



EXHIBIT 3A  
LCRA 8/4/23

# 14<sup>TH</sup> & WYANDOTTE

## Financial But-For Analysis

July 17, 2023

# 14<sup>TH</sup> & WYANDOTTE FINANCIAL BUT-FOR ANALYSIS






## TABLE OF CONTENTS

Executive Summary.....	3
Introduction.....	6
Project Overview.....	9
Project Analysis.....	15
Conclusions.....	34
Appendix.....	36

Prepared by SB Friedman Development Advisors, LLC  
July 17, 2023

# EXECUTIVE SUMMARY

## \$199.6M mixed-use apartment and hotel project with structured parking

PROJECT ATTRIBUTES	FINDINGS
 <b>LOCATION &amp; CONTEXT</b>	<ul style="list-style-type: none"> <li>▪ Located at the northeast corner of West 14th Street and Wyandotte Street at the western edge of the Power &amp; Light District</li> <li>▪ 1.06-acre Site currently consists of a surface parking lot and the partially removed foundation of a demolished building</li> </ul>
 <b>DEVELOPMENT PROGRAM</b>	<ul style="list-style-type: none"> <li>▪ Redevelopment of two vacant lots into 300 residential units, 200 hotel rooms, ground floor commercial space associated with the hotel, and a 358-space structured parking garage</li> <li>▪ Apartment component would compete with the upper end of the Kansas City rental market, while also offering 60 studio units at 60% of the Median Family Income (MFI)</li> <li>▪ Hotel component would be a full-service lifestyle brand and compete with Luxury and Upper Upscale offerings in the downtown area</li> </ul>
 <b>PROJECT BUDGET</b>	<ul style="list-style-type: none"> <li>▪ Acquisition costs were documented by a Purchase and Sale Agreement and appear reasonable as a percentage of TDC and relative to comparable land sales</li> <li>▪ Estimated construction costs appear high, particularly the apartment hard costs, parking hard costs, and hotel furniture, fixture and equipment costs</li> <li>▪ SB Friedman adjusted the assumed value of the sales tax exemption on construction materials for both components, and the developer fee for the apartment component, for the purpose of this analysis</li> <li>▪ Remaining cost assumptions are in line with comparable projects in Kansas City and industry sources</li> </ul>
 <b>FINANCING ASSUMPTIONS</b>	<ul style="list-style-type: none"> <li>▪ Project is expected to be financed with conventional debt, Property Assessed Clean Energy (PACE) financing, and cash equity</li> <li>▪ Developer is in preliminary discussions with potential lenders</li> <li>▪ Equity will be provided by the Developer</li> <li>▪ During our review, the Developer submitted additional information, based on their discussions with potential lenders, indicating that interest rates on the hotel component could be 12-13%</li> </ul>
 <b>OPERATING ASSUMPTIONS</b>	<ul style="list-style-type: none"> <li>▪ Project rents on a per SF basis appear to align closely with rents at Two Light and otherwise appear to be at a premium to recent multifamily development</li> <li>▪ Market rate units are affordable to households earning 93% MFI for studios, 98% for 1-beds, 127% for 2-beds, and 294% for 3-beds</li> <li>▪ Structured parking spaces will be available to residents for \$100/month; the parking ratio is 1.0 space/unit</li> <li>▪ Stabilized hotel average daily rates align with the current (June 2023) 12-month performance of Luxury hotels when inflated by 2.0% annually to 2028 dollars</li> <li>▪ Revenue will also be generated by three bars, two retail spaces, meeting/event space, a signature restaurant, and in-room dining</li> <li>▪ SB Friedman adjusted annual operating expense inflation rates and base real estate taxes for the purpose of this analysis</li> </ul>

# EXECUTIVE SUMMARY

## Public assistance appears to be required for the Project to be viable as presented

CONCLUSIONS		Average Yield on Cost (Years 1-10)	Unleveraged IRR	Stabilized Debt Coverage Ratio	Assistance as a % of Total Costs
DEVELOPER REQUEST & BUT-FOR FINDINGS	No Assistance	5.9%	7.2%	1.21	
	Full Requested Assistance (STECM, \$11.1M undiscounted in CID & EATs, 20-year abatement of real property taxes (80% in Years 1-10; 50% in Years 11-20))	6.9%	8.4%	1.38	20.4%
	Alternative Level of Assistance (STECM, \$11.1M undiscounted in CID & EATs, 15-year abatement of real property taxes (75% in Years 1-10; 50% in Years 11-15))	6.8%	8.3%	1.38	18.8%

### RECOMMENDED STRUCTURING OPTIONS

- If the Project aligns with policy objectives, the Project appears feasible with 15 years of property tax abatement (75% in Years 1-10; 50% in Years 11-15), plus STECM & \$11.1M (undiscounted) in CID & EATs reimbursements
- SB Friedman recommends a check-in at Project completion to evaluate whether final costs align with those that were used to size the public assistance; if cost savings were achieved, the public assistance should be recalibrated
- If more than 10 years of property tax abatement is provided to the Project, SB Friedman recommends check ins at any sale or refinancing event that occurs after the initial conversion to permanent financing; if the Project is outperforming current assumptions at the time of a check in, the public assistance could be recalibrated

### POLICY CONSIDERATIONS

#### DRIVERS OF NEED FOR PUBLIC ASSISTANCE

- Relationship between assumed revenue generation (residential rents and hotel average daily rates) and project costs
- Despite revenue assumptions aligning with the top of the market rents and ADRs, the Project's net operating income does not appear to fully support the level of construction contemplated by the Developer for the highly-amenitized luxury residential and hotel project

#### FINANCIAL IMPACT OF ASSISTANCE TO TAXING JURISDICTIONS

	Benefit to Project of Abated Property Taxes (Estimated)	Property Tax Revenues to Taxing Jurisdictions (Estimated)
Full Requested Assistance (STECM, \$11.1M undiscounted in CID & EATs, 20-year abatement of real property taxes (80% in Years 1-10; 50% in Years 11-20))	\$17.3M over 20 years	\$11.0M over 20 years \$19.0M over 25 years
Alternative Level of Assistance (STECM, \$11.1M undiscounted in CID & EATs, 15-year abatement of real property taxes (75% in Years 1-10; 50% in Years 11-15))	\$13.0M over 15 years	\$7.7M over 15 years \$23.3M over 25 years

# EXECUTIVE SUMMARY

## Key policy-level considerations

### POLICY CONSIDERATIONS

#### AFFORDABLE HOUSING CONSIDERATIONS

- Project will include 60 income-restricted affordable units
- Developer is proposing to offer three different studio apartment typologies at 60% MFI
- Rent for the affordable units will be limited to \$965/month per City guidelines
- Units range in size from 275-450 SF

#### PARKING CONSIDERATIONS

- Parking construction costs total \$15.5M and account for 7.8% of total development costs
- In a parking neutral scenario, the Project would likely require less public assistance to proceed

# INTRODUCTION

# INTRODUCTION

## Scope of the But-For Analysis

SB Friedman Development Advisors, LLC (SB Friedman) was engaged by the Economic Development Corporation of Kansas City (EDCKC) to conduct a preliminary financial review of a proposed redevelopment of two vacant lots located at the northeast corner of West 14<sup>th</sup> Street and Wyandotte Street at the western edge of the Power & Light District in Kansas City, Missouri (the “Site”).

The \$199.6M Project consists of 300 residential units, 200 hotel rooms, ground floor commercial space associated with the hotel, and a 358-space structured parking garage (the “Project”). The Project will be developed by Monte Rosa, LLC, a single-purpose entity affiliated with Lux Living (the “Developer”).

The purpose of the analysis is to evaluate whether the Project as presented appears to need public financial assistance in order to generate sufficient returns for the Project to attract debt and equity investors.

**This financial “but-for” test is analytical in nature and is meant to inform a larger policy discussion regarding whether the Project meets desired public objectives.**

At the direction of EDCKC, a supplemental financial analysis was conducted to test the impact of public policy considerations regarding structured parking.

Our review process is detailed further on the following page.



# INTRODUCTION

## Review Process

### 1. Review Project and Site Context

- Where is the project located?
- What is the development program and mix of land uses?

### 2. Evaluate Development Budget

- What are the project uses? (land, construction costs, etc.)
- Are project costs in line with industry benchmarks? If not, why?

### 3. Evaluate Financial Assumptions

- How does the developer intend to finance the project?
- Has the developer exhausted all potential funding sources before requesting public assistance?

### 4. Evaluate Operating Assumptions

- Are revenue (e.g., rents) and expense assumptions reasonable given target tenant profile, market context and industry benchmarks?

### 5. Calculate Project Financial Returns

- Is the project achieving a level of financial returns that would allow it to attract the required debt and equity investment?

### 6. Identify Financial Gap

- Is there a demonstrable financial gap that requires public assistance to make the project successful?

### 7. Identify Drivers of Need for Assistance

- What project components are driving the financial gap?
- Do these drivers align with larger policy goals? (affordable housing development, employment growth, supporting urban form, etc.)



# PROJECT OVERVIEW

# PROJECT OVERVIEW

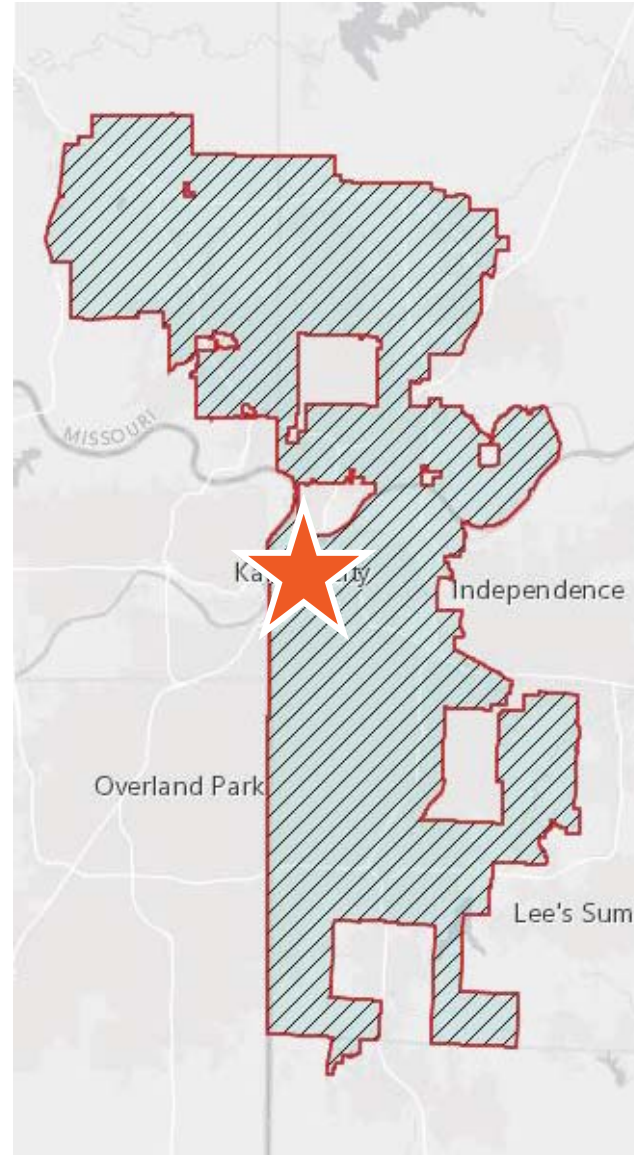
## Location

The Project is located on the western edge of the Power & Light District of downtown Kansas City, two blocks west of the Kansas City Streetcar line and within walking distance to numerous downtown attractions, including the Kansas City Convention Center, Municipal Auditorium, and T-Mobile Center.

The multifamily housing market in the Power & Light District is growing, with nearly 900 new units added since 2015 and 288 currently under construction. The newly constructed multifamily units are primarily market-rate units within high-rise buildings. The Developer indicated that the Project would compete with the upper end of the Kansas City rental market, while also offering 60 studio units at 60% of the Median Family Income (MFI).

Downtown Kansas City has a mature hotel market. The Central Business District (CBD) currently has nearly 4,000 hotel keys. Nearly 1,100 keys have been added over the past five years, significantly expanding the market. There are 531 keys in 4 projects currently under construction or renovation and 757 keys in 2 projects proposed or in final planning, not including this Project.

According to CoStar, more than 70% of the existing hotel keys are characterized as Luxury or Upper Upscale. The Developer indicated that the Project would be a lifestyle brand competing with the Luxury and Upper Upscale offerings in the downtown area.



**WARD:**

4th

**EXISTING INCENTIVE DISTRICT(S):**

**CBD Urban  
Renewal Area**

Source: City of Kansas City, Esri, Lux Living, SB Friedman

# PROJECT OVERVIEW

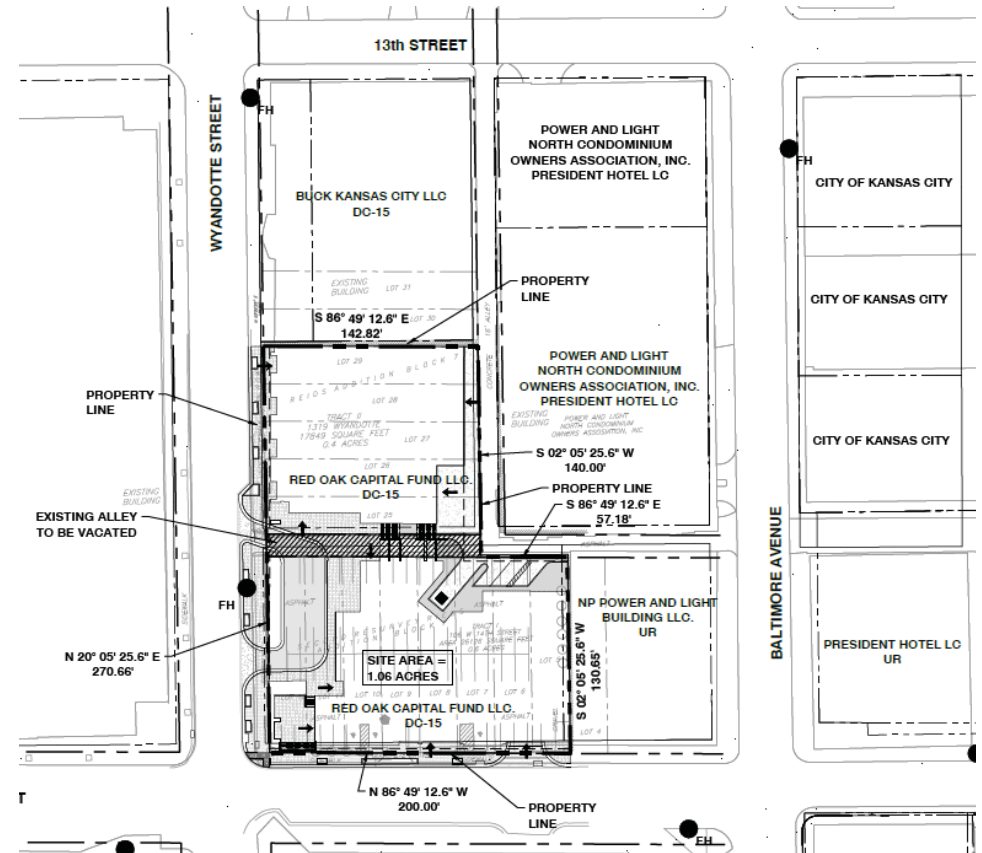
## Renderings & Site Plan

The Project is proposed on 1.06 acres located at the northeast corner of West 14<sup>th</sup> Street and Wyandotte Street (the "Site"). The Site currently consists of a surface parking lot and the partially removed foundation of a demolished building. The Developer indicated that the Site posed additional construction constraints due to the existing structures (e.g., retaining walls) that will need to be removed and the limited space between the adjacent existing buildings.

The proposed Site plan and Project renderings are presented below.



Source: Lux Living



# PROJECT OVERVIEW

## Development Program

The Project development program is presented to the right.

The Project is comprised of 300 residential units and 200 hotel rooms in a 27-story high-rise building. Parking will be located on floors 3-5, with 358 spaces designated for residents and hotel guests. The Developer indicated that additional offsite parking, likely in an adjacent office building, will be utilized by the hotel.

Project amenities include a rooftop patio and pool, shared recreation spaces, co-working space, a spa/sauna, and a residential lounge. These amenities will be available to residential tenants only; however, the Developer indicated that shared amenities between the hotel and apartment components could be considered in the future. The hotel component will contain restaurant/retail space on the ground floor.

The Project will include 60 income-restricted affordable units. The Developer is proposing to offer three different studio apartment typologies at 60% MFI. Rent for the affordable units will be limited to \$965/month per City's guidelines. These units will range in size from 275-450 SF.

MULTIFAMILY	Market-Rate Units	Income-Restricted Affordable Units
Studios	24	60
1-bedroom	57	--
2-bedroom	153	--
3-bedroom	6	--
<b>Total</b>	<b>240</b>	<b>60</b>

OTHER LAND USES	Units / SF / Keys	Type
Hotel	200	Lifestyle
Parking Spaces	358	Structured

Source: Lux Living

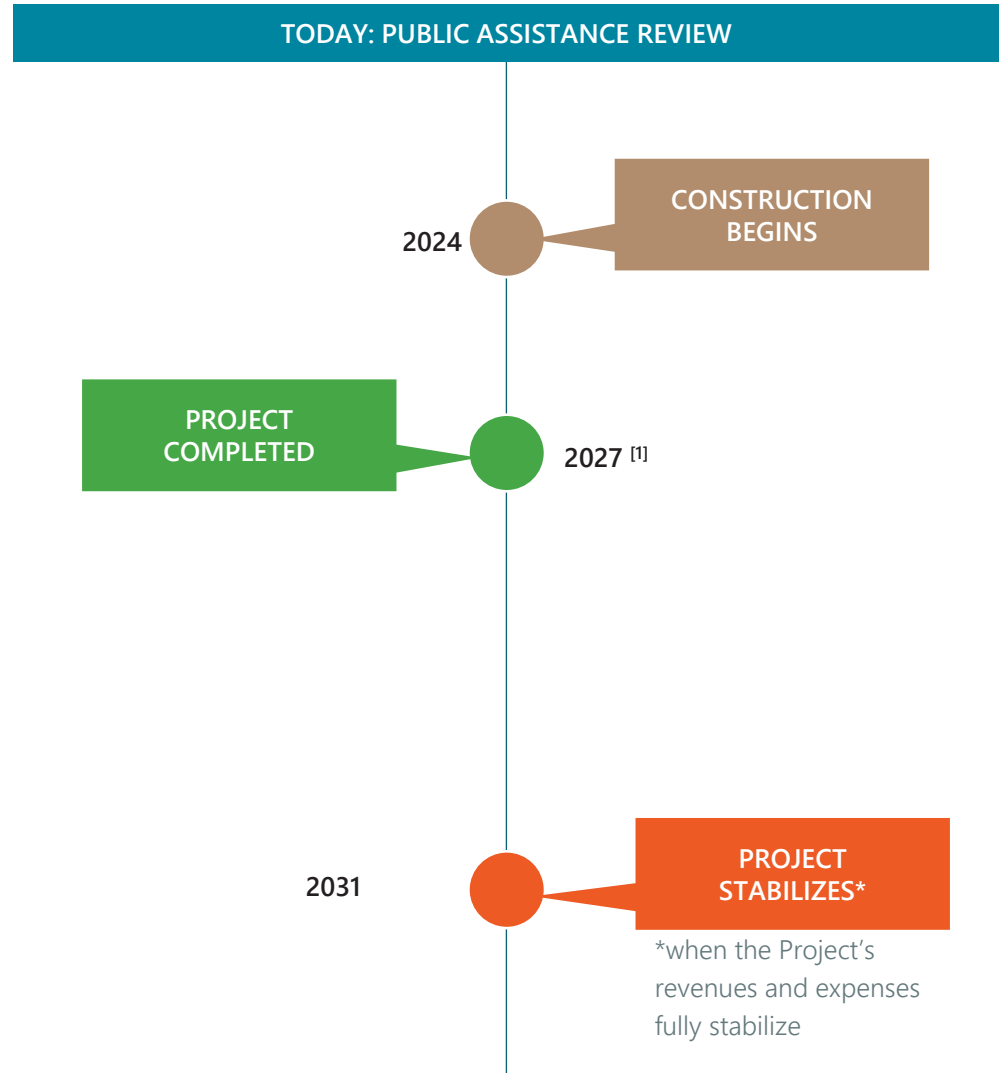
# PROJECT OVERVIEW

## Development Team & Schedule

The Developer is Monte Rosa, LLC, a single-purpose entity affiliated with Lux Living.

Lux Living is a St. Louis-based entity with previous experience developing highly-amenitized market-rate apartment projects in urban core environments in the Midwest and West Coast. The Developer previously developed the former Faultless Healthcare Linen Industrial Building in the Crossroads neighborhood into 228 market rate units and is rehabilitating the Katz building in the Westport neighborhood as part of a new 192-unit apartment development. It is our understanding that this would be the Developer's first residential/hotel mixed-use project.

The Developer indicated their intent to hold the Project over the long-term.



[1] Developer's pro forma reflects a 2-year construction period, which was incorporated into the SB Friedman financial analysis.  
Source: Lux Living

# PROJECT OVERVIEW

## Developer Request for Assistance

The Developer indicated that Project feasibility is challenged by:

- High-rise construction costs
- Labor/operations costs
- Recent interest rate increases
- Site-specific construction costs

Therefore, the Developer is requesting public assistance through EDCKC, as outlined to the right.

### REQUESTED ASSISTANCE

1. **Sales Tax Exemption on Construction Materials (STECM) during construction and assumed hotel renovations in Years 8 and 16 of operations** (This financial analysis does not account for the renovations in Years 8 and 16)
2. **20-year 1% Community Improvement District (CID) sales tax reimbursement**
3. **20-year City Economic Activity Tax (EATs) Redirection Agreement**
  - 2% Food & Beverage sales tax
  - 10% utilities tax
  - 0.5% individual earnings tax for staff of the hotel
4. **Abatement of real property taxes (above current predevelopment taxes) generated for 20 years, including:**
  - 80% abatement in Years 1-10
  - 50% abatement in Years 11-20

### ESTIMATED TOTAL VALUE OF ASSISTANCE (AS REQUESTED) UNDISCOUNTED – OVER 20 YEARS

\$5.8M in STECM benefit  
\$5.6M in CID sales tax reimbursement  
\$5.4M in City EATs redirection  
\$17.3M in property tax abatement

### ESTIMATED TOTAL PROPERTY TAX COLLECTIONS TO TAXING JURISDICTIONS (AS REQUESTED)

\$11.0M over 20 years (undiscounted)  
\$19.0M over 25 years (undiscounted)

# PROJECT ANALYSIS

- Development Budget
- Project Financing
- Operating Assumptions
- Projected Financial Returns
- Policy-Related Sensitivity Analyses

# DEVELOPMENT BUDGET - APARTMENT

## Key Budget Line Items

The Developer provided the following information for our review:

- EDCKC Redevelopment Project Application, dated April 13, 2023
- Project Narrative and Incentives Narrative
- Concept Schedule, dated March 6, 2023
- Real Estate Purchase Agreement
- Comparable land sale transaction data from Cushman & Wakefield

The apartment component of the Project is expected to cost \$108.8M, before STECM. Key budget line items include:

- **STECM.** The Developer is estimating the value of the requested STECM at \$3.34M. SB Friedman adjusted this calculation to align with our standard underwriting methodology for EDCKC which applies the Kansas City sales tax rate to 40% of site preparation and hard construction costs. This results in an estimated \$3.27M in STECM benefit.
- **Land Acquisition.** The Developer currently has the Site under contract, with an acquisition price of \$6.2M, or \$134/SF of land. The Developer is allocating 50% of the acquisition costs to each Project component (apartment and hotel). An as-is appraisal was not available for our review; however, the Developer provided data prepared by Cushman & Wakefield for 7 comparable vacant land sales in the Downtown, Crossroads, and Plaza areas, occurring since 2018. The weighted average of the comparable land sales aligns with the Developer's assumed acquisition price. Furthermore, acquisition costs as a percentage of TDC (2.8% for the apartment component) appears reasonable relative to recent projects reviewed by SB Friedman in Kansas City.

COSTS	Developer Assumption	SBF Adjustment	\$/SF
Total Development Costs (TDC)	\$106,631,270	\$108,787,784 [1]	\$353
Less STECM	(\$3,341,805)	(\$3,270,127)	\$11
TDC After STECM	\$103,289,464	\$105,517,657	\$342

[1] Reflects addition of developer fee as discussed on the next page

KEY BUDGET DRIVERS	SBF Adjusted Total	% of TDC	\$/GSF or space	Benchmark
Land Acquisition	\$3,085,500	2.8%	\$134/SF land (overall) [1]	Under 7% of TDC
Hard Costs - Apartment	\$78,998,164	72.6%	\$256/SF	\$210-225/SF
Hard Costs - Parking Garage	\$10,144,288	9.3%	\$43,300/space (overall) [1]	\$30,000-\$40,000/space
Soft Costs	\$6,889,195	6.3%	\$22/GSF	10-15% TDC
Financing Costs	\$5,566,692	5.1%	\$18/GSF	
Developer Fees	\$2,156,514	2.3% [2]	\$7/GSF	Under 4% [2]

Source: Lux Living, SB Friedman

[1] Metric reflects both Project components, not just the costs carried by this component

[2] % of TDC, net of acquisition costs



# APARTMENT DEVELOPMENT BUDGET

## Key Budget Line Items | Continued

- **Apartment Hard Construction Costs.** The Developer is assuming hard construction costs of \$79.0M before STECM ( $\pm$ \$256/GSF or  $\pm$ \$263,300/unit), including contingency. The Developer provided detailed cost estimates as well as an accounting of how Project costs were allocated to the apartment, hotel, and parking components. The apartment hard costs, net of parking, are higher than the per GSF costs of recent comparable projects reviewed by SB Friedman in Kansas City (\$210-225/GSF when adjusted to 2024 dollars). This is likely attributable to the current construction cost inflationary environment. Given that the Developer provided detailed cost estimates, SB Friedman did not make any adjustments to the hard cost budget for the purposes of this analysis.
- **Parking Hard Construction Costs.** The Developer is assuming \$15.5M in parking costs before STECM, or  $\pm$ 43,300/space. The Developer is allocating 65% of the parking hard costs to the apartment component of the Project. The parking hard costs are higher than the per space costs of recent structured parking garages reviewed by SB Friedman in Kansas City (\$30,000-40,000/space when adjusted to 2024 dollars). This is likely attributable to the current construction cost inflationary environment and the impact of site constraints on parking efficiency. Given that the Developer provided detailed cost estimates, SB Friedman did not make any adjustments to the hard cost budget for the purposes of this analysis.
- **Soft and Financing Costs.** The Developer is assuming soft costs of \$6.9M ( $\pm$ \$22/GSF) and financing costs of \$5.6M ( $\pm$ \$18/GSF), or about 11.4% of TDC (in aggregate). These project costs are within typical ranges observed by SB Friedman for similar new multifamily projects in Kansas City (typically 10-15% of TDC). Therefore, the Developer's assumptions appear reasonable.
- **Developer Fee.** The Developer indicated within its supporting documents that a \$2.2M developer fee was assumed for the apartment component of the Project. This fee did not appear to be reflected in the Project pro forma and was added for the purposes of this analysis. The developer fee totals  $\pm$ 2.3% of TDC, net of acquisition, which appears reasonable relative to other recent projects reviewed by SB Friedman in Kansas City.

The remaining cost assumptions are in line with comparable projects in Kansas City and industry sources.

# APARTMENT PROJECT FINANCING

## Financing Sources

The Developer provided the following information for our review:

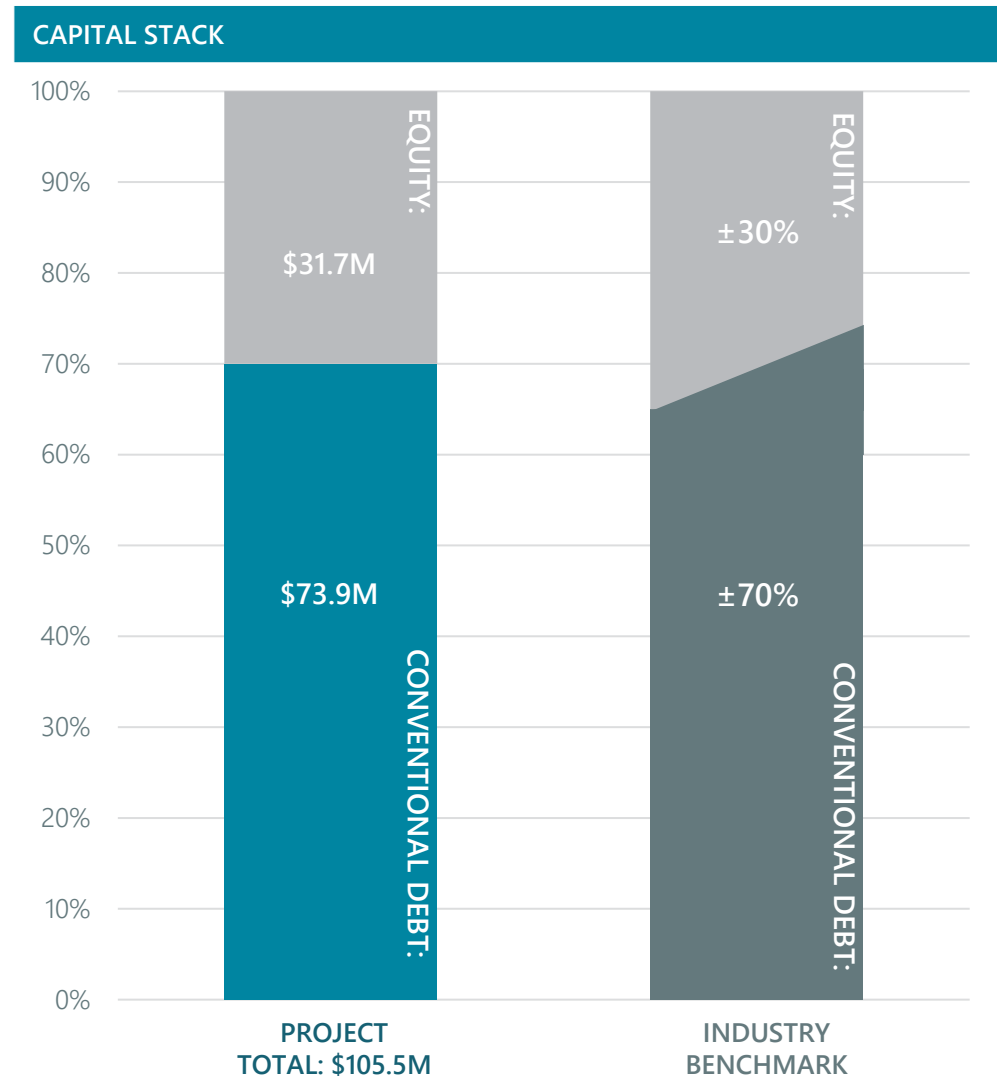
- Development Budget and Operating Pro Forma, dated April 12, 2023

Due to the preliminary nature of the financing, SB Friedman reviewed the Project’s returns from an unleveraged perspective which evaluates overall Project feasibility and ability to secure financing rather than returns to specific investors. Key financing assumptions are provided below:

- Conventional Debt.** The Developer is assuming conventional debt of 70% loan-to-cost (LTC), with a 7.5% interest rate and 30-year amortization. The Developer indicated that a portion of the debt would be financed through the Property Assessment Clean Energy (PACE) program. The Developer did not break out the debt amount or debt service within their pro forma.

Realty Rates reported the following national averages for high-rise apartment financing in its 2<sup>nd</sup> Quarter 2023 Investor Survey: 70% LTC, 6.6% interest rate, 23-year amortization, Therefore, the Developer’s debt assumptions are largely in line with market data, with the exception of the interest rate, which appears high. For the purposes of this analysis, SB Friedman did not adjust the interest rate from the Developer’s original assumptions. As noted above, when financing assumptions are preliminary, such as the case with this Project, SB Friedman reviews returns from an unleveraged perspective.

- Cash Equity.** Cash equity is estimated to account for 30% of Project sources, which is in line with other apartment projects reviewed by SB Friedman in Kansas City. Equity would be provided by the Developer.



Source: Lux Living, SB Friedman

# APARTMENT OPERATING ASSUMPTIONS

## Revenue Assumptions

The Developer provided the following information for our review:

- Development Budget and Operating Pro Forma, dated April 12, 2023
- Breakdown of unit typologies, rent assumption and revenue categories, dated April 12, 2023
- Comparable project data, dated April 12, 2023

Key assumptions are as follows:

- Weighted average gross rent of \$3.05/SF (in 2026 dollars), including the income-restricted affordable units. Rents by unit type are provided in the table to the right.
- Structured parking spaces will be available to residents for \$100/month. The parking ratio is 1.0 space/unit.
- Market rate studio units are affordable to households earning 93% of MFI, one-bedroom units are affordable to households earning 98% of MFI, two-bedroom units are affordable to households earning 127% of MFI, and three-bedroom units are affordable to households earning 294% of MFI.
- The Project includes 60 income-restricted affordable units affordable to individuals at 60% MFI:
  - Three studio typologies, ranging in size from 275-450 SF
  - Rents are limited to \$965/month per City guidelines

PROJECT RENTS	Units	Average Unit SF	Average Base Rent	Base Rent /SF (2026)	MFI Level [1]
Studio	24	450	\$1,620	\$3.60	93%
Studio	60	418	\$965	\$2.31	60%
1-bed	57	630	\$1,969	\$3.13	98%
2-bed	135	933	\$2,851	\$3.05	127%
3-bed	6	2,100	\$7,455	\$3.55	294%
<b>Average/Total</b>	<b>300</b>	<b>736</b>	<b>\$2,246</b>	<b>\$3.05</b>	

Source: Lux Living, SB Friedman, US Department of Housing and Urban Development  
 [1] 2022 MFI inflated by 3% annually to 2026\$

# APARTMENT OPERATING ASSUMPTIONS

## Competitive Projects

The Developer indicated that the Project would compete with the upper end of the Kansas City rental market. Key characteristics and rents of the Project and the most comparable, competitive projects are included in the table below.

COMPETITIVE PROJECTS											
Project Name	Year Built	Unit Count & Mix [1]	Studio Units [2]			1-bedroom Units [2]			2-bedroom Units [2]		
			Unit Size	Rent/SF	Chunk Rent	Unit Size	Rent/SF	Chunk Rent	Unit Size	Rent/SF	Chunk Rent
14 <sup>th</sup> and Wyandotte	2026	300 (84/75/135/6)	450	\$3.60	\$1,620	630	\$3.13	\$1,969	933	\$3.05	\$2,851
Two Light Luxury Apartments	2018	297 (113/108/76/0)	473	\$3.60	\$1,702	1,043	\$3.18	\$3,318	1,370	\$2.91	\$3,976
One Light Luxury Apartments	2015	307 (26/181/100/0)	593	\$3.08	\$1,852	927	\$2.54	\$2,347	1,182	\$2.63	\$3,106
City Club Crossroads	2020	283 (141/69/67/6)	527	\$2.47	\$1,302	751	\$2.27	\$1,703	1,032	\$2.47	\$2,546
Arterra Luxury Apartments	2018	126 (30/62/29/5)	459	\$2.78	\$1,277	766	\$2.29	\$1,754	1,239	\$2.02	\$2,502
<b>Comparables Average</b>			<b>513</b>	<b>\$2.98</b>	<b>\$1,527</b>	<b>872</b>	<b>\$2.57</b>	<b>\$2,281</b>	<b>965</b>	<b>\$2.51</b>	<b>\$3,033</b>

Source: CoStar, SB Friedman

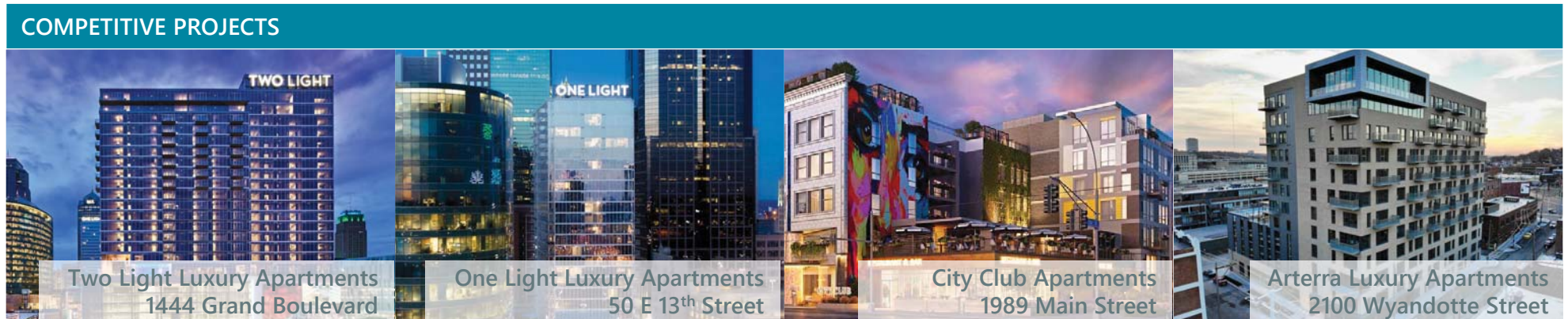
[1] Studios/1-BR/2-BR/3-BR

[2] Rents for competitive projects are escalated at 2% to 2026 dollars from 2023 dollars

# APARTMENT OPERATING ASSUMPTIONS

## Competitive Projects

The Developer indicated that the Project would compete with the upper end of the Kansas City rental market. Key characteristics and rents of the Project and the most comparable, competitive projects are included in the table below.



Project Name	Year Built	Unit Count & Mix [1]	3-bedroom Units [2]		
			Unit Size	Rent/SF	Chunk Rent
14 <sup>th</sup> and Wyandotte	2026	300 (84/75/135/6)	2,100	\$3.55	\$7,455
Two Light Luxury Apartments	2018	297 (113/108/76/0)			
One Light Luxury Apartments	2015	307 (26/181/100/0)			
City Club Crossroads	2020	283 (141/69/67/6)	1,530	\$2.53	\$3,866
Arterra Luxury Apartments	2018	126 (30/62/29/5)	1,581	\$2.80	\$4,429
<b>Comparables Average</b>			<b>1,556</b>	<b>\$2.66</b>	<b>\$4,148</b>

Source: CoStar, SB Friedman

[1] Studios/1-BR/2-BR/3-BR

[2] Rents for competitive projects are escalated at 2% to 2026 dollars from 2023 dollars

# APARTMENT OPERATING ASSUMPTIONS

## Revenues Assumptions

Key operating assumptions are discussed further below:

- **Residential Rent Assumptions.** The Developer's rent assumptions are based on the performance of key competitive projects identified in the Project pro forma: Three Light, Two Light, Reverb, and Arterra. These projects are the top of the multifamily market in Kansas City in terms of rent.

Project rents on a per SF basis appear to align closely to rents at Two Light and otherwise appear to be at a premium to recent multifamily development, when current rents are inflated by 2% annually to 2026 (the year of Project delivery). Chunk rents at Two Light exceed Project rents as unit sizes at Two Light tend to be substantially larger than anticipated units at the Project.

- **Parking Revenue Assumptions.** The Developer is assuming monthly parking rents of \$100/space. This assumption is in line with parking rents at comparable projects and appears reasonable given the Project's location and parking ratio. The Developer is assuming that all structured parking revenues and expenses, including those associated with the 58 spaces reserved for hotel guests, will be reflected within the apartment component cash flow.
- **Absorption Assumptions.** The Developer is assuming a 24-month lease-up period, which roughly amounts to an absorption rate of 12.5 units/month. Comparable projects have averaged a rate 12-15 units/month; therefore, this assumption appears reasonable.
- **Vacancy Assumptions.** The Developer is assuming a stabilized residential vacancy rate of 5%. This vacancy assumptions align with current market performance and standard underwriting metrics.

Project Name	Building Amenities
14 <sup>th</sup> and Wyandotte	Co-Working space, Shared Recreation Space, Pool, Spa, Sauna, Roof Terrace, Lounge
Two Light Luxury Apartments	Business Center, Clubhouse, Fitness Center, Picnic Area, Pool, Spa, Cabana, Grill, Lounge, Sundeck
One Light Luxury Apartments	Clubhouse, Fitness Center, Playground, Sauna, Guest Apartment, Lounge, Sundeck, Den, Dining Room
City Club Crossroads	Business Center, Clubhouse, Fitness Center, Game Room, Roof Terrace, Lounge
Arterra Luxury Apartments	Fitness Center, Pool, Spa, Grill, Roof Terrace, Lounge

Source: CoStar, Lux Living, SB Friedman

# APARTMENT OPERATING ASSUMPTIONS

## Other Key Operating Assumptions

- Expense Assumptions.** The Developer is assuming operating expenses (net of real estate taxes) of 22.4% of revenues at stabilization. This aligns with comparable projects (with similar amenity packages) reviewed by SB Friedman in Kansas City where expenses typically range between 25-28%. Therefore, the Developer's assumption appears reasonable.
- Real Estate Tax Assumptions.** The Developer assumed an assessed value (AV) of \$23,076/unit, with 2% biennial inflation. The Developer accounts for the additional taxes levied in the area. EDCKC reviewed the Developer's assumptions and determined that the assessed value, tax rate, and inflation rate assumptions appeared reasonable. At the request of EDCKC, SB Friedman adjusted the assumed base taxes to align with the 2022 taxes on the Site (\$69,111), with 54.8% being applied to the apartment component (\$37,894)
- Revenue Escalation and Expense Inflation.** The Developer is assuming annual revenue escalation at stabilization of 2.0% for residential revenue and 3.0% for parking revenues. The Developer assumes an overall expense inflation rate of 3.0%. These assumptions are within the range of typical assumptions observed for comparable projects in Kansas City and elsewhere (2-3%). However, it is SB Friedman's standard underwriting practice to align revenue escalation and expense inflation rates. Therefore, for the purpose of this analysis, SB Friedman adjusted the annual expense inflation rate to 2.0%.
- Terminal Cap Rate.** The Developer is assuming a terminal cap rate of 6.0%, which is consistent with the current benchmark range of recent multifamily projects reviewed by SB Friedman and industry sources.

OPERATING ASSUMPTION	Developer Assumption	SBF Adjustment	Benchmark
Parking Revenue	\$100/space /month	--	\$100/space /month
Absorption	12.5 units/month	--	12-15 units/month
Vacancy	5%	--	5%
Expenses	22.4% of revenues at stabilization	--	25-28%
Real Estate Taxes	\$23,076/unit	--	[1]
Real Estate Base Taxes	\$27,803	\$37,894	[2]
Revenue Escalation	2.0%	--	2-3% [3]
Expense Inflation	3.0%	2.0% [4]	2-3% [3]
Terminal Cap Rate	6.0%	--	6.0%

Source: Lux Living, SB Friedman

[1] No adjustment was recommended by EDCKC

[2] Adjustment requested by EDCKC

[3] Revenue escalation and expense inflation rates should match per typical underwriting practice

[4] Adjustment does not apply to real estate taxes

# HOTEL DEVELOPMENT BUDGET

## Key Budget Line Items

The Developer provided the following information for our review:

- EDCKC Redevelopment Project Application, dated April 13, 2023
- Project Narrative and Incentives Narrative
- Real Estate Purchase Agreement
- Comparable land sale transaction data from Cushman & Wakefield

The Project is expected to cost **\$90.8M, or approximately \$454,100/key, before STECM**. Key budget line items include:

- STECM.** The Developer is estimating the value of the requested STECM at \$3.7M. SB Friedman adjusted this calculation to align with our standard underwriting methodology for EDCKC which applies the Kansas City sales tax rate to 40% of site preparation, hard construction, and furniture, fixtures, and equipment costs. This results in an estimated \$2.5M in STECM benefit. The primary difference between the Developer and SB Friedman assumptions is that the Developer was including soft costs in their calculation of STECM benefit.
- Land Acquisition.** The Developer currently has the Site under contract, with an acquisition price of \$6.2M, or \$134/SF of land. The Developer is allocating 50% of the acquisition costs to each Project component (apartment and hotel). An as-is appraisal was not available for our review; however, the Developer provided data prepared by Cushman & Wakefield for 7 comparable vacant land sales in the Downtown, Crossroads, and Plaza areas, occurring since 2018. The weighted average of the comparable land sales aligns with the Developer's assumed acquisition price. Furthermore, acquisition costs as a percentage of TDC (3.4% for the hotel component) appears reasonable relative to recent projects reviewed by SB Friedman in Kansas City.

COSTS	Developer Assumption	SBF Adjustment	\$/key
Total Development Costs (TDC)	\$90,818,499	\$90,818,499	\$454,100
Less STECM	\$(3,746,460)	\$(2,506,865)	\$(12,534)
TDC After STECM	\$87,072,460	\$88,311,634	\$441,558

KEY BUDGET DRIVERS	Developer Assumption	% of TDC	\$/SF or \$/key	Benchmark
Land Acquisition	\$3,085,500	3.4%	\$134/SF land (overall) [1]	Under 7% of TDC
Site Preparation	\$2,434,288	2.7%	\$265,600	\$228,600/key median
Hard Costs – Hotel	\$50,685,193	55.8%		
Hard Costs - Parking Garage	\$5,373,034	5.9%	\$43,300/space (overall) [1]	\$30,000-\$40,000/space
Furniture, fixtures & equipment	\$11,336,600	12.5%	\$56,683	\$36,700/key median - full service; \$51,600/key median – luxury
Soft Costs	\$12,613,454	13.9%	\$63,067	16% of TDC (average)
Financing Costs	\$3,509,676	3.9%	\$17,548	
Developer Fees	\$1,780,755	2.1% [2]	\$8,904	Under 4% [2]

Source: Lux Living, SB Friedman

[1] Metric reflects both Project components, not just the costs carried by this component

[2] % of TDC, net of acquisition costs



# HOTEL DEVELOPMENT BUDGET

## Key Budget Line Items | Continued

- **Hard Construction and Site Preparation Costs.** The Developer is assuming hard construction costs of \$50.7M ( $\pm$ \$253,400/key) and site preparation costs of \$2.4M ( $\pm$ 12,300/key), both before STECM and including contingency. This totals \$265,600/key. These costs appear reasonable relative to the 2021 HVS Hotel Cost Survey (adjusted to 2024 dollars), which reported the median Building and Site Improvement costs for full-service hotels as \$228,600/key and the average, which is skewed upward by high-cost hotels, as \$328,400/key.
- **Parking Hard Construction Costs.** The Developer is assuming \$15.5M in parking costs before STECM, or  $\pm$ 43,300/space. The Developer is allocating 35% of the parking hard costs to the hotel component of the Project. The parking hard costs are higher than the per space costs of recent structured parking garages reviewed by SB Friedman in Kansas City (\$30,000-40,000/space when adjusted to 2024 dollars). This is likely attributable to the current construction cost inflationary environment and the impact of site constraints on parking efficiency. Given that the Developer provided detailed cost estimates, SB Friedman did not make any adjustments to the hard cost budget for the purposes of this analysis.
- **Furniture, Fixtures and Equipment (FF&E).** The Developer is assuming FF&E costs of \$11.3M ( $\pm$ \$56,700/key). The Developer submitted FF&E cost estimates provided to them by prospective hotel flags/brands. The FF&E costs appear high relative to the 2021 HVS Hotel Cost Survey (adjusted to 2024 dollars) which reported FF&E costs for full-service hotels as \$36,700/key at the median and \$42,900/key on average. The assumed FF&E costs appear to align closer with the HVS-reported values for luxury hotels (\$51,600/key median and \$59,000/key average; both adjusted to 2024 dollars).
- **Soft and Financing Costs.** The Developer is assuming soft costs of \$12.6M, including working capital) and financing costs of \$3.5M. This totals 17.8% of TDC. These costs appear reasonable relative to the 2021 HVS Hotel Cost Survey where Soft Costs, Preopening Costs, and Working Capital averaged 16% of TDC.
- **Developer Fee.** The Developer is assuming a developer fee of \$1.8M, or  $\pm$ 2.1% of TDC, net of acquisition. The developer fee appears reasonable relative to other recent projects reviewed by SB Friedman in Kansas City.

# HOTEL PROJECT FINANCING

## Financing Sources

The Developer provided the following information for our review:

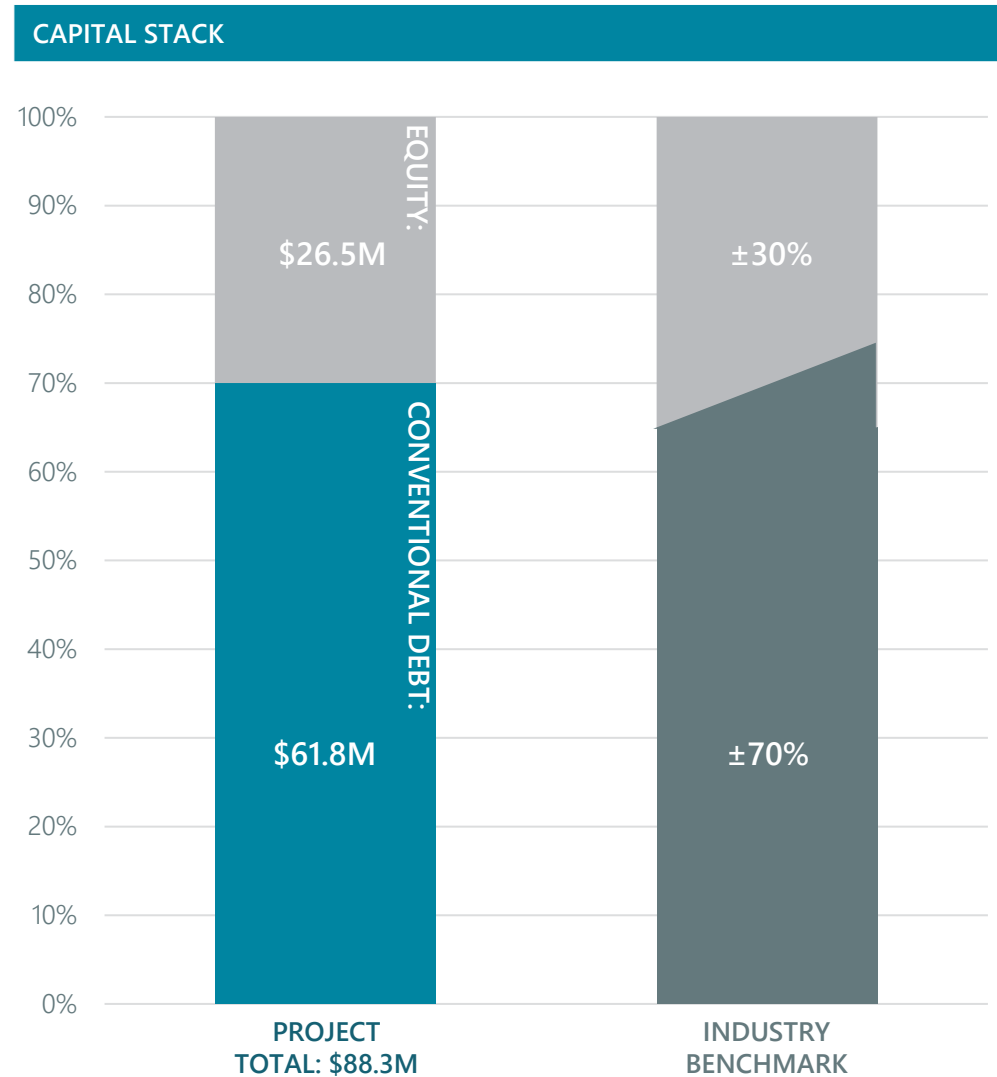
- Development Budget and Operating Pro Forma, dated April 12, 2023

Due to the preliminary nature of the financing, SB Friedman reviewed the Project’s returns from an unleveraged perspective which evaluates overall Project feasibility and ability to secure financing rather than returns to specific investors. Key financing assumptions are provided below:

- Conventional Debt.** The Developer is assuming conventional debt of 70% loan-to-cost (LTC), with a 7.5% interest rate and 30-year amortization. The Developer indicated that a portion of the debt would be financed through the Property Assessment Clean Energy (PACE) program. The Developer did not break out the debt amount or debt service within their pro forma.

Realty Rates reported the following national averages for full-service hotel financing in its 2<sup>nd</sup> Quarter 2023 Investor Survey: 70% LTC, 7.2% interest rate, 28-year amortization), Therefore, the Developer’s initial debt assumptions are largely in line with market data. During our review, the Developer submitted additional information, based on their discussions with potential lenders, indicating that interest rates could be closer to 12-13%. For the purposes of this analysis, SB Friedman did not adjust interest rates from the Developer’s original assumptions. As noted above, when financing assumptions are preliminary, such as the case with this Project, SB Friedman reviews project returns from an unleveraged perspective.

- Cash Equity.** Cash equity is estimated to account for 30% of Project sources, which is in line with other apartment projects reviewed by SB Friedman in Kansas City. Equity would be provided by the Developer.



Source: Lux Living

# HOTEL OPERATING ASSUMPTIONS

## Revenue & Expense Assumptions

The Developer provided the following information for our review:

- Excerpts from an HVS Market Study, dated March 2023
- Development budget and operating pro forma, dated April 13, 2023

Key assumptions are as follows:

- Per the Developer, the Project would be a full-service lifestyle brand.
- ADR and occupancy would stabilize in Year 3 of operations.
- There is variable growth in other revenues and expenses during the first 5 years of operations; meaning that the hotel component will fully stabilize in Year 6.
- Stabilized Project occupancy is assumed to be 72%.
- Stabilized ADR (in Year 3/2028) is assumed to be \$242/key.

The operating budget for revenues and expenses was primarily based on the HVS Market Study, which included a detailed forecast of revenues and expenses. Key operating assumptions are discussed further below:

- **Average Daily Rate (ADR).** The Developer is assuming an ADR of \$185 in 2026, the first year of operations, and \$242 at ADR/occupancy stabilization in 2028. In Kansas City, a lifestyle brand would be competitive with hotels classified as Luxury and Upper Upscale, including the Loews Kansas City Hotel, 21c Museum Hotel Kansas City, and The Unbound Collection Hotel Kansas City. The stabilized ADR aligns with the current (June 2023) 12-month performance of Luxury hotels, when inflated by 2.0% annually to 2028 dollars, as outlined on the next page. Therefore, the Developer's assumption appears reasonable.

- **Occupancy.** The Developer is assuming occupancy of 62% in 2026, the first year of operations, with occupancy stabilizing at 72.0% in Year 3. This is above the submarket's current and pre-pandemic performance, but within the range typically assumed by developers when underwriting a hotel project (70-72%). Therefore, the Developer's assumption appears reasonable.
- **Food and Beverage (F/B).** The Developer is assuming that F/B sales will be  $\pm 32\%$  of total hotel revenue at stabilization. Revenue will be generated by three bars, two retail spaces, meeting/event space, a signature restaurant, and in-room dining. The Developer's F/B expenses are based on estimates from major brands and account for 28% of total hotel expenses at stabilization.
- **Parking Revenue.** The Developer is assuming  $\pm \$4,200$ /key in annual parking revenue from a valet parking service (in Year 3 when ADR and occupancy stabilize), with 3% annual escalation after Year 5.
- **Revenue Escalation and Expense Inflation.** The Developer is assuming variable revenue escalation and expense inflation rates in Years 1-5. These rates are based on the HVS Market Study, which included a detailed forecast of revenues and expenses. In Years 6-10, the Developer is assuming 2% annual revenue escalation (in aggregate) and 2.5% annual expense inflation (in aggregate). This is within the typical range observed by SB Friedman in comparable projects in Kansas City and elsewhere (2-3%). However, it is SB Friedman's standard underwriting practice to align revenue and expense escalation/inflation rates.

Some expenses in Years 6-10 inflate at a rate above that of revenues, specifically Room, Food and Beverage, Marketing, Repair/Maintenance, Utilities, Insurance, and Other Expenses. For the purpose of this analysis, SB Friedman adjusted the expense inflation on these line items to 2.25% to align the overall revenue escalation and expense inflation rates.

# HOTEL OPERATING ASSUMPTIONS

## Revenue & Expense Assumptions | Continued

PERFORMANCE		Keys	ADR	ADR 2028\$ [1]	Occupancy	Rev-PAR 2026 [2]
14 <sup>th</sup> and Wyandotte [3]		200	--	\$242	72.0%	\$174
Pre-Pandemic Performance (12-month trend in December 2019)	Kansas City CBD – Luxury	491	\$155	\$186	63.8%	\$118
	Kansas City CBD – Upper Upscale	4,363	\$153	\$183	64.1%	\$119
Current Performance (12-month trend in June 2023)	Kansas City CBD – Luxury	1,434	\$216	\$239	53.3%	\$127
	Kansas City CBD – Upper Upscale	4,362	\$172	\$190	57.8%	\$110

Source: Lux Living, CoStar, SB Friedman

[1] ADR inflated by 1.5% annually from year shown to 2028 dollars

[2] Reflects occupancy as reported in the 12 months preceding December 2019 and June 2023

[3] Reflects Project metrics at stabilization in 2028

OPERATING ASSUMPTION	Developer Assumption	SBF Adjustment	Benchmark
Operating Expenses at Stabilization	67% of gross revenue	--	61-66% of gross revenue
Real Estate Taxes	\$3,618/key	--	[1]
Real Estate Base Taxes	\$26,905	\$31,217	[2]
Revenue Escalation (Years 6-10)	2%	--	2-3% [3]
Expense Inflation (Years 6-10)	3%	2.25% [4]	2-3% [3]
Terminal Cap Rate	6.0%	--	8.0%

Source: Lux Living, EDCKC, SB Friedman

[1] No adjustment was recommended by EDCKC

[2] Adjustment requested by EDCKC

[3] Revenue escalation and expense inflation rates should match per typical underwriting practice

[4] Applied to the following line items to align the overall revenue escalation and expense inflation: Room, Food and Beverage, Marketing, Repair/Maintenance, Utilities, Insurance, and Other Expenses. (Adjustment does not apply to real estate taxes.)

# HOTEL OPERATING ASSUMPTIONS

## Other Key Operating Assumptions

- **Operating Expenses.** The Developer is assuming operating expenses of 67% of revenue, which is slightly higher than comparable projects reviewed by SB Friedman where expenses range from 61-66%; however, this assumption appears reasonable.
- **Real Estate Taxes and Escalation.** The Developer is assuming real estate taxes of approximately \$3,618/key with 2% biennial escalation. The Developer accounts for the additional taxes levied in the area. EDCKC reviewed the Developer's assumptions and determined that the assessed value, tax rate, and inflation rate assumptions appeared reasonable. At the request of EDCKC, SB Friedman adjusted the assumed base taxes to align with the 2022 taxes on the Site (\$69,111), with 45.2% being applied to the hotel component (\$31,217).
- **Terminal Cap Rate.** The Developer estimated a terminal cap rate of 6.0% for a hypothetical sale after Year 10. This assumption appears low relative to industry data and comparable hotel projects reviewed by SB Friedman.

# PROJECTED FINANCIAL RETURNS

## Pro Forma Adjustments for But-For Analysis

For the purposes of evaluating a project’s need for public financial assistance, SB Friedman at times adjusts a project’s budget, financing and operating assumptions when the developer’s assumptions are outside of market and industry benchmarks. This approach:

- Allows SB Friedman to evaluate the need for assistance based on market parameters
- Introduces consistency in underwriting and evaluating requests for assistance
- Guards against over-subsidizing for project-specific assumptions that do not align with the market

For this Project, SB Friedman made the adjustments outlined to the right.

ASSUMPTION	Developer Assumption	SBF Adjustment	Rationale
Apartment Component STECM	\$3,342,000	<b>\$3,270,000</b>	Adjusted to align with standard underwriting methodology [1]
Apartment Component Developer Fee	\$0	<b>\$2,157,000</b>	Outlined in supporting documents, but not reflected in pro forma
Real Estate Base Taxes	\$27,803	<b>\$37,894</b>	Adjusted to align with current Site taxes
Apartment Operating Expense Inflation	3%	<b>2% [2]</b>	Adjusted to align revenue escalation and expense inflation assumptions
Hotel Component STECM	\$3,746,000	<b>\$2,507,000</b>	Adjusted to align with standard underwriting methodology [1]
Real Estate Base Taxes	\$26,905	<b>\$31,217</b>	Adjusted to align with current Site taxes
Hotel Operating Expense Inflation	3%	<b>2.25% [2,3]</b>	Adjusted to align revenue escalation and expense inflation assumptions

[1] Kansas City sales tax rate applied to 40% of site preparation and hard construction costs (and FF&E costs for the hotel component).

[2] Adjustment does not apply to real estate taxes

[3] Applied to the following line items to align the overall revenue escalation and expense inflation: Room, Food and Beverage, Marketing, Repair/Maintenance, Utilities, Insurance, and Other Expenses.

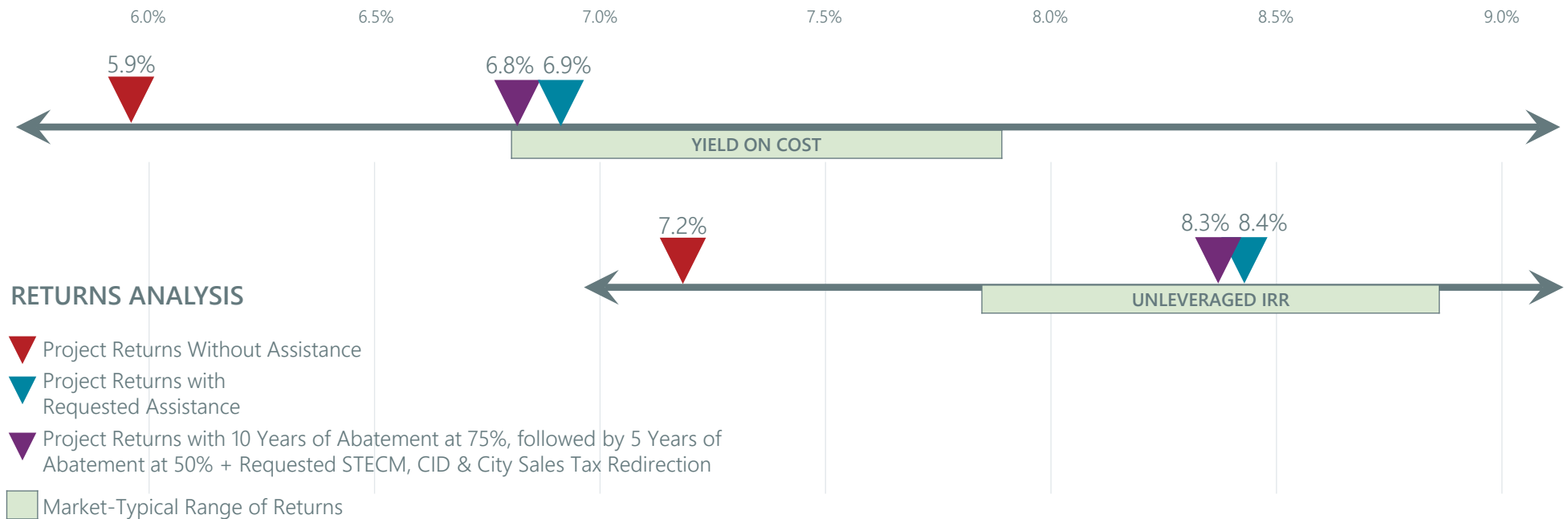
# PROJECTED FINANCIAL RETURNS

## Conclusions of But For Analysis

To be viable, a Project of this type would typically be expected to achieve an unleveraged IRR between 7.8-8.8% and a yield on cost between 6.8-7.8%. The results of the financial analysis are illustrated below. Without assistance, the Project generates an unleveraged IRR of 7.2% and an average yield on cost in Years 1-10 of 5.9%.

With the full amount of requested assistance, unleveraged IRR increases to 8.42%, which is within the identified benchmark range, and the average yield on cost in Years 1-10 increases to of 6.9%, which is at the low end of the range.

SB Friedman also analyzed an alternative assistance scenario: 75% abatement for 10 years, followed by 50% abatement for 5 years, in addition to the requested STECM, and \$11.1M in undiscounted CID and EATs redirection. Under this scenario, unleveraged IRR is estimated to be 8.3%, which is just below the Developer's stated hurdle IRR of 8.4-8.5%. Average yield on cost in Years 1-10 decreases to 6.8% from the 6.9% achieved under the full requested assistance. Detailed return calculations are included in the Appendix.



# PROJECTED FINANCIAL RETURNS

## Impact to Taxing Jurisdictions

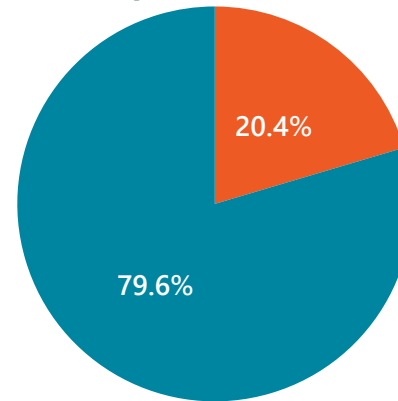
<b>TOTAL ESTIMATED VALUE OF STECM BENEFIT</b>	
\$5.8M	
<b>TOTAL ESTIMATED VALUE OF EATs REDIRECTION</b>	
\$5.4M	
<b>TOTAL ESTIMATED VALUE OF CID</b>	
\$5.6M	
<b>TOTAL ESTIMATED PROPERTY TAXES GENERATED BY THE PROJECT [1]</b>	
\$36.3M over 25 years	
<b>BENEFIT TO PROJECT OF ABATED PROPERTY TAXES OVER 25 YEARS (ESTIMATED)</b>	<b>PROPERTY TAX REVENUES TO TAXING JURISDICTIONS OVER 25 YEARS (ESTIMATED)</b>
<b>FULL REQUESTED ASSISTANCE (20 YEARS OF ABATEMENT)</b>	
\$17.3M	\$11.0M over 20 years \$19.0M over 25 years
<b>ALTERNATIVE LEVEL OF ASSISTANCE (15 YEARS OF ABATEMENT)</b>	
\$13.0M	\$7.7M over 15 years \$23.3M over 25 years

[1] Assumed property taxes generated over 25-years were reviewed by EDCKC. It is outside of SB Friedman’s engagement to independently project property taxes.

Additional detail is included in the Appendix.

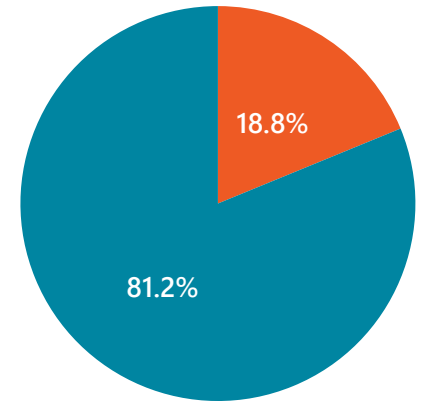
## ASSISTANCE AS A PERCENT OF TOTAL COSTS [2,3,4]

FULL REQUESTED ASSISTANCE



■ Assistance as a % of Total Costs  
■ TDC, net of Discounted Value of Public Assistance [3]

ALTERNATIVE LEVEL OF ASSISTANCE



■ Assistance as a % of Total Costs  
■ TDC, net of Discounted Value of Public Assistance [4]

[2] Assistance over 20-year period is discounted at 6.0% to 2025 dollars. The discounted value of assistance accounts for the time value of money.

[3] Discounted value of assistance includes all sources, including STECM, CID, EATs and property tax abatements of 80% in Years 1-10; 50% in Years 11-20.

[4] Discounted value of assistance includes all sources, including STECM, CID, EATs and property tax abatements of 75% in Years 1-10, 50% in Years 11-15.



# POLICY-RELATED SENSITIVITY ANALYSES

## Structured Parking Ratios & Costs

At the direction of EDCKC, SB Friedman also evaluated project viability, net of parking. The analysis removes the following from the Developer's pro forma:

- Cost of constructing structured parking
- Income generated by the parking

The impact to the Project's financial returns is illustrated below. It should be noted that the analysis does not account for a replacement parking solution.

Without assistance, the unleveraged IRR is estimated to be 7.3% once parking is removed from the analysis. With assistance, the unleveraged IRR increases to 9.0% with the requested level of abatement, and 8.9% with the alternative level of abatement. In a parking neutral scenario, the Project would likely require less public assistance to proceed.

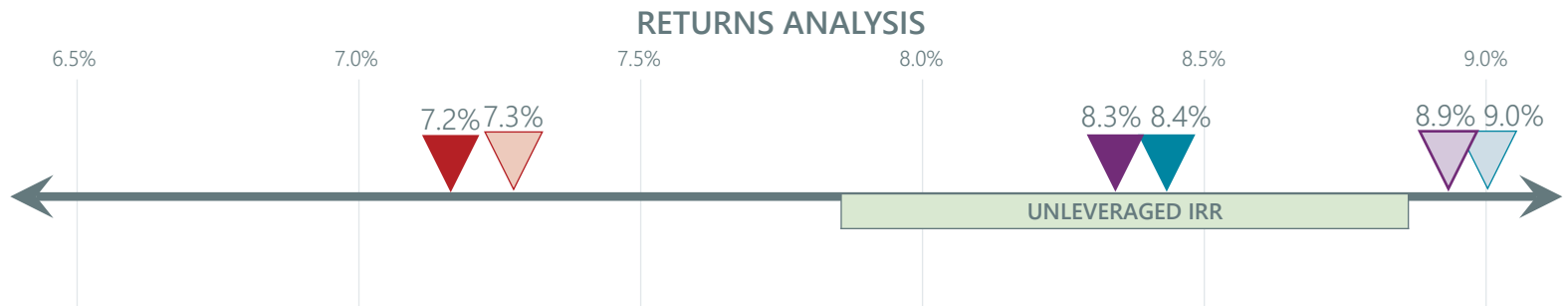
PARKING SPACES & TYPE		PARKING RATIO	
358 Structured		1.0/unit for apartments	0.3/key for hotel
TOTAL PARKING COSTS	PARKING COSTS PER SPACE	BENCHMARK	
\$15.5M	\$43,300	\$30,000-40,000	
TOTAL ANNUAL GROSS PARKING REVENUE	PARKING REVENUE PER SPACE PER MONTH	BENCHMARK	
\$464,400	\$100 for apartments \$150 for hotel	\$100-150	

▼ Project Returns Without Assistance  
 ▼ Net of Parking

▼ Project Returns with Requested Assistance  
 ▼ Net of Parking

▼ Project Returns with Alternative Assistance  
 ▼ Net of Parking

■ Market-Typical Range of Returns



# CONCLUSIONS

# CONCLUSIONS

The Developer is requesting:

- STECM during construction and assumed renovations in Years 8 and 16 of operations (this financial analysis does not account for the renovations in Years 8 and 16)
- 20-year 1% CID sales tax reimbursement
- 20-year City EATs Redirection Agreement (2% Food & Beverage sales tax, 10% utilities tax, 0.5% individual earnings tax for staff of the hotel)
- Abatement of real property taxes (above current predevelopment taxes) generated for 20 years (80% abatement in Years 1-10, 50% abatement in Years 11-20)

The but-for analysis indicates that the Project, as presented, would require public assistance to be financially viable and attract debt and equity investors. The Project's need for assistance appears to be driven by the relationship between assumed revenue generation (residential rents and hotel average daily rates) and Project costs. Despite revenue assumptions aligning with the top of current market rents and ADRs in Kansas City, the Project's net operating income does not appear to fully support the level of construction contemplated by the Developer for the highly-amenitized luxury residential and hotel project.

SB Friedman also analyzed an alternative assistance scenario: 75% abatement for 10 years, followed by 50% abatement for 5 years, in addition to the requested STECM, and \$11.1M in undiscounted CID and EATs redirection. Under this scenario, unleveraged IRR is estimated to be 8.3%, which is just below the Developer's stated hurdle IRR of 8.4-8.5%. Average yield on cost in Years 1-10 decreases to 6.8% from the 6.9% achieved under the full requested assistance.

## RECOMMENDED STRUCTURING OPTIONS

Estimated construction costs appear high, particularly the apartment hard costs, parking hard costs, and hotel furniture, fixture and equipment costs. It is possible that the Developer's pro forma assumptions will continue to evolve as the Project progresses through predevelopment. EDCKC should consider a true up at Project completion; if cost savings are achieved relative to the current budget, the ongoing public assistance should be recalibrated.

Furthermore, if the Project aligns with policy objectives and more than 10 years of property tax abatement is provided to the Project, SB Friedman recommends check ins at any sale or refinancing event that occurs after the initial conversion to permanent financing. If the Project is outperforming current assumptions at the time of a check in, the public assistance could be recalibrated. We believe this to be especially important due to the upcoming delivery of Three Light which is anticipated to further push top-of-the-market rents in Kansas City. Given that the Project will deliver after Three Light, it is possible that the Project could outperform current projections.

# APPENDIX

- Limitations of Our Engagement
- Detailed Development Budget
- Pro Forma without Assistance
- Pro Forma with Full Requested Assistance
- Pro Forma with Adjusted Level of Assistance
- Estimated Value of Abatement

# 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.

# METHODOLOGY

## Development Budget & Financing Assumptions

Each budget component is benchmarked against a set of industry estimates and local comparables to determine if costs are reasonable relative to projects of similar scale and level of finish. If budget line items are identified to be outside of benchmark ranges, SB Friedman adjusts costs such that the project's request for assistance can be evaluated and sized appropriately.

SB Friedman uses two primary cost metrics that allow for comparison of the development budget to comparable projects:

- Costs per gross square foot (SF)
- Costs as a percentage of total development costs (TDC)

Similarly, financing assumptions are benchmarked against industry data sources and local comparables to determine if the assumptions align with current financing markets.

COMPONENT	Description	Benchmarking
<b>Acquisition Costs</b>	<ul style="list-style-type: none"> <li>• Land purchase price</li> </ul>	<ul style="list-style-type: none"> <li>• Recent local land sales</li> </ul>
<b>Site Preparation Costs</b>	<ul style="list-style-type: none"> <li>• Earthwork and grading</li> <li>• Remediation costs</li> <li>• Infrastructure and utilities</li> </ul>	<ul style="list-style-type: none"> <li>• Industry benchmarks, adjusted based on site conditions</li> </ul>
<b>Hard Construction Costs</b>	<ul style="list-style-type: none"> <li>• Costs of vertical construction, including materials, labor, finishes, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Local comparables, construction cost estimates</li> </ul>
<b>Parking Construction Costs</b>	<ul style="list-style-type: none"> <li>• Parking type and costs (surface, structured, underground) per space</li> </ul>	<ul style="list-style-type: none"> <li>• Local comparables, construction cost estimates</li> </ul>
<b>Soft Construction Costs</b>	<ul style="list-style-type: none"> <li>• Third party fees (architect, engineers, legal, etc.)</li> <li>• Permits</li> </ul>	<ul style="list-style-type: none"> <li>• Industry benchmarks, local comparables</li> </ul>
<b>Financing Costs</b>	<ul style="list-style-type: none"> <li>• Loan origination fees</li> </ul>	<ul style="list-style-type: none"> <li>• Industry benchmarks, local comparables</li> </ul>
<b>Developer Fees</b>	<ul style="list-style-type: none"> <li>• Compensation to Project developer team</li> </ul>	<ul style="list-style-type: none"> <li>• Industry benchmarks, local comparables</li> </ul>
<b>Reserves and Other Costs</b>	<ul style="list-style-type: none"> <li>• Capital reserves</li> <li>• Carrying costs</li> </ul>	<ul style="list-style-type: none"> <li>• Industry benchmarks, local comparables</li> </ul>
<b>Financing Assumptions</b>	<ul style="list-style-type: none"> <li>• Loan amount</li> <li>• Amortization, interest rate, term</li> </ul>	<ul style="list-style-type: none"> <li>• Industry benchmarks, local comparables</li> </ul>

# METHODOLOGY

## Operating Assumptions

SB Friedman evaluates developers' cash flow assumptions relative to market comparables, recent projects in Kansas City, and, when available, third-party market studies submitted by the developers.

Key operating assumptions are benchmarked against a set of industry estimates and local comparables to determine if assumptions are reasonable relative to current market conditions and projects of similar scale and level of finish. If operating assumptions are identified to be outside of benchmark ranges, SB Friedman adjusts the assumptions such that the project's request for assistance can be evaluated and sized appropriately.

ASSUMPTION	Description	Benchmarking
<b>Project Rents</b>	<ul style="list-style-type: none"> <li>Multifamily rents (per unit and per SF)</li> <li>Retail rents (per SF)</li> <li>Office rents (per SF)</li> </ul>	<ul style="list-style-type: none"> <li>Local market comparables</li> </ul>
<b>Parking Revenues</b>	<ul style="list-style-type: none"> <li>Parking revenues (per space per month)</li> </ul>	<ul style="list-style-type: none"> <li>Local market comparables</li> </ul>
<b>Other Revenues</b>	<ul style="list-style-type: none"> <li>Administrative fees, application fees, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Local market comparables</li> </ul>
<b>Vacancy and Credit Loss</b>	<ul style="list-style-type: none"> <li>Stabilized occupancy rate and rent collections loss</li> </ul>	<ul style="list-style-type: none"> <li>Local market conditions</li> </ul>
<b>Absorption Rate</b>	<ul style="list-style-type: none"> <li>Pace at which units/SF is leased up</li> </ul>	<ul style="list-style-type: none"> <li>Local market conditions</li> </ul>
<b>Revenue Escalation Rate</b>	<ul style="list-style-type: none"> <li>Annual revenue increase</li> </ul>	<ul style="list-style-type: none"> <li>Industry benchmarks, local comparables</li> </ul>
<b>Operating Expenses</b>	<ul style="list-style-type: none"> <li>Maintenance, management, utilities, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Industry benchmarks, local comparables</li> </ul>
<b>Real Estate Taxes</b>	<ul style="list-style-type: none"> <li>Annual property tax revenues</li> </ul>	<ul style="list-style-type: none"> <li>Local comparables</li> </ul>
<b>Expense Escalation Rate</b>	<ul style="list-style-type: none"> <li>Annual expense cost increase</li> </ul>	<ul style="list-style-type: none"> <li>Industry benchmarks, local comparables</li> </ul>
<b>Terminal Capitalization Rate</b>	<ul style="list-style-type: none"> <li>Rate used to value the project at the assumed reversion (end of the analysis period)</li> </ul>	<ul style="list-style-type: none"> <li>Industry benchmarks, local comparables</li> </ul>
<b>Cost of Sale</b>	<ul style="list-style-type: none"> <li>Costs associated with disposition at the assumed reversion (end of the analysis period)</li> </ul>	<ul style="list-style-type: none"> <li>Industry benchmarks, local comparables</li> </ul>

# METHODOLOGY

## Financial Returns Analysis

SB Friedman prepares independent projections of Project financial returns. Returns are evaluated with and without requested public assistance and are compared to market-appropriate, risk-adjusted rates of return to evaluate the Project’s need for assistance.

Benchmark return ranges are based on industry sources, information obtained from active developers and equity providers, and SB Friedman’s past experience.

For projects with multiple land uses, SB Friedman establishes a range of market-appropriate, risk-adjusted rates of return by land use, which are then weighted in aggregate to each land use’s percentage of stabilized net operating income.

UNLEVERAGED RETURNS		LEVERAGED RETURNS	
UNLEVERAGED INTERNAL RATE OF RETURN (IRR)	STABILIZED YIELD ON COST	LEVERAGED INTERNAL RATE OF RETURN (IRR)	STABILIZED CASH ON CASH RETURN
<p>This is the rate of return or discount rate for a Project, accounting for initial expenditures to construct the Project (total Project costs) 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.</p>	<p>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’s financing structure.</p> <p>Stabilized yield on cost calculations include only investment properties, and therefore excludes any for-sale product.</p>	<p>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.</p>	<p>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 the first year of stabilized operations by the total initial equity investment.</p> <p>Stabilized cash-on-cash calculations only include investment properties, excluding for-sale residential.</p>



# DETAILED SOURCES & USES - APARTMENT

## Development Budget & Financing Assumptions

Uses/Development Costs	Developer Budget	SBF Adjusted Budget			
		\$	% of TDC	\$/GSF	\$/Land SF
<b>Acquisition Costs</b>					
Land Cost	\$3,085,500	\$3,085,500			
<b>Total Acquisition Costs</b>	<b>\$3,085,500</b>	<b>\$3,085,500</b>	<b>2.8%</b>		<b>\$67</b>
<b>Site Preparation Costs</b>					
Residential Site Prep Costs	\$1,947,430	\$1,947,430			
<b>Total Site Preparation Costs</b>	<b>\$1,947,430</b>	<b>\$1,947,430</b>	<b>1.8%</b>		<b>\$42</b>
<b>Parking Costs</b>					
Apartment Parking Costs	\$10,144,288	\$10,144,288			
<b>Total Apartment Parking Costs</b>	<b>\$10,144,288</b>	<b>\$10,144,288</b>	<b>9.3%</b>		
<b>Hard Construction Costs</b>					
General Requirements	\$4,375,916	\$4,375,916			
Temp Construction	\$1,209,241	\$1,209,241			
Hoisting	\$1,404,646	\$1,404,646			
Earthwork	\$481,053	\$481,053			
Site Utilities	\$168,079	\$168,079			
Drilled Piers	\$895,068	\$895,068			
Concrete	\$9,054,976	\$9,054,976			
Masonry	\$157,890	\$157,890			
Structural & Misc Steel	\$726,374	\$726,374			
Carpentry & Plastics	\$3,381,601	\$3,381,601			
Thermal & Moisture Protection	\$2,371,970	\$2,371,970			
Doors & Windows	\$6,359,697	\$6,359,697			
Finishes	\$8,168,066	\$8,168,066			
Specialties	\$111,624	\$111,624			
Equipment	\$956,615	\$956,615			
Special Construction	\$2,863,543	\$2,863,543			
Elevators	\$1,944,733	\$1,944,733			
Fire Protection	\$882,304	\$882,304			
Plumbing	\$6,576,496	\$6,576,496			
Mechanical	\$7,656,480	\$7,656,480			
Electrical	\$9,457,935	\$9,457,935			
Permit	\$388,971	\$388,971			
GL/WC/BR Insurance	\$547,940	\$547,940			
Bonds	\$635,319	\$635,319			
Contingency & Escalation	\$5,186,271	\$5,186,271			
Fee	\$3,035,357	\$3,035,357			
<b>Total Hard Construction Costs</b>	<b>\$78,998,164</b>	<b>\$78,998,164</b>	<b>72.6%</b>		<b>\$256</b>

Uses/Development Costs	Developer Budget	SBF Adjusted Budget			
		\$	% of TDC	\$/GSF	\$/Land SF
<b>Soft Costs</b>					
Legal	\$206,355	\$206,355			
Architectural	\$1,609,553	\$1,609,553			
Civil	\$103,177	\$103,177			
Insurance	\$904,203	\$904,203			
F&FE	\$145,453	\$145,453			
Landscaping design	\$68,729	\$68,729			
Interior & furniture design	\$515,887	\$515,887			
Furniture Exterior common area	\$588,786	\$588,786			
AV materials Exterior common area	\$896,244	\$896,244			
AV Technologies Exterior common area	\$122,006	\$122,006			
Equipment & Tech Gym	\$342,074	\$342,074			
Accessories( Office, front desk, Butterfly MX, Golf)	\$100,100	\$100,100			
F&B ACCESSORIES ( Market) Interior Common area	\$183,088	\$183,088			
Art work & Mural Interior Common area	\$202,484	\$202,484			
Furniture Interior Common area	\$769,113	\$769,113			
Web, Amenity Capex and Services	\$402	\$402			
Liquor License	\$7,731	\$7,731			
Tenant Events	\$23,124	\$23,124			
Web Hosting/Maintenance (Uncomn)	\$13,253	\$13,253			
Website 2.0 (Uncomn)	\$28,271	\$28,271			
Web Chat Integration (PERQ)	\$10,342	\$10,342			
Brand Guide/Logo/Emblems (Summit Graphics)	\$2,811	\$2,811			
Renderings (Yantram)	\$28,870	\$28,870			
TouchTour Map (Pending... Engrain)	\$1,947	\$1,947			
Walking Tours (3DPlans.com)	\$10,472	\$10,472			
Video Production (Pending... Exploredinary)	\$4,719	\$4,719			
<b>Total Soft Costs</b>	<b>\$6,889,195</b>	<b>\$6,889,195</b>	<b>6.3%</b>		<b>\$22</b>
<b>Financing Costs</b>					
LCRA FEE	\$370,085	\$370,085			
TIF FEE	\$118,482	\$118,482			
Interest	\$4,643,557	\$4,643,557			
Closing/Financing/Survey/Title	\$434,568	\$434,568			
<b>Total Financing Costs</b>	<b>\$5,566,692</b>	<b>\$5,566,692</b>	<b>5.1%</b>		<b>\$18</b>
<b>Developer Fees</b>					
Developer Fees		\$2,156,514			
<b>Total Developer Fees</b>	<b>\$0</b>	<b>\$2,156,514</b>	<b>2.0%</b>		<b>\$7</b>
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$106,631,270</b>	<b>\$108,787,784</b>	<b>100.0%</b>		<b>\$353</b>
Less STECM Adjustment	\$3,341,805	\$3,270,127			\$11
<b>TOTAL DEVELOPMENT COSTS (with STECM)</b>	<b>\$103,289,464</b>	<b>\$105,517,657</b>			<b>\$342</b>

Source: Lux Living, SB Friedman

# DETAILED SOURCES & USES - HOTEL

## Development Budget & Financing Assumptions

Uses/Development Costs	Developer Budget	SBF Adjusted Budget			
		\$	% of TDC	SF/Key or Space	\$/Land SF
<b>Acquisition Costs</b>					
Land Cost	\$3,085,500	\$3,085,500			
<b>Total Acquisition Costs</b>	<b>\$3,085,500</b>	<b>\$3,085,500</b>	<b>3.4%</b>	<b>\$15,428</b>	<b>\$67</b>
<b>Site Preparation Costs</b>					
Hotel Site Prep Costs	\$2,434,288	\$2,434,288			
<b>Total Site Preparation Costs</b>	<b>\$2,434,288</b>	<b>\$2,434,288</b>	<b>2.7%</b>	<b>\$12,171</b>	<b>\$53</b>
<b>Parking Costs</b>					
Hotel Parking Costs	\$5,373,034	\$5,373,034			
<b>Total Hotel Parking Costs</b>	<b>\$5,373,034</b>	<b>\$5,373,034</b>	<b>5.9%</b>		
<b>Hard Construction Costs</b>					
General Requirements	\$2,807,869	\$2,807,869			
Temp Construction	\$1,021,137	\$1,021,137			
Hoisting	\$2,024,557	\$2,024,557			
Concrete	\$4,999,813	\$4,999,813			
Structural & Misc Steel	\$267,500	\$267,500			
Carpentry & Plastics	\$2,824,050	\$2,824,050			
Thermal & Moisture Protection	\$1,582,459	\$1,582,459			
Doors & Windows	\$3,775,423	\$3,775,423			
Finishes	\$5,236,187	\$5,236,187			
Specialties	\$125,082	\$125,082			
Equipment	\$34,000	\$34,000			
Special Construction	\$25,000	\$25,000			
Elevators	\$1,180,000	\$1,180,000			
Fire Protection	\$677,500	\$677,500			
Plumbing	\$3,395,900	\$3,395,900			
Mechanical	\$6,094,500	\$6,094,500			
Electrical	\$8,334,950	\$8,334,950			
Permit	\$249,589	\$249,589			
GL/WC/BR Insurance	\$349,114	\$349,114			
Bonds	\$407,662	\$407,662			
Contingency & Escalation	\$3,327,845	\$3,327,845			
Fee	\$1,945,058	\$1,945,058			
<b>Total Hard Construction Costs</b>	<b>\$50,685,193</b>	<b>\$50,685,193</b>	<b>55.8%</b>	<b>\$253,426</b>	

Uses/Development Costs	Developer Budget	SBF Adjusted Budget			
		\$	% of TDC	SF/Key or Space	\$/Land SF
<b>Soft Costs</b>					
Legal	\$156,500	\$156,500			
Polsinelli - Legal	\$55,000	\$55,000			
Polsinelli or Levenfeld Pearlstein - HMA	\$27,500	\$27,500			
HVS Report	\$13,500	\$13,500			
Mashburn - PreDev	\$33,000	\$33,000			
Mashburn-OwnerRep	\$27,500	\$27,500			
Architectural	\$3,437,500	\$3,437,500			
Structural	\$650,000	\$650,000			
Civil	\$107,800	\$107,800			
Insurance	\$516,706	\$516,706			
Closing/Financing/Survey/Title	\$546,194	\$546,194			
Landscaping design	\$86,383	\$86,383			
Interior & furniture design	\$1,250,000	\$1,250,000			
Liquor License	\$10,000	\$10,000			
Brand Suggested Soft Cost	\$4,712,455	\$4,712,455			
Construction loan- interest rate cap	\$495,305	\$495,305			
CS Due Diligence fee	\$200,000	\$200,000			
CS study legal	\$75,000	\$75,000			
Working Capital	\$213,110	\$213,110			
<b>Total Soft Costs</b>	<b>\$12,613,454</b>	<b>\$12,613,454</b>	<b>13.9%</b>	<b>\$63,067</b>	
<b>FF&amp;E</b>					
FF&E	\$11,336,600	\$11,336,600			
<b>Total FF&amp;E</b>	<b>\$11,336,600</b>	<b>\$11,336,600</b>	<b>12.5%</b>	<b>\$56,683</b>	
<b>Financing Costs</b>					
LCRA FEE	\$304,878	\$304,878			
TIF FEE	\$97,606	\$97,606			
Interest	\$2,896,192	\$2,896,192			
Construction loan-Lender Origination	\$211,000	\$211,000			
<b>Total Financing Costs</b>	<b>\$3,509,676</b>	<b>\$3,509,676</b>	<b>3.9%</b>	<b>\$17,548</b>	
<b>Developer Fees</b>					
Developer Fees	\$1,780,755	\$1,780,755			
<b>Total Developer Fees</b>	<b>\$1,780,755</b>	<b>\$1,780,755</b>	<b>2.0%</b>	<b>\$8,904</b>	
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$90,818,499</b>	<b>\$90,818,499</b>	<b>100.0%</b>	<b>\$454,092</b>	
Less STECM Adjustment	\$3,746,460	\$2,506,865			\$12,534
<b>TOTAL DEVELOPMENT COSTS (with STECM)</b>	<b>\$87,072,038</b>	<b>\$88,311,634</b>			<b>\$441,558</b>

Source: Lux Living, SB Friedman

# RETURNS WITHOUT ASSISTANCE

Assumes Developer receives no public assistance

	2024	2025	2026	2027	2028	2029	2030	STABILIZATION		2033	2034	2035
NO ASSISTANCE	Year 0	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Development Sources</b>												
Apartment												
Conventional Debt		-\$76,151,449										
Cash Equity	-\$32,636,335											
Hotel												
Conventional Debt		-\$63,572,949										
Cash Equity	-\$27,245,550											
Net Operating Income			\$983,437	\$6,996,078	\$10,655,774	\$11,664,258	\$13,134,160	\$14,198,277	\$14,502,507	\$14,839,732	\$15,155,710	\$15,505,447
Reversion Proceeds (Year 10)												\$253,927,557
<b>TOTAL</b>			<b>\$983,437</b>	<b>\$6,996,078</b>	<b>\$10,655,774</b>	<b>\$11,664,258</b>	<b>\$13,134,160</b>	<b>\$14,198,277</b>	<b>\$14,502,507</b>	<b>\$14,839,732</b>	<b>\$15,155,710</b>	<b>\$269,433,004</b>
<b>Development Uses</b>												
Apartment												
Debt Service			\$6,389,544	\$6,389,544	\$6,389,544	\$6,389,544	\$6,389,544	\$6,389,544	\$6,389,544	\$6,389,544	\$6,389,544	\$6,389,544
Debt Repayment (Year 10)												\$66,095,640
Hotel												
Debt Service			\$5,334,135	\$5,334,135	\$5,334,135	\$5,334,135	\$5,334,135	\$5,334,135	\$5,334,135	\$5,334,135	\$5,334,135	\$5,334,135
Debt Repayment (Year 10)												\$55,178,133
Equity Distribution			-\$10,740,242	-\$4,727,601	-\$1,067,905	-\$59,421	\$1,410,481	\$2,474,598	\$2,778,828	\$3,116,052	\$3,432,030	\$136,435,552
<b>TOTAL</b>			<b>\$983,437</b>	<b>\$6,996,078</b>	<b>\$10,655,774</b>	<b>\$11,664,258</b>	<b>\$13,134,160</b>	<b>\$14,198,277</b>	<b>\$14,502,507</b>	<b>\$14,839,732</b>	<b>\$15,155,710</b>	<b>\$269,433,004</b>
Debt Coverage Ratio			0.08	0.60	0.91	0.99	1.12	1.21	1.24	1.27	1.29	1.32
<b>Unleveraged Cash Flow - No Assistance</b>												
Total Project Costs	-\$59,881,885	-\$139,724,398										
Net Operating Income			\$983,437	\$6,996,078	\$10,655,774	\$11,664,258	\$13,134,160	\$14,198,277	\$14,502,507	\$14,839,732	\$15,155,710	\$15,505,447
Reversion Proceeds (Year 10)												\$253,927,557
<b>TOTAL</b>	<b>-\$59,881,885</b>	<b>-\$139,724,398</b>	<b>\$983,437</b>	<b>\$6,996,078</b>	<b>\$10,655,774</b>	<b>\$11,664,258</b>	<b>\$13,134,160</b>	<b>\$14,198,277</b>	<b>\$14,502,507</b>	<b>\$14,839,732</b>	<b>\$15,155,710</b>	<b>\$269,433,004</b>
Annual Yield on Cost			0.5%	3.5%	5.3%	5.8%	6.6%	7.1%	7.3%	7.4%	7.6%	7.8%
Unleveraged IRR												7.2%
<b>Leveraged Cash Flow - No Assistance</b>												
Equity Contribution	-\$59,881,885	\$0										
Equity Distribution			-\$10,740,242	-\$4,727,601	-\$1,067,905	-\$59,421	\$1,410,481	\$2,474,598	\$2,778,828	\$3,116,052	\$3,432,030	\$136,435,552
<b>TOTAL</b>	<b>-\$59,881,885</b>	<b>\$0</b>	<b>-\$10,740,242</b>	<b>-\$4,727,601</b>	<b>-\$1,067,905</b>	<b>-\$59,421</b>	<b>\$1,410,481</b>	<b>\$2,474,598</b>	<b>\$2,778,828</b>	<b>\$3,116,052</b>	<b>\$3,432,030</b>	<b>\$136,435,552</b>
Annual Cash-on-Cash Return			-17.9%	-7.9%	-1.8%	-0.1%	2.4%	4.1%	4.6%	5.2%	5.7%	6.3%
Leveraged IRR												6.8%

Source: Lux Living, SB Friedman

# RETURNS WITH FULL REQUESTED ASSISTANCE

Assumes Developer receives STECM, CID, EATs & 20 years of property tax abatement

	2024	2025	2026	2027	2028	2029	2030	STABILIZATION		2032	2033	2034	2035
	Year 0	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
<b>FULL ASSISTANCE</b>													
<b>Development Sources</b>													
Apartment													
Conventional Debt		-\$73,862,360											
Cash Equity	-\$31,655,297												
Hotel													
Conventional Debt		-\$61,818,144											
Cash Equity	-\$26,493,490												
Net Operating Income			\$983,437	\$6,996,078	\$10,655,774	\$11,664,258	\$13,134,160	\$14,198,277	\$14,502,507	\$14,839,732	\$15,155,710	\$15,505,447	
Savings from Property Tax Assistance			\$979,229	\$979,229	\$999,919	\$999,919	\$1,021,023	\$1,021,023	\$1,042,549	\$1,042,549	\$1,064,506	\$1,064,506	
City EATs Redirection			\$178,544	\$203,115	\$229,245	\$244,694	\$251,378	\$257,111	\$262,980	\$268,988	\$275,139	\$281,436	
CID			\$148,346	\$184,014	\$217,587	\$235,674	\$258,947	\$274,323	\$279,929	\$285,650	\$291,489	\$297,449	
Reversion Proceeds (Year 10)													\$253,927,557
PV of Remaining Public Assistance (Year 11+)													\$9,679,445
<b>TOTAL</b>			<b>\$2,289,556</b>	<b>\$8,362,435</b>	<b>\$12,102,524</b>	<b>\$13,144,545</b>	<b>\$14,665,508</b>	<b>\$15,750,734</b>	<b>\$16,087,965</b>	<b>\$16,436,919</b>	<b>\$16,786,844</b>	<b>\$16,786,844</b>	<b>\$280,755,840</b>
<b>Development Uses</b>													
Apartment													
Debt Service			\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476
Debt Repayment (Year 10)													\$64,108,826
Hotel													
Debt Service			\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897
Debt Repayment (Year 10)													\$53,655,050
Equity Distribution			-\$9,094,818	-\$3,021,938	\$718,151	\$1,760,172	\$3,281,134	\$4,366,361	\$4,703,592	\$5,052,546	\$5,402,470	\$5,402,470	\$151,607,591
<b>TOTAL</b>			<b>\$2,289,556</b>	<b>\$8,362,435</b>	<b>\$12,102,524</b>	<b>\$13,144,545</b>	<b>\$14,665,508</b>	<b>\$15,750,734</b>	<b>\$16,087,965</b>	<b>\$16,436,919</b>	<b>\$16,786,844</b>	<b>\$16,786,844</b>	<b>\$280,755,840</b>
Debt Coverage Ratio			0.20	0.73	1.06	1.15	1.29	1.38	1.41	1.44	1.47	1.51	
<b>Unleveraged Cash Flow - Full Assistance</b>													
Total Project Costs	-\$58,148,787	-\$135,680,503											
Net Operating Income			\$983,437	\$6,996,078	\$10,655,774	\$11,664,258	\$13,134,160	\$14,198,277	\$14,502,507	\$14,839,732	\$15,155,710	\$15,505,447	
Savings from Property Tax Assistance			\$979,229	\$979,229	\$999,919	\$999,919	\$1,021,023	\$1,021,023	\$1,042,549	\$1,042,549	\$1,064,506	\$1,064,506	
City EATs Redirection			\$178,544	\$203,115	\$229,245	\$244,694	\$251,378	\$257,111	\$262,980	\$268,988	\$275,139	\$281,436	
CID			\$148,346	\$184,014	\$217,587	\$235,674	\$258,947	\$274,323	\$279,929	\$285,650	\$291,489	\$297,449	
Reversion Proceeds (Year 10)													\$253,927,557
PV of Remaining Public Assistance (Year 11+)													\$9,679,445
<b>TOTAL</b>	<b>-\$58,148,787</b>	<b>-\$135,680,503</b>	<b>\$2,289,556</b>	<b>\$8,362,435</b>	<b>\$12,102,524</b>	<b>\$13,144,545</b>	<b>\$14,665,508</b>	<b>\$15,750,734</b>	<b>\$16,087,965</b>	<b>\$16,436,919</b>	<b>\$16,786,844</b>	<b>\$16,786,844</b>	<b>\$280,755,840</b>
<b>Annual Yield on Cost</b>			1.2%	4.3%	6.2%	6.8%	7.6%	8.1%	8.3%	8.5%	8.7%	8.8%	
<b>Unleveraged IRR</b>			<b>8.4%</b>										
<b>Leveraged Cash Flow - Full Assistance</b>													
Equity Contribution	-\$58,148,787												
Equity Distribution			-\$9,094,818	-\$3,021,938	\$718,151	\$1,760,172	\$3,281,134	\$4,366,361	\$4,703,592	\$5,052,546	\$5,402,470	\$5,402,470	\$151,607,591
<b>TOTAL</b>	<b>-\$58,148,787</b>	<b>\$0</b>	<b>-\$9,094,818</b>	<b>-\$3,021,938</b>	<b>\$718,151</b>	<b>\$1,760,172</b>	<b>\$3,281,134</b>	<b>\$4,366,361</b>	<b>\$4,703,592</b>	<b>\$5,052,546</b>	<b>\$5,402,470</b>	<b>\$5,402,470</b>	<b>\$151,607,591</b>
<b>Annual Cash-on-Cash Return</b>			-15.6%	-5.2%	1.2%	3.0%	5.6%	7.5%	8.1%	8.7%	9.3%	9.9%	
<b>Leveraged IRR</b>			<b>9.6%</b>										

Source: Lux Living, SB Friedman - (STECM, \$11.0M undiscounted in CID & EATs, 20-year abatement of real property taxes (80% in Years 1-10; 50% in Years 11-20))

# RETURNS WITH ALTERNATIVE LEVEL OF ASSISTANCE

Assumes Developer receives STECM, CID, EATs & 15 years of property tax abatement

	2024	2025	2026	2027	2028	2029	2030	STABILIZATION		2033	2034	2035
	Year 0	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>ADJUSTED ASSISTANCE</b>												
<b>Development Sources</b>												
Apartment												
Conventional Debt		-\$73,862,360										
Cash Equity	-\$31,655,297											
Hotel												
Conventional Debt		-\$61,818,144										
Cash Equity	-\$26,493,490											
Net Operating Income			\$983,437	\$6,996,078	\$10,655,774	\$11,664,258	\$13,134,160	\$14,198,277	\$14,502,507	\$14,839,732	\$15,155,710	\$15,505,447
Savings from Property Tax Assistance			\$918,027	\$918,027	\$937,424	\$937,424	\$957,209	\$957,209	\$977,390	\$977,390	\$997,974	\$997,974
City EATs Redirection			\$178,544	\$203,115	\$229,245	\$244,694	\$251,378	\$257,111	\$262,980	\$268,988	\$275,139	\$281,436
CID			\$148,346	\$184,014	\$217,587	\$235,674	\$258,947	\$274,323	\$279,929	\$285,650	\$291,489	\$297,449
Reversion Proceeds (Year 10)												\$253,927,557
PV of Remaining Public Assistance (Year 11+)												\$7,396,658
<b>TOTAL</b>			<b>\$2,228,354</b>	<b>\$8,301,233</b>	<b>\$12,040,029</b>	<b>\$13,082,050</b>	<b>\$14,601,694</b>	<b>\$15,686,920</b>	<b>\$16,022,805</b>	<b>\$16,371,759</b>	<b>\$16,720,312</b>	<b>\$278,406,521</b>
<b>Development Uses</b>												
Apartment												
Debt Service			\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476	\$6,197,476
Debt Repayment (Year 10)												\$64,108,826
Hotel												
Debt Service			\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897	\$5,186,897
Debt Repayment (Year 10)												\$53,655,050
Equity Distribution			-\$9,156,019	-\$3,083,140	\$655,656	\$1,697,677	\$3,217,321	\$4,302,547	\$4,638,432	\$4,987,386	\$5,335,939	\$149,258,273
<b>TOTAL</b>			<b>\$2,228,354</b>	<b>\$8,301,233</b>	<b>\$12,040,029</b>	<b>\$13,082,050</b>	<b>\$14,601,694</b>	<b>\$15,686,920</b>	<b>\$16,022,805</b>	<b>\$16,371,759</b>	<b>\$16,720,312</b>	<b>\$278,406,521</b>
Debt Coverage Ratio			0.20	0.73	1.06	1.15	1.28	1.38	1.41	1.44	1.47	1.50
<b>Unleveraged Cash Flow - Adjusted Assistance</b>												
Total Project Costs	-\$58,148,787	-\$135,680,503										
Net Operating Income			\$983,437	\$6,996,078	\$10,655,774	\$11,664,258	\$13,134,160	\$14,198,277	\$14,502,507	\$14,839,732	\$15,155,710	\$15,505,447
Savings from Property Tax Assistance			\$918,027	\$918,027	\$937,424	\$937,424	\$957,209	\$957,209	\$977,390	\$977,390	\$997,974	\$997,974
City EATs Redirection			\$178,544	\$203,115	\$229,245	\$244,694	\$251,378	\$257,111	\$262,980	\$268,988	\$275,139	\$281,436
CID			\$148,346	\$184,014	\$217,587	\$235,674	\$258,947	\$274,323	\$279,929	\$285,650	\$291,489	\$297,449
Reversion Proceeds (Year 10)												\$253,927,557
PV of Remaining Public Assistance (Year 11+)												\$7,396,658
<b>TOTAL</b>	<b>-\$58,148,787</b>	<b>-\$135,680,503</b>	<b>\$2,228,354</b>	<b>\$8,301,233</b>	<b>\$12,040,029</b>	<b>\$13,082,050</b>	<b>\$14,601,694</b>	<b>\$15,686,920</b>	<b>\$16,022,805</b>	<b>\$16,371,759</b>	<b>\$16,720,312</b>	<b>\$278,406,521</b>
Annual Yield on Cost			1.1%	4.3%	6.2%	6.7%	7.5%	8.1%	8.3%	8.4%	8.6%	8.8%
Unleveraged IRR			8.3%									
<b>Leveraged Cash Flow - Adjusted Assistance</b>												
Equity Contribution	-\$58,148,787											
Equity Distribution			-\$9,156,019	-\$3,083,140	\$655,656	\$1,697,677	\$3,217,321	\$4,302,547	\$4,638,432	\$4,987,386	\$5,335,939	\$149,258,273
<b>TOTAL</b>	<b>-\$58,148,787</b>	<b>\$0</b>	<b>-\$9,156,019</b>	<b>-\$3,083,140</b>	<b>\$655,656</b>	<b>\$1,697,677</b>	<b>\$3,217,321</b>	<b>\$4,302,547</b>	<b>\$4,638,432</b>	<b>\$4,987,386</b>	<b>\$5,335,939</b>	<b>\$149,258,273</b>
Annual Cash-on-Cash Return			-15.7%	-5.3%	1.1%	2.9%	5.5%	7.4%	8.0%	8.6%	9.2%	9.8%
Leveraged IRR			9.4%									

Source: Lux Living, SB Friedman - (STECM, \$11.0M undiscounted in CID & EATs, 15-year abatement of real property taxes (75% in Years 1-10; 50% in Years 11-15))

# ESTIMATED VALUE OF ABATEMENT – FULL REQUEST

Assumes Developer receives STECM, CID, EATs & 20 years of property tax abatement

Abatement Year	Calendar Year	Property Taxes Before Abatement	Abatement Percentage	Taxes with Base & PILOT	Benefit to Project of Abated Property	Property Taxes Revenues to Taxing
1	2026	\$1,293,147	80.0%	\$313,918	\$979,229	\$313,918
2	2027	\$1,293,147	80.0%	\$313,918	\$979,229	\$313,918
3	2028	\$1,319,010	80.0%	\$319,091	\$999,919	\$319,091
4	2029	\$1,319,010	80.0%	\$319,091	\$999,919	\$319,091
5	2030	\$1,345,390	80.0%	\$324,367	\$1,021,023	\$324,367
6	2031	\$1,345,390	80.0%	\$324,367	\$1,021,023	\$324,367
7	2032	\$1,372,298	80.0%	\$329,748	\$1,042,549	\$329,748
8	2033	\$1,372,298	80.0%	\$329,748	\$1,042,549	\$329,748
9	2034	\$1,399,744	80.0%	\$335,238	\$1,064,506	\$335,238
10	2035	\$1,399,744	80.0%	\$335,238	\$1,064,506	\$335,238
11	2036	\$1,427,738	50.0%	\$748,425	\$679,314	\$748,425
12	2037	\$1,427,738	50.0%	\$748,425	\$679,314	\$748,425
13	2038	\$1,456,293	50.0%	\$762,702	\$693,591	\$762,702
14	2039	\$1,456,293	50.0%	\$762,702	\$693,591	\$762,702
15	2040	\$1,485,419	50.0%	\$777,265	\$708,154	\$777,265
16	2041	\$1,485,419	50.0%	\$777,265	\$708,154	\$777,265
17	2042	\$1,515,127	50.0%	\$792,119	\$723,008	\$792,119
18	2043	\$1,515,127	50.0%	\$792,119	\$723,008	\$792,119
19	2044	\$1,545,430	50.0%	\$807,270	\$738,159	\$807,270
20	2045	\$1,545,430	50.0%	\$807,270	\$738,159	\$807,270
21	2046	\$1,576,339	0.0%	\$1,576,339	\$0	\$1,576,339
22	2047	\$1,576,339	0.0%	\$1,576,339	\$0	\$1,576,339
23	2048	\$1,607,865	0.0%	\$1,607,865	\$0	\$1,607,865
24	2049	\$1,607,865	0.0%	\$1,607,865	\$0	\$1,607,865
25	2050	\$1,640,023	0.0%	\$1,640,023	\$0	\$1,640,023
<b>Total, Years 1-25</b>		<b>\$36,327,621</b>			<b>\$17,298,905</b>	<b>\$19,028,717</b>

<b>Years 1-10</b>	<b>\$13,459,174</b>		<b>\$10,214,452</b>	<b>\$3,244,723</b>
<b>Years 11-25</b>	<b>\$22,868,447</b>		<b>\$7,084,453</b>	<b>\$15,783,994</b>

Source: Lux Living, SB Friedman - (STECM, \$11.0M undiscounted in CID & EATs, 20-year abatement of real property taxes (80% in Years 1-10; 50% in Years 11-20)

# ESTIMATED VALUE OF ABATEMENT – ALT. ASSISTANCE

Assumes Developer receives STECM, CID, EATs & 15 years of property tax abatement

Abatement Year	Calendar Year	Property Taxes Before Abatement	Abatement Percentage	Taxes with Base & PILOT	Benefit to Project of Abated Property	Property Taxes Revenues to Taxing
1	2026	\$1,293,147	75.0%	\$375,120	\$918,027	\$375,120
2	2027	\$1,293,147	75.0%	\$375,120	\$918,027	\$375,120
3	2028	\$1,319,010	75.0%	\$381,586	\$937,424	\$381,586
4	2029	\$1,319,010	75.0%	\$381,586	\$937,424	\$381,586
5	2030	\$1,345,390	75.0%	\$388,181	\$957,209	\$388,181
6	2031	\$1,345,390	75.0%	\$388,181	\$957,209	\$388,181
7	2032	\$1,372,298	75.0%	\$394,908	\$977,390	\$394,908
8	2033	\$1,372,298	75.0%	\$394,908	\$977,390	\$394,908
9	2034	\$1,399,744	75.0%	\$401,769	\$997,974	\$401,769
10	2035	\$1,399,744	75.0%	\$401,769	\$997,974	\$401,769
11	2036	\$1,427,738	50.0%	\$748,425	\$679,314	\$748,425
12	2037	\$1,427,738	50.0%	\$748,425	\$679,314	\$748,425
13	2038	\$1,456,293	50.0%	\$762,702	\$693,591	\$762,702
14	2039	\$1,456,293	50.0%	\$762,702	\$693,591	\$762,702
15	2040	\$1,485,419	50.0%	\$777,265	\$708,154	\$777,265
16	2041	\$1,485,419	0.0%	\$1,485,419	\$0	\$1,485,419
17	2042	\$1,515,127	0.0%	\$1,515,127	\$0	\$1,515,127
18	2043	\$1,515,127	0.0%	\$1,515,127	\$0	\$1,515,127
19	2044	\$1,545,430	0.0%	\$1,545,430	\$0	\$1,545,430
20	2045	\$1,545,430	0.0%	\$1,545,430	\$0	\$1,545,430
21	2046	\$1,576,339	0.0%	\$1,576,339	\$0	\$1,576,339
22	2047	\$1,576,339	0.0%	\$1,576,339	\$0	\$1,576,339
23	2048	\$1,607,865	0.0%	\$1,607,865	\$0	\$1,607,865
24	2049	\$1,607,865	0.0%	\$1,607,865	\$0	\$1,607,865
25	2050	\$1,640,023	0.0%	\$1,640,023	\$0	\$1,640,023
<b>Total, Years 1-25</b>		<b>\$36,327,621</b>			<b>\$13,030,012</b>	<b>\$23,297,609</b>
<b>Years 1-10</b>		<b>\$13,459,174</b>			<b>\$9,576,048</b>	<b>\$3,883,126</b>
<b>Years 11-25</b>		<b>\$22,868,447</b>			<b>\$3,453,964</b>	<b>\$19,414,483</b>

Source: Lux Living, SB Friedman - (STECM, \$11.0M undiscounted in CID & EATs, 15-year abatement of real property taxes (75% in Years 1-10; 50% in Years 11-15))

