL	**-$112,680,937**										
UNLEVERAGED CASH FLOW - ADJUSTED ASSISTANCE											
Hotel NOI		$2,751,318	$3,411,472	$3,845,247	$4,052,654	$4,403,609	$4,704,817	$4,983,701	$5,287,051	$5,449,109	$5,623,129
Apartment NOI		$173,092	$1,439,363	$1,506,953	$1,581,181	$1,654,434	$1,674,784	$1,729,998	$1,765,443	$1,797,447	$1,834,128
Office/Parking Garage NOI		-$30,710	$1,047,058	$1,178,736	$1,232,049	$1,283,247	$1,339,073	$1,392,785	$719,711	$1,283,510	$1,607,206
Savings from Property Tax Assistance		$163,583	$163,583	$168,916	$168,916	$174,355	$174,355	$179,902	$179,902	$185,561	$185,561
Parking Agreement Annual Revenues		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CID Revenues		$157,634	$172,512	$182,211	$191,333	$200,039	$208,242	$216,821	$225,794	$232,568	$239,545
PV of Remaining Assistance (Year 11+)											$2,799,774
Reversion Proceeds											$120,039,415
Total Project Costs with STECM	-$112,680,937										
+ Historic Tax Credits	$15,633,831										
TOTAL	-$97,047,106	$3,214,917	$6,233,987	$6,882,062	$7,226,133	$7,715,682	$8,101,271	$8,503,208	$8,177,902	$8,948,196	$132,328,757
Annual Yield on Cost		*3.3%*	*6.4%*	*7.1%*	*7.4%*	*8.0%*	*8.3%*	*8.8%*	*8.4%*	*9.2%*	*9.8%*
Unleveraged IRR - Adjusted Assistance	**9.0%**										

Reversion Calculations		
11th Year NOI		$9,418,477
Terminal Cap Rate / Value	7.65%	$123,117,349
Cost of Sale	2.50%	-$3,077,934
Net Reversion Proceeds		$120,039,415
PV of Assistance After Analysis Period Assumption		7.65%
PV of Total Assistance (Developer's Assumption)		7.00%

Source: *SB Friedman*

Table 4B: Cash Flow Pro Forma: Full Requested Assistance

				STABILIZATION							
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
FULL ASSISTANCE	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
DEVELOPMENT SOURCES											
Hotel											
Conventional Debt	-$32,500,000										
PACE Financing	-$3,203,333										
EB-5 Financing	-$15,000,000										
Cash Equity	-$6,853,446										
Apartments											
Conventional Debt	-$16,017,609										
Cash Equity	-$8,624,866										
Office/Parking Garage											
Conventional Debt	-$19,813,094										
Cash Equity	-$10,668,589										
TOTAL	**-$112,680,937**										
UNLEVERAGED CASH FLOW - FULL ASSISTANCE											
Hotel NOI		$2,751,318	$3,411,472	$3,845,247	$4,052,654	$4,403,609	$4,704,817	$4,983,701	$5,287,051	$5,449,109	$5,623,129
Apartment NOI		$173,092	$1,439,363	$1,506,953	$1,581,181	$1,654,434	$1,674,784	$1,729,998	$1,765,443	$1,797,447	$1,834,128
Office/Parking Garage NOI		-$30,710	$1,047,058	$1,178,736	$1,232,049	$1,283,247	$1,339,073	$1,392,785	$719,711	$1,283,510	$1,607,206
Savings from Property Tax Assistance		$163,583	$163,583	$168,916	$168,916	$174,355	$174,355	$179,902	$179,902	$185,561	$185,561
Parking Agreement Annual Revenues		$250,000	$250,000	$250,000	$250,000	$250,000	$262,500	$262,500	$262,500	$262,500	$262,500
CID Revenues		$157,634	$172,512	$182,211	$191,333	$200,039	$208,242	$216,821	$225,794	$232,568	$239,545
PV of Remaining Assistance (Year 11+)											$5,303,136
Reversion Proceeds											$120,039,415
Total Project Costs with STECM	-$112,680,937										
+ Historic Tax Credits	$15,633,831										
TOTAL	-$97,047,106	$3,464,917	$6,483,987	$7,132,062	$7,476,133	$7,965,682	$8,363,771	$8,765,708	$8,440,402	$9,210,696	$135,094,619
Annual Yield on Cost		*3.6%*	*6.7%*	*7.3%*	*7.7%*	*8.2%*	*8.6%*	*9.0%*	*8.7%*	*9.5%*	*10.0%*
Unleveraged IRR - Full Assistance	**9.4%**										

Reversion Calculations		
11th Year NOI		$9,418,477
Terminal Cap Rate / Value	7.65%	$123,117,349
Cost of Sale	2.50%	-$3,077,934
Net Reversion Proceeds		$120,039,415
PV of Assistance After Analysis Period Assumption		7.65%
PV of Total Assistance (Developer's Assumption)		7.00%

Source: *SB Friedman*

Table 6B-i: Developer's Property Tax Projection – Hotel Component

YEAR	TOTAL BASE ASSESSED VALUE	TOTAL PROJECTED ASSESSED VALUE	TOTAL PROJECTED TAXES	BASE TAXES	PILOT PAYMENT	TOTAL TAX/PILOT	VALUE OF ABATEMENT
1	$ 1,329,240	$ 3,456,000	$ 324,760	$ 124,909	$ 49,963	$ 174,872	$ 149,889
2	$ 1,329,240	$ 3,456,000	$ 324,760	$ 124,909	$ 49,963	$ 174,872	$ 149,889
3	$ 1,329,240	$ 3,525,120	$ 331,256	$ 124,909	$ 51,587	$ 176,495	$ 154,760
4	$ 1,329,240	$ 3,525,120	$ 331,256	$ 124,909	$ 51,587	$ 176,495	$ 154,760
5	$ 1,329,240	$ 3,595,622	$ 337,881	$ 124,909	$ 53,243	$ 178,152	$ 159,729
6	$ 1,329,240	$ 3,595,622	$ 337,881	$ 124,909	$ 53,243	$ 178,152	$ 159,729
7	$ 1,329,240	$ 3,667,535	$ 344,638	$ 124,909	$ 54,932	$ 179,841	$ 164,797
8	$ 1,329,240	$ 3,667,535	$ 344,638	$ 124,909	$ 54,932	$ 179,841	$ 164,797
9	$ 1,329,240	$ 3,740,886	$ 351,531	$ 124,909	$ 56,656	$ 181,564	$ 169,967
10	$ 1,329,240	$ 3,740,886	$ 351,531	$ 124,909	$ 56,656	$ 181,564	$ 169,967
11	$ 1,329,240	$ 3,815,703	$ 358,562	$ 124,909	$ 146,033	$ 270,942	$ 87,620
12	$ 1,329,240	$ 3,815,703	$ 358,562	$ 124,909	$ 146,033	$ 270,942	$ 87,620
13	$ 1,329,240	$ 3,892,017	$ 365,733	$ 124,909	$ 150,515	$ 275,424	$ 90,309
14	$ 1,329,240	$ 3,892,017	$ 365,733	$ 124,909	$ 150,515	$ 275,424	$ 90,309
15	$ 1,329,240	$ 3,969,858	$ 373,048	$ 124,909	$ 155,087	$ 279,995	$ 93,052
16	$ 1,329,240	$ 3,969,858	$ 373,048	$ 124,909	$ 155,087	$ 279,995	$ 93,052
17	$ 1,329,240	$ 4,049,255	$ 380,508	$ 124,909	$ 159,750	$ 284,659	$ 95,850
18	$ 1,329,240	$ 4,049,255	$ 380,508	$ 124,909	$ 159,750	$ 284,659	$ 95,850
19	$ 1,329,240	$ 4,130,240	$ 388,119	$ 124,909	$ 164,506	$ 289,415	$ 98,704
20	$ 1,329,240	$ 4,130,240	$ 388,119	$ 124,909	$ 164,506	$ 289,415	$ 98,704
21	$ 1,329,240	$ 4,212,845	$ 395,881	$ 124,909	$ 169,358	$ 294,266	$ 101,615
22	$ 1,329,240	$ 4,212,845	$ 395,881	$ 124,909	$ 169,358	$ 294,266	$ 101,615
23	$ 1,329,240	$ 4,297,102	$ 403,799	$ 124,909	$ 174,306	$ 299,215	$ 104,584
24	$ 1,329,240	$ 4,297,102	$ 403,799	$ 124,909	$ 174,306	$ 299,215	$ 104,584
25	$ 1,329,240	$ 4,383,044	$ 411,875	$ 124,909	$ 179,354	$ 304,262	$ 107,612
TOTAL							$ 3,049,362
NPV							$1,552,873

Notes:
(1) The base assessed value was taken from the Jackson County records for 2016
(2) The projected appraised value is assumed to increase at the following percent every 2 years: 2%
(3) Assessed Value per HotelKey $ 24,000
(4) Number of Keys 144

Source: Platform Ventures

Table 6B-ii: Developer's Property Tax Projection – Apartment Component

YEAR	TOTAL BASE ASSESSED VALUE	TOTAL PROJECTED RESIDENTIAL ASSESSED VALUE	TOTAL PROJECTED RESIDENTIAL TAXES	BASE TAXES	PILOT PAYMENT	TOTAL TAX/PILOT	VALUE OF ABATEMENT
1	$ 1,162,244	$ 2,400,000	$ 191,040	$ 92,515	$ 24,631	$ 117,146	$ 73,894
2	$ 1,162,244	$ 2,400,000	$ 191,040	$ 92,515	$ 24,631	$ 117,146	$ 73,894
3	$ 1,162,244	$ 2,448,000	$ 194,861	$ 92,515	$ 25,587	$ 118,101	$ 76,760
4	$ 1,162,244	$ 2,448,000	$ 194,861	$ 92,515	$ 25,587	$ 118,101	$ 76,760
5	$ 1,162,244	$ 2,496,960	$ 198,758	$ 92,515	$ 26,561	$ 119,075	$ 79,683
6	$ 1,162,244	$ 2,496,960	$ 198,758	$ 92,515	$ 26,561	$ 119,075	$ 79,683
7	$ 1,162,244	$ 2,546,899	$ 202,733	$ 92,515	$ 27,555	$ 120,069	$ 82,664
8	$ 1,162,244	$ 2,546,899	$ 202,733	$ 92,515	$ 27,555	$ 120,069	$ 82,664
9	$ 1,162,244	$ 2,597,837	$ 206,788	$ 92,515	$ 28,568	$ 121,083	$ 85,705
10	$ 1,162,244	$ 2,597,837	$ 206,788	$ 92,515	$ 28,568	$ 121,083	$ 85,705
11	$ 1,162,244	$ 2,649,794	$ 210,924	$ 92,515	$ 74,006	$ 166,520	$ 44,403
12	$ 1,162,244	$ 2,649,794	$ 210,924	$ 92,515	$ 74,006	$ 166,520	$ 44,403
13	$ 1,162,244	$ 2,702,790	$ 215,142	$ 92,515	$ 76,642	$ 169,157	$ 45,985
14	$ 1,162,244	$ 2,702,790	$ 215,142	$ 92,515	$ 76,642	$ 169,157	$ 45,985
15	$ 1,162,244	$ 2,756,846	$ 219,445	$ 92,515	$ 79,331	$ 171,846	$ 47,599
16	$ 1,162,244	$ 2,756,846	$ 219,445	$ 92,515	$ 79,331	$ 171,846	$ 47,599
17	$ 1,162,244	$ 2,811,983	$ 223,834	$ 92,515	$ 82,074	$ 174,589	$ 49,245
18	$ 1,162,244	$ 2,811,983	$ 223,834	$ 92,515	$ 82,074	$ 174,589	$ 49,245
19	$ 1,162,244	$ 2,868,222	$ 228,310	$ 92,515	$ 84,872	$ 177,387	$ 50,923
20	$ 1,162,244	$ 2,868,222	$ 228,310	$ 92,515	$ 84,872	$ 177,387	$ 50,923
21	$ 1,162,244	$ 2,925,587	$ 232,877	$ 92,515	$ 87,726	$ 180,241	$ 52,636
22	$ 1,162,244	$ 2,925,587	$ 232,877	$ 92,515	$ 87,726	$ 180,241	$ 52,636
23	$ 1,162,244	$ 2,984,098	$ 237,534	$ 92,515	$ 90,637	$ 183,152	$ 54,382
24	$ 1,162,244	$ 2,984,098	$ 237,534	$ 92,515	$ 90,637	$ 183,152	$ 54,382
25	$ 1,162,244	$ 3,043,780	$ 242,285	$ 92,515	$ 93,606	$ 186,121	$ 56,164
TOTAL							$ 1,543,922
NPV							$780,141

Notes:

(1) The base assessed value was taken from the Jackson County records for 2016				
(2) The projected appraised value is assumed to increase at the following percent every 2 years:	2%			
(3) Assessed Value per Apartment Door	$ 20,000	(taxes per door)	$	1,592
(4) Number of Units	120			

Source: Platform Ventures

Table 6B-iii: Developer's Property Tax Projection – Office/Garage Component

YEAR	TOTAL BASE ASSESSED VALUE	TOTAL PROJECTED ASSESSED VALUE	TOTAL PROJECTED TAXES	BASE TAXES	PILOT PAYMENT	TOTAL TAX/PILOT	VALUE OF ABATEMENT
1	$ 477,406	$ 1,750,000	$ 164,448	$ 44,862	$ 29,896	$ 74,758	$ 89,689
2	$ 477,406	$ 1,750,000	$ 164,448	$ 44,862	$ 29,896	$ 74,758	$ 89,689
3	$ 477,406	$ 1,785,000	$ 167,736	$ 44,862	$ 30,719	$ 75,580	$ 92,156
4	$ 477,406	$ 1,785,000	$ 167,736	$ 44,862	$ 30,719	$ 75,580	$ 92,156
5	$ 477,406	$ 1,820,700	$ 171,091	$ 44,862	$ 31,557	$ 76,419	$ 94,672
6	$ 477,406	$ 1,820,700	$ 171,091	$ 44,862	$ 31,557	$ 76,419	$ 94,672
7	$ 477,406	$ 1,857,114	$ 174,513	$ 44,862	$ 32,413	$ 77,275	$ 97,238
8	$ 477,406	$ 1,857,114	$ 174,513	$ 44,862	$ 32,413	$ 77,275	$ 97,238
9	$ 477,406	$ 1,894,256	$ 178,003	$ 44,862	$ 33,285	$ 78,147	$ 99,856
10	$ 477,406	$ 1,894,256	$ 178,003	$ 44,862	$ 33,285	$ 78,147	$ 99,856
11	$ 477,406	$ 1,932,141	$ 181,563	$ 44,862	$ 85,438	$ 130,300	$ 51,263
12	$ 477,406	$ 1,932,141	$ 181,563	$ 44,862	$ 85,438	$ 130,300	$ 51,263
13	$ 477,406	$ 1,970,784	$ 185,195	$ 44,862	$ 87,708	$ 132,570	$ 52,625
14	$ 477,406	$ 1,970,784	$ 185,195	$ 44,862	$ 87,708	$ 132,570	$ 52,625
15	$ 477,406	$ 2,010,200	$ 188,898	$ 44,862	$ 90,023	$ 134,885	$ 54,014
16	$ 477,406	$ 2,010,200	$ 188,898	$ 44,862	$ 90,023	$ 134,885	$ 54,014
17	$ 477,406	$ 2,050,404	$ 192,676	$ 44,862	$ 92,384	$ 137,246	$ 55,430
18	$ 477,406	$ 2,050,404	$ 192,676	$ 44,862	$ 92,384	$ 137,246	$ 55,430
19	$ 477,406	$ 2,091,412	$ 196,530	$ 44,862	$ 94,793	$ 139,654	$ 56,876
20	$ 477,406	$ 2,091,412	$ 196,530	$ 44,862	$ 94,793	$ 139,654	$ 56,876
21	$ 477,406	$ 2,133,240	$ 200,461	$ 44,862	$ 97,249	$ 142,111	$ 58,350
22	$ 477,406	$ 2,133,240	$ 200,461	$ 44,862	$ 97,249	$ 142,111	$ 58,350
23	$ 477,406	$ 2,175,905	$ 204,470	$ 44,862	$ 99,755	$ 144,617	$ 59,853
24	$ 477,406	$ 2,175,905	$ 204,470	$ 44,862	$ 99,755	$ 144,617	$ 59,853
25	$ 477,406	$ 2,219,423	$ 208,559	$ 44,862	$ 102,311	$ 147,173	$ 61,387
TOTAL							$ 1,785,430
NPV							$915,107

Notes:
(1) The base assessed value was taken from the Jackson County records for 2016
(2) The projected appraised value is assumed to increase at the following percent every 2 years: 2%
(3) Assessed Value per Office SF $ 25
(4) Square Footage 70,000

Source: Platform Ventures

Table 7B: Developer's Sales Tax Projection – Hotel Component

YEAR	CID ELIGIBLE SALES	CID SALES TAX
1	$ 15,763,360	$ 157,634
2	$ 17,251,157	$ 172,512
3	$ 18,221,093	$ 182,211
4	$ 19,133,298	$ 191,333
5	$ 20,003,852	$ 200,039
6	$ 20,824,199	$ 208,242
7	$ 21,682,105	$ 216,821
8	$ 22,579,441	$ 225,794
9	$ 23,256,824	$ 232,568
10	$ 23,954,529	$ 239,545
11	$ 24,673,165	$ 246,732
12	$ 25,413,360	$ 254,134
13	$ 26,175,761	$ 261,758
14	$ 26,961,034	$ 269,610
15	$ 27,769,865	$ 277,699
16	$ 28,602,961	$ 286,030
17	$ 29,461,049	$ 294,610
18	$ 30,344,881	$ 303,449
19	$ 31,255,227	$ 312,552
20	$ 32,192,884	$ 321,929
TOTAL		$ 4,855,200
NPV	7%	$2,382,243

Source: Platform Ventures