SBFRIEDMAN

EXHIBIT 13A-2
LCRA 2/24/21

MEMO

To: Bob Long, Economic Development Corporation of Kansas City
From: SB Friedman Development Advisors
Date: October 30, 2020

RE: Updated Preliminary Financial Review – 135th & Holmes Development (Phase 1)

SB Friedman Development Advisors (SB Friedman) was engaged by the Economic Development Corporation of Kansas City (EDCKC) to conduct an updated preliminary financial review of a proposed redevelopment located at the southeast corner of East 135th Street and Holmes Road in the Martin City neighborhood of Kansas City, Missouri (the "Site"). The $44.1 million project consists of the demolition of existing structures and two phases of development (the "Project"):

- **Phase 1** consists of 180 multifamily units in eight three-story structures, plus a tenant amenity center; and
- **Phase 2** consists of 19,500 square feet (SF) of ground floor retail space in three standalone buildings with 23 second-story loft-style multifamily units.

The Project will be developed by Martin City Partners, LLC, a single-purpose entity affiliated with Kansas City-based retail developer Christie Development Associates, and Martin City Investments, LLC, a single-purpose entity affiliated with two Springfield, MO-based companies, Miller Commerce and TLC (collectively, the "Developer").

In December 2019, SB Friedman delivered a memo to EDCKC with our conclusions and recommendations regarding an earlier iteration of the Project. The Developer has since modified Project characteristics, costs, operating assumptions, and its request for public assistance. A key adjustment is an increase in the Project budget from $36.7 million to $44.1 million. Upon review of the updated information, SB Friedman and EDCKC determined that there is insufficient information available at this time regarding the updated Phase 2 assumptions. Therefore, our review focuses only on Phase 1. It is our understanding that the Developer will be submitting a Phase 2 request for assistance at a later date.

The Developer indicated that Project feasibility is challenged due to topographic issues that require significant site work, environmental remediation of a blighted former gas station, and residential rents in an unproven submarket that do not support the cost of new construction. Therefore, the Developer is requesting the following public assistance through EDCKC for Phase 1:

- 75% abatement of property taxes (above current taxes) generated by the Project for 10 years; and
- Sales tax exemption on construction materials (STECM).

This request reflects an increased level of assistance relative to our recommendations from the December 2019 review.

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 the full amount of requested assistance appears necessary for the revised Phase 1 Project, as presented, to be financially feasible. Our full recommendations are provided in more detail in the **Conclusions and Recommendations** section of this memo.

Project Characteristics

The Site consists of a single 18.5-acre parcel located on the southeast corner of East 135th Street and Holmes Road in the Martin City neighborhood in far southern Kansas City. The Site was formerly home to a golf course and gas station and is currently occupied by the operator of a paintball field. The Martin City neighborhood has recently experienced an increase in retail and other commercial development along with streetscape and public space improvements along its main retail corridor on East 135th Street. However, there has been little to no residential development over the past two decades. While the Site is located approximately 15 miles south of downtown Kansas City, it is within 10 miles of the major suburban population and employment centers of Lee's Summit, MO and Overland Park, KS and 6.5 miles south of the Cerner campus, a regional employment hub.

Christie Development Associates (Martin City Partners, LLC) acquired the Site in July 2018 for $1.16 million and executed a purchase and sale agreement in August 2019 to sell a portion of the Site to Martin City Investments, LLC for $1.5 million. The structure of the development partnership is discussed further on the following page. The Developer intends to demolish the existing blighted properties on the Site and construct a total of 180 multifamily units as part of Phase 1. The development program includes:

- ±176,200 SF of rentable residential space accommodating 180 walk-up multifamily units across eight structures, plus a 3,400 SF tenant amenity center; and
- ±242-245 surface parking spaces to serve both Phases 1 and 2.

The Phase 1 multifamily project will be highly amenitized, with a pool, gym, basketball court, dog washing station, and common areas in a centralized amenity center.

The Project will require the extension of East 135th Street eastward to provide vehicular access and circulation to the eastern extent of the Site. The Developer indicated that the City of Kansas City has allocated funds for this extension, which is not included in the Phase 1 Project costs. **Figure 1** includes the Project site context, and **Figure 2** includes a conceptual site plan of the Project as prepared by ACI Boland Architects. The site plan in **Figure 2** reflects the site configuration from our December 2019 review; however, the Developer has indicated that minor changes to building configuration and street frontage have been made to accommodate additional circulation requirements. An updated site plan diagram is not currently available.

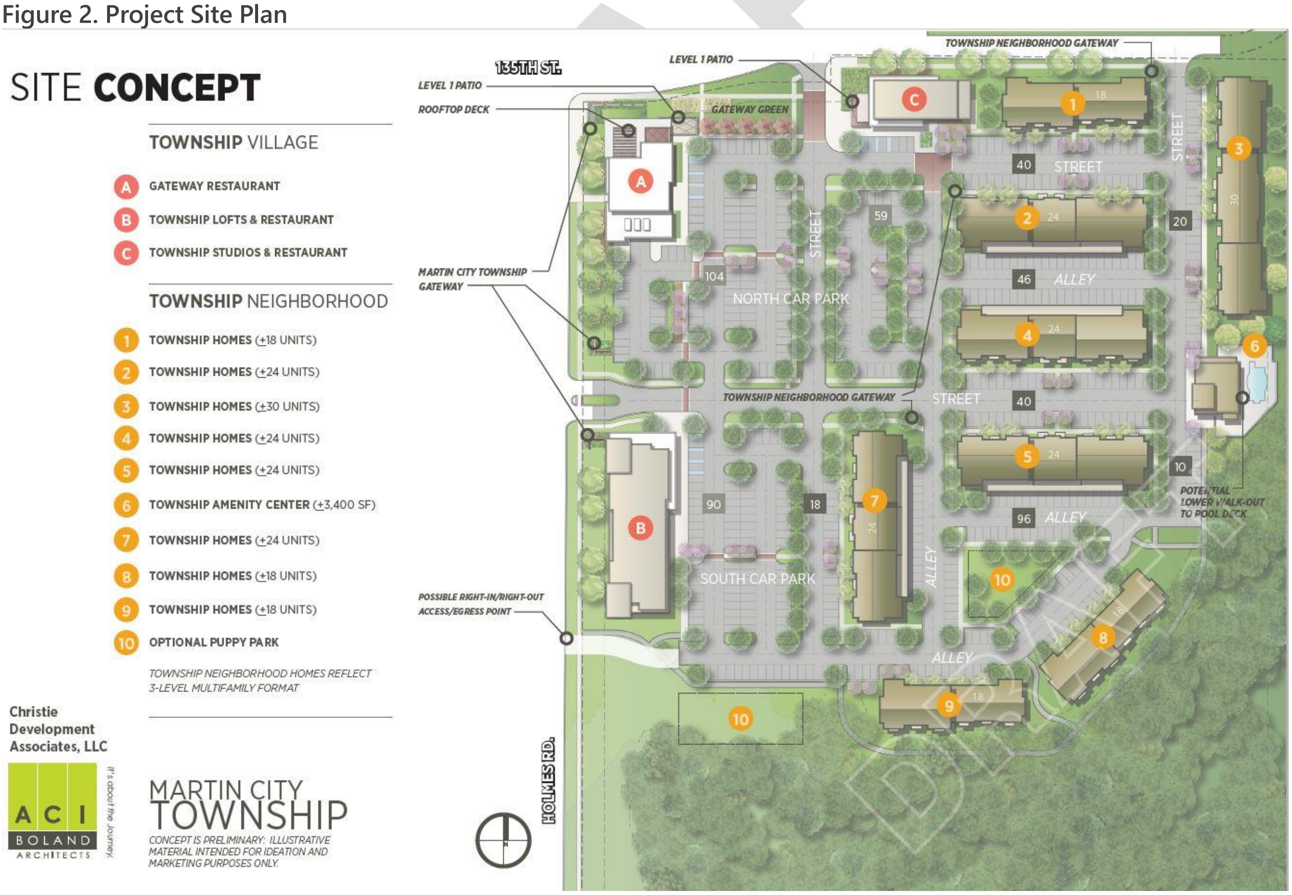
PROJECT SCHEDULE

Per the Developer, site work for the Project will begin in January 2021 following the closing of the land sale and construction loan, with vertical construction beginning in August 2021. The 18-month construction period for Phase 1 of the Project will conclude in February 2023, with occupancy commencing in February 2023.

Figure 1. Project Site

Source: Google Maps, SB Friedman

Figure 2. Project Site Plan



Source: Martin City Partners, LLC and ACI Boland Architects

DEVELOPER PARTNERSHIP STRUCTURE

It is our understanding that Christie Development Associates purchased the Site in 2018 and transferred ownership to a single purpose entity – Martin City Partners, LLC. Martin City Partners, LLC intended to develop the 135th Street and Holmes Road frontages with retail space and sought a partner to develop the remainder of the Site as residential. After marketing the Site, Martin City Partners, LLC entered into a purchase and sale agreement with the unrelated entity Martin City Investments, LLC (Miller Commerce and TLC) for the residential portion of the Project. Phase 1 of the Project will be undertaken by Martin City Investments, LLC. Martin City Partners, LLC will contribute its land sale proceeds to the Phase 1 project, thereby becoming an investor in Phase 1.

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 information and clarifications to best understand the underlying Project assumptions. The Developer provided the following documents for review:

- EDCKC Redevelopment Project Application;
- Map of Project Site;
- Illustrative Project Site concept and elevation drawings prepared by ACI Boland Architects;
- Proposed Project timeline, revised as of September 22, 2020;
- Market study prepared by Novogradac & Company, dated June 2019;
- Schematic drawings and executive summary for Township 28, a comparable project recently completed by TLC in Springfield, MO;
- Letter of interest from Great Southern Bank expressing willingness to consider financing the Project;
- Executed purchase and sale agreement for the original purchase of the Site by Christie Development Associates, dated September 15, 2017;
- Purchase and sale agreement for the transfer of the Phase 1 land from Martin City Partners, LLC (a single-purpose entity affiliated with Christie Development Associates) to Martin City Investments, LLC (Miller Commerce and TLC), dated August 2, 2019;
- 10-year pro forma including development budget, funding sources, cash flow (income and expenses) and other Project assumptions (for both full assistance and no assistance scenarios) dated September 9, 2020;
- Detailed site preparation and construction cost estimates from Kansas City-based Centric, dated August 4, 2020; and
- Property tax projections and assumptions.

PROJECT BUDGET

Figure 3 presents a summary of Phase 1 total development costs (TDC) from the Developer's pro forma, with detailed development costs presented in **Table 1B** in **Appendix B**. Construction cost estimates were prepared by Kansas City-based construction company Centric and are dated August 4, 2020.

SB Friedman evaluated the Developer's budget line items on a per SF basis, and as a percentage of TDC where appropriate, using benchmarks from comparable Kansas City projects, industry data and SB Friedman's prior experience. Key findings from our review of the Phase 1 Project budget are outlined below.

Figure 3. Phase 1 Project Budget Summary and Benchmarks

	Developer Budget			Benchmark	Key Line
Uses/Development Costs [1]	**$**	**% of TDC**	**$/SF**	**or Notes [2]**	**Item**
Acquisition Costs	$1,200,000	3.6%	$2 [3]	±$2-3 [3]	☒
Site Preparation Costs	$1,517,175	4.6%	$3 [3]	±$4 [3]	☒
Hard Construction Costs	$27,113,092	82.1%	$145	$140-160	☒
Soft Costs	$1,035,047	3.1%	$6	[4]	
Financing Costs	$1,015,765	3.1%	$5	[4]	
Developer Fees	$826,941	2.7% [5]	$4	3-4% [5]	
Reserves and Other Costs	$300,000	0.9%	$2	[4]	
TOTAL DEVELOPMENT COSTS	**$33,008,020**	**100.0%**	**$176**	**$161-238**	
Less STECM	($788,016)				
TDC AFTER STECM	**$32,220,004**		**$172**		

[1] Costs reflect budget provided by Developer dated 8/4/2020
[2] Based on data from comparable Kansas City projects and SB Friedman project experience
[3] Value/SF of land
[4] Within benchmark range
[5] % of TDC, net of acquisition
Source: Martin City Partners, LLC and SB Friedman

- **Land Acquisition.** A portion of the original Site acquisition price of $1.5 million has been allocated to the Phase 1 Project based on its proportion of total land area. The Phase 1 acquisition costs total $1.2 million or approximately $2/SF of land. The Developer provided a purchase and sale agreement dated August 2, 2019 confirming the transfer of the property from Martin City Partners, LLC to Martin City Investments, LLC. This is essentially the transfer of the Site from a single-purpose affiliate of Christie Development Associates to a single-purpose affiliate of Miller Commerce and TLC. Given that there is no previous relationship between the entities, this is akin to an arm's length transaction, despite Martin City Partners, LLC contributing the land sale proceeds resulting from the transaction as equity.

  The Developer indicated that no as-is appraisal was conducted for the transfer of land; however, Christie Development Associates acquired the property for $1.15 million in September 2017 through an open market transaction and actively marketed the Site to third party partners. The Developer indicated that they received multiple bids for the Site before advancing this proposal.

  SB Friedman evaluated the proposed acquisition price, on a per SF of land basis, based on recent sales of comparable sites in the Kansas City metro area using data from Real Capital Analytics. Over the last four years, sales of comparable greenfield parcels that are less than 30 acres and have been developed as residential ranged from $2.56-2.67/SF of land. The Developer indicated that the relative discount for Phase 1 reflects the significant site prep and blight remediation that needs to occur prior to development. Therefore, while the site acquisition may be discounted from similar sales, it does not appear to fully reflect the costs to the Developer of preparing the site and remediating blight. Furthermore, the site prep budget has increased since our December 2019 review without any further adjustment to the land acquisition price.

- **Site Preparation Costs.** Based on cost estimates from Centric, the Developer budgeted approximately $3/SF of land in site prep costs (4.6% of TDC). The Developer indicated that site prep costs include grading, terracing to accommodate the sloped Site, and environmental remediation of the former gas station on the Site. Site prep costs have increased compared to the original submission, which were originally approximately $660,000 lower for Phase 1. The Developer indicated that the increase is due to additional work required to properly redevelop the blighted site. Site preparation costs can be difficult to benchmark due to varying site conditions;

however, site prep costs for comparable projects in Kansas City average $4/SF of land. Therefore, these costs appear reasonable.

- **Hard Construction Costs.** Hard costs are based on a detailed construction estimate from Centric. The Developer is assuming $27.1 million in hard costs, including contingency. This amounts to approximately $145/gross SF of building. Hard construction costs for similar stick-built multifamily projects in Kansas City reviewed by SB Friedman range from $140-160/ gross SF; therefore, the Developer's assumptions appear reasonable.

The Developer's remaining cost assumptions, including soft costs, financing costs, and developer fees all appeared reasonable relative to comparable projects and benchmarks.

FINANCING SOURCES

Figure 4 presents anticipated financing sources for the Project, which are expected to include a mix of conventional debt and equity. Financing assumptions are described below in further detail.

Figure 4. Preliminary Financing Sources (After STECM)

	Developer Sources		Benchmark
Sources/Development Financing [1]	**$**	**% of TDC**	**or Notes [2]**
Conventional Debt	$22,554,003	70.0%	65-75%
Cash Equity	$9,666,001	30.0%	25-35%
TOTAL SOURCES	**$32,220,004**	**100.0%**	

[1] Costs reflect budget provided by Developer, dated 8/4/2020

[2] Based on industry data, data from comparable Kansas City projects and SB Friedman project experience

Source: Martin City Partners, LLC and SB Friedman

- **Conventional Debt.** The Developer provided a letter of interest from Great Southern Bank, a lender that has financed several of TLC's past projects and indicated that the lender is still intending to finance the Project as of October 2020. Anticipated loan terms are based on recent transactions with Great Southern Bank and preliminary conversations. The Developer is assuming conventional debt of 70% loan-to-cost (LTC) with a 25-year amortization. These assumptions appear reasonable relative to the current financing market and comparable projects reviewed by SB Friedman in Kansas City. The Developer is assuming an interest rate of 4.5%. The interest rate is somewhat lower than other recent projects, reflecting the historically low cost of funds; the actual rate is likely to shift at the Project moves into Great Southern's formal underwriting process.

- **Cash Equity.** Equity is estimated to account for 30% of Project sources. The Developer indicated that principals from Christie Development Associates will contribute a portion of the $1.5 million land sale proceeds as equity. The remaining equity will be provided by TLC. No specific return requirements were provided for any of the anticipated equity investors.

CASH FLOW ASSUMPTIONS

SB Friedman evaluated the Developer's cash flow assumptions relative to market comparables and recent projects in Kansas City. SB Friedman also reviewed the third-party market study prepared by Novogradac & Company which provided additional market data, though the market study was prepared more than a year ago, in June 2019.

Key assumptions from the Developer's pro forma are outlined below. Rents and revenues are expressed in 2023 dollars to reflect the first year of Project operations.

- **Multifamily Rents.** The Project consists of larger, walk-up multifamily units in a suburban typology. This would be the first new construction multifamily product in the Martin City neighborhood since the Coach House project was constructed in 1982 approximately 2.6 miles to the north of the Site. Units are a mix of studio, 1-bed, 2-bed, and 3-bed units with an average unit size of 979 SF. The Developer is assuming average rents of $1.43/SF at construction completion in Year 2023. Rents appear to reflect a 50% premium over the older existing product in Martin City. The Novogradac study evaluated the proposed unit mix, amenities, and rents on a per SF and chunk basis compared to a set of selected regional comparables. The Project appears to be most comparable in terms of unit mix, amenities and adjacencies to the Residences at New Longview in Lee's Summit, MO, which has average rents of $1.56/SF and Villa Milano in Leawood, KS, which has average rents of $1.57/SF, both escalated by 2%/year to 2023 dollars. Both comparable projects have higher per SF rents and larger unit sizes, which indicates that the Phase 1 Project rents may be somewhat conservative.

Figure 5. Market Comparables: Walk-up Style Apartments

Project Name	Location	Year Built	# of Units	% Vacant	Average Unit Size	Average Rent (2023)	Average Rent/SF (2023)
135th and Holmes	**Kansas City, MO**	**2023**	**180**	**-**	**979**	**$1,402**	**$1.43**
Residences at New Longview	Lee's Summit, MO	2015	309	6%	1,006	$1,572	$1.56
Villa Milano	Leawood, KS	2015	290	0%	1,132	$1,778	$1.57
Residences at Prairiefire	Overland Park, KS	2014	426	6%	1,042	$1,422	$1.36
Summit Square	Lee's Summit, MO	2017	308	4%	998	$1,408	$1.41

Source: CoStar, Martin City Partners, LLC, Novogradac & Company and SB Friedman

The Developer is assuming a 2% annual rent escalation, which is in line with the 2-3% assumption typically observed by SB Friedman for other projects in Kansas City and is consistent with the Developer's annual inflation factor for operating expenses.

- **Absorption and Vacancy.** The Developer assumes 50% occupancy during Year 1 of operations, and full occupancy by Year 2. The stabilized vacancy rate thereafter is 5%, consistent with standard underwriting assumptions.

- **Operating Expenses.** The Developer's pro forma includes Year 1 operating expenses of $4.20 per rentable SF (year 2023), net of property taxes, or ±27% of gross residential revenues. SB Friedman benchmarked the Developer's assumption against industry data and previous projects reviewed by SB Friedman in Kansas City and identified a benchmark range of 22-31% of gross revenues. Therefore, the Developer's operating expense assumption, while on the high end of the range, appears reasonable. Expenses at the high end of the range are likely attributable to the lower residential rents relative to comparable projects.

  The Developer is assuming 2% annual inflation in operating expenses, which is within the 2-3% range typically observed by SB Friedman in Kansas City and matches the revenue escalation rate.

- **Property Tax Assumptions.** The Developer is assuming unabated property taxes of $384,979 at completion. The Developer estimated property taxes using an assessed value per unit assumption of $23,063 based on a comparable apartment project. It is outside SB Friedman's scope of services to estimate assessed value or property taxes; therefore, the Developer's projections were forwarded to EDCKC for review, who indicated that the Developer's assumptions appear reasonable.

The Developer did not reflect the base property tax value in their abatement calculation, so SB Friedman adjusted the Developer's calculation to include current base property taxes for the Site. SB Friedman allocated base property taxes to the Phase 1 Project based on the percentage of total land area that the Phase 1 Project will occupy.

- **Reversion Calculation.** The Developer derived Year 10 reversion proceeds by applying a 6.5% cap rate to Year 11 NOI plus a 3% cost of sale. A 6.5% cap rate appears appropriate given current benchmarks for similar Kansas City multifamily properties as reported by Real Estate Research Corporation (RERC).

Need for Financial Assistance

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

1. **Without Assistance.** This scenario assumes the Project will not receive any assistance.

2. **With Full Requested Assistance.** This scenario assumes the full requested property tax abatement (above current predevelopment taxes) is provided at 75% for years 1-10; and a sales tax exemption on construction materials (STECM).

SB Friedman typically uses one or more of the following return metrics to evaluate the need for public 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 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 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.

SB Friedman evaluated the Project's need for assistance using primarily the stabilized yield on cost and unleveraged internal rate of return metrics, which evaluate overall Project feasibility and ability to secure financing rather than returns to specific investors. This is our typical approach when financing terms have not been confirmed. Our analysis incorporates the Developer's projections of future property taxes, which have been reviewed and accepted by EDCKC.

SB Friedman made the following adjustment to the Developer's original pro forma for the purpose of evaluating the Project's need for assistance:

- **Property Tax Abatement Calculation.** The Developer did not account for base property taxes in their abatement calculation. SB Friedman revised the Developer's calculations to include the base value as reported in the Jackson County tax parcel viewer and allocated the base value to the Phase 1 Project based on the percentage of total land area that the Phase 1 Project will occupy.

A summary of the financial returns analysis is presented in **Figure 6** below and in further detail in **Appendix Tables 2B-3B**. SB Friedman estimates that the Project would generate a stabilized yield on cost of 5.3% and an unleveraged IRR of 5.0% without assistance. These metrics are both below the typical market return ranges. Typically, a Project of this type would be expected to achieve a yield on cost between 6.0-7.0% and an unleveraged IRR between 7.0-8.0%. With the full amount of requested assistance, the stabilized yield on cost increases to 6.3% and the unleveraged IRR increases to 6.1%. The 6.3% yield on cost is within an appropriate range for a project of this type; the unleveraged IRR falls below the typical benchmark range, due to the relatively low rents and modest revenue escalation assumption.

Figure 6. Estimated Project Returns

Returns Metric	No Assistance	Full Requested Assistance	Industry Benchmark [1]
Stabilized Yield on Cost	5.3%	6.3%	6.0-7.0%
Unleveraged IRR	5.0%	6.1%	7.0-8.0%
Undiscounted Value of Total Assistance		$3,551,000	
Discounted Value of Assistance [2]		$2,732,000	
Discounted Value as a Percent of TDC		8.5%	
Undiscounted Property Tax Collections by Taxing Districts over the 25-Year Analysis Period		$8,014,000	

[1] Per SB Friedman experience, RERC and recent Kansas City projects
[2] Assumes 6.5% discount rate
Source: Martin City Partners, LLC and SB Friedman

Conclusions and Recommendations

As presented above, the Project does not appear to meet market-acceptable rates of return without public assistance and will likely require the full degree of assistance to proceed:

- 75% abatement of property taxes (above current taxes) generated by the Project for 10 years; and
- Sales tax exemption on construction materials (STECM).

Per the Developer, the need for assistance is driven by site preparation costs, the need to remediate blight associated with a former gas station, and achievable rents in an unproven residential market. The results of our analysis indicate that the Project's need for assistance is primarily driven by the Developer's revenue assumptions, as other assumptions are largely within benchmark ranges.

As indicated above, the rent assumption of $1.43/SF appears conservative and is at the low end or below comparable product, especially given the high level of amenities. Comparable multifamily properties in the nearby suburban submarkets of Lee's Summit, MO and Leawood, KS have very high occupancy rates and command rents that exceed those currently proposed by the Developer. SB Friedman conducted a rent sensitivity analysis to evaluate the impact to the Project's financial returns if rents were increased from $1.43/SF to $1.50/SF in Year 1, to better align with comparable projects. The increased revenue generation results in a stabilized yield on cost of 6.7%, which is at the higher end, but does not exceed the benchmark range of returns with the full amount of assistance.

While development costs are within the benchmark range of comparable projects, the costs for the Phase 1 Project increased since our prior review in December 2019 (from $29.4 million to $33.0 million before STECM). With the increase in development costs, the Project's need for assistance has also increased relative to our prior conclusions. Therefore, we recommend that EDCKC consider a construction cost true-up where the Developer provides the Project's final construction budget and owners' sworn statements upon completion of the Project. Should the final documentation result in lower total development cost than currently assumed, assistance could be adjusted to a level in which the Project achieves rates of return in line with the returns outlined above.

Appendix A

LIMITATIONS OF OUR ENGAGEMENT

Our deliverable is 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 deliverable. 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 deliverable, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise analyses or the deliverable 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, 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 deliverable is 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 deliverable should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the deliverable 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 deliverable may become a public document within the meaning of the Missouri Sunshine Law. Nothing in these limitations is intended to block the disclosure of the documents under such Act.

Appendix B

Figure 1B. Project Detailed Development Costs

	Developer Budget			
Uses/Development Costs	$	% of TDC	$/GSF	$/Land SF
Acquisition Costs				
Land acquisition costs	$1,200,000	3.6%		$2.14
Total Acquisition Costs	**$1,200,000**	**3.6%**		**$2.14**
Site Preparation Costs				
Site preparation costs	$1,517,175	4.6%		$2.70
Total Site Preparation Costs	**$1,517,175**	**4.6%**		**$2.70**
Hard Construction Costs				
Project construction costs	$27,113,092	82.1%		
Total Hard Construction Costs	**$27,113,092**	**82.1%**	**$144.78**	
Soft Costs				
Project soft costs	$1,035,047	3.1%		
Total Soft Costs	**$1,035,047**	**3.1%**	**$5.53**	
Financing Costs				
Project financing costs	$1,015,765	3.1%		
Total Financing Costs	**$1,015,765**	**3.1%**	**$5.42**	
Developer Fees				
Developer fee	$826,941	2.5%		
Total Developer Fees	**$826,941**	**2.5%**	**$4.42**	
Reserves and Other Costs				
Operative reserves	$300,000	0.9%		
Total Reserves and Other Costs	**$300,000**	**0.9%**	**$1.60**	
TOTAL DEVELOPMENT COSTS	**$33,008,020**	**100.0%**	**$176.26**	
Sales Tax Exemption Reimbursement	($788,016)			
TDC NET OF SALES TAX EMEPTION REIMBURSEMENT	**$32,220,004**		**$172.05**	

Source: Martin City Partners, LLC and SB Friedman

Figure 2B. Project Cash Flow Pro Forma: No Assistance

	2022	2023	STABILIZATION 2024	2025	2026	2027	2028	2029	2030	2031	2032
NO 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											
Conventional Debt	-$23,105,614										
Cash Equity	-$9,902,406										
Net Operating Income		$866,484	$1,732,967	$1,775,326	$1,810,833	$1,854,903	$1,892,001	$1,937,852	$1,976,609	$2,024,312	$2,064,798
Reversion Proceeds (Year 10)											$31,553,778
TOTAL		**$866,484**	**$1,732,967**	**$1,775,326**	**$1,810,833**	**$1,854,903**	**$1,892,001**	**$1,937,852**	**$1,976,609**	**$2,024,312**	**$33,618,576**
Development Uses											
Debt Service		$770,571	$1,541,142	$1,541,142	$1,541,142	$1,541,142	$1,541,142	$1,541,142	$1,541,142	$1,541,142	$1,541,142
Debt Repayment (Year 10)											$17,175,919
Equity Distribution		$95,913	$191,825	$234,184	$269,691	$313,761	$350,859	$396,710	$435,467	$483,170	$14,901,514
TOTAL		**$866,484**	**$1,732,967**	**$1,775,326**	**$1,810,833**	**$1,854,903**	**$1,892,001**	**$1,937,852**	**$1,976,609**	**$2,024,312**	**$33,618,576**
Debt Coverage Ratio		1.12	1.12	1.15	1.17	1.20	1.23	1.26	1.28	1.31	1.34
Unleveraged Cash Flow - No Assistance											
Total Project Costs	-$33,008,020										
Net Operating Income		$866,484	$1,732,967	$1,775,326	$1,810,833	$1,854,903	$1,892,001	$1,937,852	$1,976,609	$2,024,312	$2,064,798
Reversion Proceeds (Year 10)											$31,553,778
TOTAL	**-$33,008,020**	**$866,484**	**$1,732,967**	**$1,775,326**	**$1,810,833**	**$1,854,903**	**$1,892,001**	**$1,937,852**	**$1,976,609**	**$2,024,312**	**$33,618,576**
Annual Yield on Cost		2.6%	5.3%	5.4%	5.5%	5.6%	5.7%	5.9%	6.0%	6.1%	6.3%
Unleveraged IRR	5.0%										
Leveraged Cash Flow - No Assistance											
Equity Contribution	-$9,902,406										
Equity Distribution		$95,913	$191,825	$234,184	$269,691	$313,761	$350,859	$396,710	$435,467	$483,170	$14,901,514
TOTAL	**-$9,902,406**	**$95,913**	**$191,825**	**$234,184**	**$269,691**	**$313,761**	**$350,859**	**$396,710**	**$435,467**	**$483,170**	**$14,901,514**
Annual Cash-on-Cash Return		1.0%	1.9%	2.4%	2.7%	3.2%	3.5%	4.0%	4.4%	4.9%	5.3%
Leveraged IRR	6.5%										

Source: Martin City Partners, LLC and SB Friedman

Figure 3B. Project Cash Flow Pro Forma: Full Assistance

			STABILIZATION								
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
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											
Conventional Debt	-$22,554,003										
Cash Equity	-$9,666,001										
Net Operating Income		$866,484	$1,732,967	$1,775,326	$1,810,833	$1,854,903	$1,892,001	$1,937,852	$1,976,609	$2,024,312	$2,064,798
Savings from Property Tax Assistance		$136,935	$281,302	$281,302	$287,077	$287,077	$292,967	$292,967	$298,975	$298,975	$305,103
Reversion Proceeds (Year 10)											$31,553,778
PV of Remaining Public Asistance (Year 11+)											$0
TOTAL		**$1,003,419**	**$2,014,270**	**$2,056,629**	**$2,097,910**	**$2,141,980**	**$2,184,968**	**$2,230,819**	**$2,275,584**	**$2,323,287**	**$33,923,679**
Development Uses											
Debt Service		$752,175	$1,504,350	$1,504,350	$1,504,350	$1,504,350	$1,504,350	$1,504,350	$1,504,350	$1,504,350	$1,504,350
Debt Repayment (Year 10)											$16,765,871
Equity Distribution		$251,244	$509,920	$552,279	$593,560	$637,630	$680,619	$726,469	$771,234	$818,937	$15,653,459
TOTAL		**$1,003,419**	**$2,014,270**	**$2,056,629**	**$2,097,910**	**$2,141,980**	**$2,184,968**	**$2,230,819**	**$2,275,584**	**$2,323,287**	**$33,923,679**
Debt Coverage Ratio		1.33	1.34	1.37	1.39	1.42	1.45	1.48	1.51	1.54	1.58
Unleveraged Cash Flow - Full Assistance											
Total Project Costs	-$32,220,004										
Net Operating Income		$866,484	$1,732,967	$1,775,326	$1,810,833	$1,854,903	$1,892,001	$1,937,852	$1,976,609	$2,024,312	$2,064,798
Savings from Property Tax Assistance		$136,935	$281,302	$281,302	$287,077	$287,077	$292,967	$292,967	$298,975	$298,975	$305,103
Reversion Proceeds (Year 10)											$31,553,778
PV of Remaining Public Asistance (Year 11+)											$0
TOTAL	**-$32,220,004**	**$1,003,419**	**$2,014,270**	**$2,056,629**	**$2,097,910**	**$2,141,980**	**$2,184,968**	**$2,230,819**	**$2,275,584**	**$2,323,287**	**$33,923,679**
Annual Yield on Cost		**3.1%**	**6.3%**	**6.4%**	**6.5%**	**6.6%**	**6.8%**	**6.9%**	**7.1%**	**7.2%**	**7.4%**
Unleveraged IRR	**6.1%**										
Leveraged Cash Flow - Full Assistance											
Equity Contribution	-$9,666,001										
Equity Distribution		$251,244	$509,920	$552,279	$593,560	$637,630	$680,619	$726,469	$771,234	$818,937	$15,653,459
TOTAL	**-$9,666,001**	**$251,244**	**$509,920**	**$552,279**	**$593,560**	**$637,630**	**$680,619**	**$726,469**	**$771,234**	**$818,937**	**$15,653,459**
Annual Cash-on-Cash Return		**2.6%**	**5.3%**	**5.7%**	**6.1%**	**6.6%**	**7.0%**	**7.5%**	**8.0%**	**8.5%**	**9.0%**
Leveraged IRR	**9.6%**										

Source: Martin City Partners, LLC and SB Friedman

Figure 4B. Project Abatement Schedule

Abatement Year	Calendar Year	Projected Assessed Value [1]	Base Real Estate Taxes [2]	Property Taxes Before Abatement [3]	Recommended Abatement %	Property Taxes After Abatement (Paid to Taxing Jurisdictions)	Estimated Abatement Benefit to Project
1	2023	$4,145,268	$9,909	$192,489	75.0%	$55,554	$136,935
2	2024	$4,145,268	$9,909	$384,979	75.0%	$103,676	$281,302
3	2025	$4,269,626	$9,909	$384,979	75.0%	$103,676	$281,302
4	2026	$4,269,626	$9,909	$392,678	75.0%	$105,601	$287,077
5	2027	$4,397,715	$9,909	$392,678	75.0%	$105,601	$287,077
6	2028	$4,397,715	$9,909	$400,532	75.0%	$107,565	$292,967
7	2029	$4,529,646	$9,909	$400,532	75.0%	$107,565	$292,967
8	2030	$4,529,646	$9,909	$408,542	75.0%	$109,567	$298,975
9	2031	$4,665,536	$9,909	$408,542	75.0%	$109,567	$298,975
10	2032	$4,665,536	$9,909	$416,713	75.0%	$111,610	$305,103
11	2033	$4,805,502	$9,909	$416,713	0.0%	$416,713	$0
12	2034	$4,805,502	$9,909	$429,215	0.0%	$429,215	$0
13	2035	$4,949,667	$9,909	$429,215	0.0%	$429,215	$0
14	2036	$4,949,667	$9,909	$442,091	0.0%	$442,091	$0
15	2037	$5,098,157	$9,909	$442,091	0.0%	$442,091	$0
16	2038	$5,098,157	$9,909	$455,354	0.0%	$455,354	$0
17	2039	$5,251,101	$9,909	$455,354	0.0%	$455,354	$0
18	2040	$5,251,101	$9,909	$469,015	0.0%	$469,015	$0
19	2041	$5,408,635	$9,909	$469,015	0.0%	$469,015	$0
20	2042	$5,408,635	$9,909	$483,085	0.0%	$483,085	$0
21	2043	$5,570,894	$9,909	$483,085	0.0%	$483,085	$0
22	2044	$5,570,894	$9,909	$497,577	0.0%	$497,577	$0
23	2045	$5,738,020	$9,909	$497,577	0.0%	$497,577	$0
24	2046	$5,738,020	$9,909	$512,505	0.0%	$512,505	$0
25	2047	$5,910,161	$9,909	$512,505	0.0%	$512,505	$0
TOTAL, Years 1-25 (Undiscounted)			**$247,725**	**$10,777,061**		**$8,014,380**	**$2,762,681**
Years 1-10			**$99,090**	**$3,782,665**		**$1,019,984**	**$2,762,681**
Years 11-25			**$148,635**	**$6,994,396**		**$6,994,396**	**$0**

[1] Developer assumes 3% biennial increase in assessed value following stabilization
[2] Base real estate taxes as reflected in Jackson County tax parcel viewer and allocated based on percentage of total land area
[3] Assumed tax rate of 9.7326% as indicated by Developer
Source: Martin City Partners, LLC and SB Friedman