EXHIBIT 4A
LCRA 11/21/24

DRAFT

October 25, 2024

But-For Determination Report

3620 Main Street Venue

Kansas City, Missouri

Contents

Executive Summary

The Economic Development Corporation of Kansas City, Missouri, Inc. (“EDCKC”) retained Baker Tilly Municipal Advisors (“BTMA”) to review a request for public financial assistance from 3620 Main Street Venue LLC (the “Applicant”). The Applicant’s proposed project includes the redevelopment of the historic Kansas City National Guard Amory Building located at 3620 Main Street (“Project”). The Project is a mixed-use redevelopment of the building which will include three floors comprising an event space, a museum, and an office space totaling approximately 35,000 square feet.

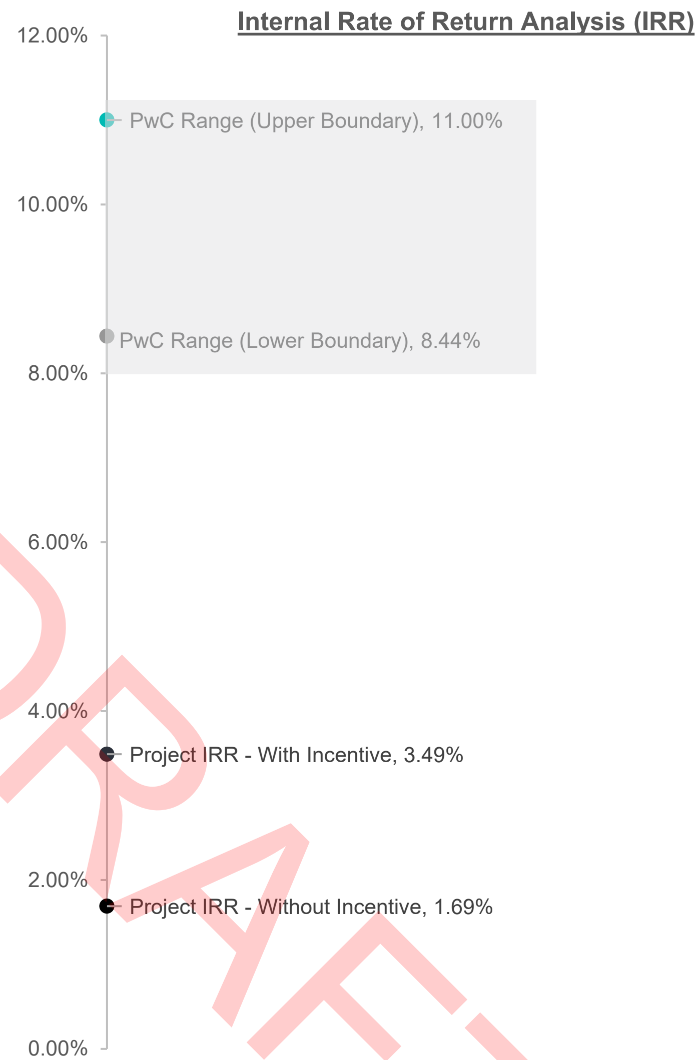
The Applicant has requested public financial assistance for the Project. Specifically, the Applicant seeks property tax abatement for a period of ten years through the Land Clearance for Redevelopment Authority (the “Incentive”).

EDCKC seeks to understand whether the Project would be reasonably anticipated to be undertaken in the current market without the requested public financial assistance.

The profitability measurement used to evaluate the need for assistance is the return on investment, termed the internal rate of return (“IRR” or “Return”). To determine the likelihood that the Project would be undertaken without the Incentive, the Applicant’s estimated IRR without Incentive is compared to the Return sought by investors in similar projects in the current marketplace. The Project’s mix of uses is somewhat unique in the marketplace. For this But-For Determination, the Project and the Applicant’s pro forma are compared against the average capitalization rate and discount rates among investors in non-institutional grade properties.

BTMA reviewed the Applicant’s pro forma and the underlying assumptions regarding Project financing, construction costs, and operations. The graphic below illustrates the estimated IRR compared to the market benchmark return from the *PWC Real Estate Investor Survey, Third Quarter 2024*.

The Project Return without Incentive falls below the PWC market range. Therefore, we find it unlikely that the Project would proceed in the current marketplace without the requested Incentive. The Applicant is proposing the redevelopment of a historic building which will require a significant hard-cost investment and rehabilitation. The Applicant anticipates receiving State and Federal Historic Tax Credits for the renovation which carry preservation requirements.


Internal Rate of Return Analysis (IRR)
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
PwC Range (Upper Boundary), 11.00%
PwC Range (Lower Boundary), 8.44%
Project IRR - With Incentive, 3.49%
Project IRR - Without Incentive, 1.69%

Purpose and Approach

BTMA evaluated Project information provided by the Applicant - including Project financing, timing, construction costs, and operations - to measure the Applicant's expected profit relative to Project risks. If it is assumed that the Project is owned and operated as an investment, a measure of return can be calculated considering the time value of money and an assumed sale of the property at an appropriate market price. This analysis is termed the internal rate of return ("IRR" or "Return") and estimates the profitability of an investment. To determine the likelihood that the Project would be undertaken without public assistance, the Applicant's estimated unlevered IRR, without assistance, is compared to the Return sought by investors for like projects in the current marketplace.

The unlevered Return – which assumes the Project is financed entirely with equity and without debt - is utilized to facilitate comparison of the forecasted Project Return to a national investor survey.

Disclosure & Reliance

This Analysis is not an opinion of the likelihood of success of the proposed Project. BTMA has based this analysis upon projections provided by the Applicant. BTMA has completed due diligence to review the Applicant's projections using its institutional knowledge and, where applicable, third-party sources. BTMA utilized the Applicant's projections as provided unless otherwise noted. Where BTMA suggests alternative projections or assumptions, the reason and source of the proposed alternatives are described. Projecting outcomes for projects of this nature involves subjective judgment which may or may not prove correct. BTMA makes no representations or warranties, expressed or implied, as to the accuracy of this analysis, and nothing herein is, or shall be relied upon as, a representation or warranty with respect to future result.

The Project

3620 Main Street Venue LLC ("Applicant") is proposing the redevelopment of the historic Kansas City National Guard Amory Building located at 3620 Main Street ("Project"). The Project is a mixed-use redevelopment of the building which will include three floors comprising an event space, a museum, and office space totaling approximately 35,000 square feet.

Constructed in 1923 and located along the central-city commercial corridor in the Hanover Place neighborhood, the building served as the headquarters for the 110th Engineers Battalion from 1923-1973. The building is designated as a historical site of local significance. According to the National Register's documentation form for the Amory, the building is recognized as an excellent local example of the castellated armory style – the only building of its kind in Kansas City. The Amory served both a functional and institutional purpose. In addition to training, these buildings were also civic spaces for members of the National Guard, their families, and the community.

The first floor will be converted into a 15,000 square foot event venue which will accommodate up to 600 people for weddings, parties, and other events. The second and third floors, plus a mezzanine level, will total approximately 20,000 square feet and will be used as a museum to showcase automobiles, airplanes, and other transportation items with ties to Kansas City. The Applicant intends to own and operate both the museum and the event space.

Project construction is expected to commence in the first quarter of 2025 and continue through the second quarter of 2026. The Applicant currently projects a two-year period until stabilization.

Assistance Request

The Applicant requests public financial assistance for the Project. Specifically, the Applicant is seeking 70%, 10-year property tax abatement through the Land Clearance for Redevelopment Authority (together, the "Incentive").

LCRA – The Applicant will have to ensure the Project is eligible for the Incentive under the Land Clearance for Redevelopment Authority Act. It is expected that the Project will be held by the Authority in fee simple or financed through an arrangement similar to Chapter 100 to provide the property tax abatement of approximately 10 years. The total net present value of the requested incentive, assuming a 6.0% discount rate, is estimated to be $924,512.

Return Analysis

The Applicant provided a Project pro forma detailing timing, financing, construction costs, operating revenues and expenditures and assumptions for the requested Incentives. Utilizing the baseline pro forma provided by the Applicant, BTMA calculated the return on an unlevered basis to estimate the potential Return with and without the Incentive. The Return realized by the Applicant is a result of the assumptions used in the creation of the operating pro forma. Therefore, several steps must be taken to analyze the reasonableness of the assumptions.

Step One – Evaluate Project Costs

The first step in analyzing the Return to the Applicant is to determine if the assumed Project costs are reasonable. If the Applicant experiences cost savings, absent any other changes, the Applicant will realize a greater return. Where applicable, BTMA compared estimated Project costs to third-party sources to gauge the reasonableness of the Applicant's pro forma assumptions and to consider whether alternative assumptions should be utilized. The Applicant's overall project expenditures are detailed in the following table.

	Expenditures by Type	$ Per Square Foot
Construction	$5,066,228	$144.75
Acquisition	2,038,125	$58.23
Soft Costs	1,102,203	$31.49
Developer Fee	704,408	$20.13
Financing	155,260	$4.43
Total	**$9,066,224**	$259.03

The following sections consider the assumptions for the major expenditure categories.

Hard Costs

The Applicant is proposing the redevelopment of a historic building which will require a significant hard-cost investment. The Applicant anticipates receiving State and Federal Historic Tax Credits for the renovation, which carry preservation requirements. Restoration requirements are typically mandated to maintain the character and history of the building. Given the unique nature of this redevelopment, it is difficult to provide reliable third-party cost estimates to provide as a comparison without engaging independent architects and engineers. The Applicant provided a detailed construction budget totaling $5,066,228, or a per square foot (PSF) cost of $144.75 which was prepared by the Applicant's general contractor in coordination with the Applicant's architect who has worked on other renovation projects.

The amount of Historic Tax Credits available to the Applicant are based on the amount of eligible expenditures incurred. The State and Federal tax credits comprise approximately 24.29% of the Project's sources of funds. Therefore, if the Applicant were to realize actual remodeling construction costs lower than projected, the value of the tax credits would be reduced, thus partially offsetting the beneficial impact on the Applicant's IRR due to lower costs.

To provide a cost comparison, BTMA utilized the RSMeans Data from Gordian to estimate the cost of constructing a new event space / social club in the Kansas City, Missouri submarket with similar characteristics to the proposed Project. RSMeans provides accurate and regularly updated construction cost estimates which can be used as a reference point to verify the reasonableness of the Applicant's estimated costs.

Our estimate from RSMeans assumes a shell event space structure of brick with steel joists and approximately 35,000 square feet in size. We assumed 2.5% for general contractor fees and 3.00% for architectural fees. The estimated construction cost is approximately $150.15 PSF. It should be noted that the subject property of this Report also includes a basement. If we include a basement in our estimate, the total estimated cost rises to approximately $190.00 PSF.

Given the unique requirements associated with the rehabilitation of a historical building, it is the opinion of BTMA that projected cost of $144.75 PSF is reasonable and aligns with the industry reference. As previously mentioned, the value of the Applicant's State and Federal tax credits are based on the amount of eligible expenditures. If the Applicant achieves cost savings associated with the renovation, the impact on the Applicant's projected returns would likely be offset by reductions in the tax credit equity.

Soft Costs

The Applicant's estimated soft costs are approximately 12.16% of the total budget. The Applicant's consulting fee is the largest soft cost expense and is approximately 5.94% of the Project budget. The remainder of the Applicant's soft costs include architect fees as well as the cost of obtaining the tax credits and the historical preservation application. Soft costs can vary widely but have been observed to range between 5.00%-10.00% for other developments. Therefore, the Applicant's softs costs are considered reasonable.

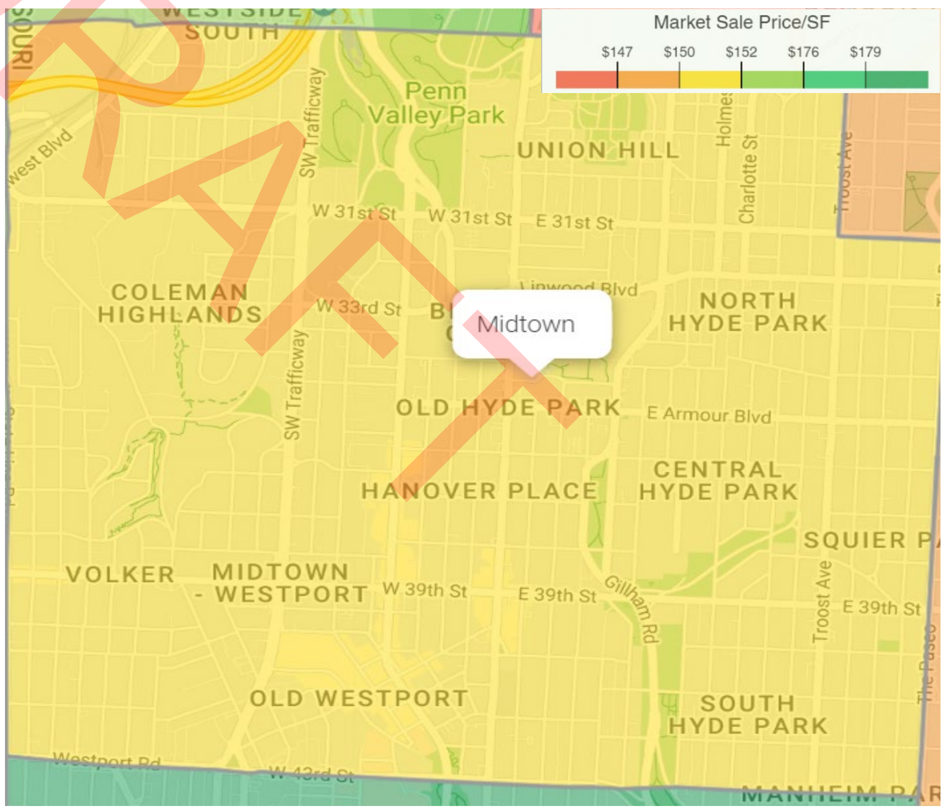
The Applicant's pro forma also includes a $704,408 developer fee which is 7.77% of the Applicant's total Project costs. The Developer fee generally covers overhead expenses plus some percentage of profit. The Applicant indicated that no part of the Developer fee is profit, and all activities related to the developer fee support costs which are considered Qualified Rehabilitation Expenditures for purposes of the Historic Preservation Tax Credit Program. This developer equity is expected to be split between the Project and a third-party which enables the Applicant to reduce their initial equity contribution to the Project.

Acquisition Costs

The Applicant acquired the subject property for a purchase price of $2,000,000 or $57.14 PSF in June of 2023. A third-party appraisal was not prepared for the property prior to the Applicant's acquisition.

BTMA reviewed comparable sales from the past two years utilizing the CoStar platform. Sale comparison criteria was based on i) a 30-mile radius from the Project location, ii) properties ranging between 13,000 – 52,000 SF, iii) retail property types, iv) sites with existing structures or those under renovation, and v) a CoStar rating between 1 to 3 stars. The available market data from CoStar shows per square foot prices ranging between $78.65 and $340.03 with a median price of $170.48.

The Project site falls into CoStar's "Midtown" retail submarket of Kansas City (approximate boundaries shown below). CoStar data shows twelve sales with available market data within the Midtown submarket over the past twelve months. The average PSF for retail sales over the past twelve months was $121 PSF and a median price of $143. Sales ranged between $102 and $183 PSF.



The Applicant's PSF acquisition costs falls below the range observed in both the Kansas City midtown submarket and the larger retail market overall in Kansas City. The lower acquisition costs likely reflects the extensive renovations required and limited uses of the building due to its historical status.

Step Two – Evaluate Project Revenues
The second step in calculating the Return to the Applicant is to determine if the assumed Project operating revenues are reasonable. The Applicant will be the owner and operator of the building. Revenue will be generated from event income, museum income, and event parking.

Estimated Revenues

BTMA requested an explanation of the Applicant's basis for revenues and how these were estimated. The Applicant indicated that revenue assumptions were developed with counsel based on the revenue of other venue operators of similar size in proximity to the Armory. Their operating expenses were based on other venue buildings with similar characteristics to the subject property as well as the costs to hire staff to oversee the museum and event business. Based on the high sensitivity and low confidence in the Applicant's projected revenues, a sensitivity analysis is provided in the final evaluation of the Applicant's IRR.

Step Three – Evaluate Hypothetical Sale Assumptions
The third step in analyzing the return to the Applicant is to determine the value of a hypothetical sale of the asset in the tenth (final) year of the operating pro forma. The determination of the potential market value of the Project, through a hypothetical sale, is necessary as it allows for the inclusion of the value of the asset in the rate of return calculation. The calculation of an IRR without the hypothetical sale would result in an understated return. The assumption of a hypothetical sale should not be interpreted to convey that the Applicant intends to sell elements of the Project proposed for ownership and operation at the assumed or any other date.

The critical assumption when valuing the asset at the time of the hypothetical sale is the capitalization rate. The estimated net operating income is divided by the capitalization rate, which results in the assumed fair market value of the asset. The capitalization rate is intended to represent the yield of an investment over one year and is also a useful measure of risk. The Applicant has assumed a capitalization rate of 6.00%.

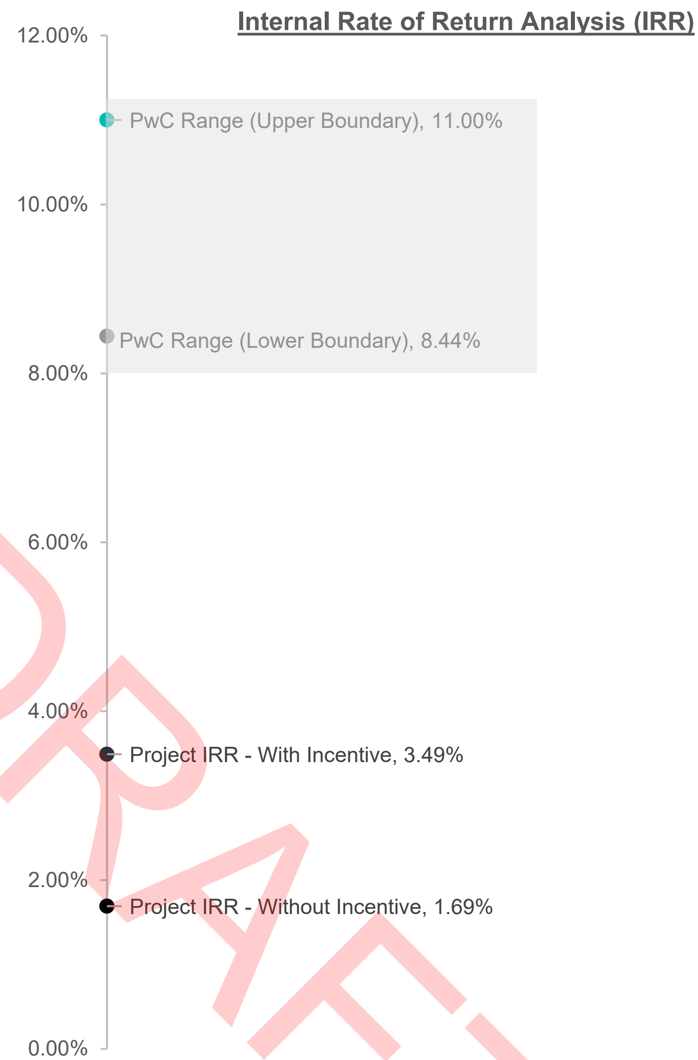
BTMA compared the forecasted Project IRR and the proposed capitalization rates to a third-party reference, the *PwC Real Estate Investor Survey, Third Quarter 2024*, a national survey which publishes data on the commercial real estate marketplace sampled from active investors. BTMA referenced the PwC survey to assess whether the Project would proceed (on an unlevered basis) without the requested Incentive.

The reported average capitalization rates from the PwC Survey for non-institutional grade real estate range between 8.44% and 11.15% with an average of 9.79%. Institutional-grade real estate is characterized as a property that meets the investment criteria of large institutional investors. These properties are typically high quality, large, and in a prime location. They are expected to generate stable income streams and have a low risk of becoming obsolete. As the proposed Project would likely not be of any interest to an institutional investor, we believe a higher cap rate of 8.44% would be an appropriate modification to the Applicant's pro forma.

The Applicant's initial pro forma estimated a "without Incentive" return of 4.41% and a "with Incentive" return of 6.98%. BTMA modeled an internal rate of return estimate based on the Applicant's provided schedule, projected revenues, and other assumptions. We did not modify assumptions for revenues or operating expenses; however, we did modify the assumption for the property taxes paid (our estimates were somewhat higher based on the estimated value of the vertical improvements) as well as how the abatement incentive is accounted for in the pro forma. As stated previously, we also modified the Applicant's cap rate assumption to more accurately reflect the risk of the proposed Project.

The Applicant's model estimates the value of the asset which reflects the net operating income after the requested property tax abatement. Our opinion is that this fundamentally leads to an overvaluation of the future sale. BTMA elected to estimate the net operating income prior to the abatement, and then "add back" the estimated abatement to the final cash flows; this leads to a lower return compared to the Applicant's estimate, but it is a more reasonable valuation of the hypothetical sale.

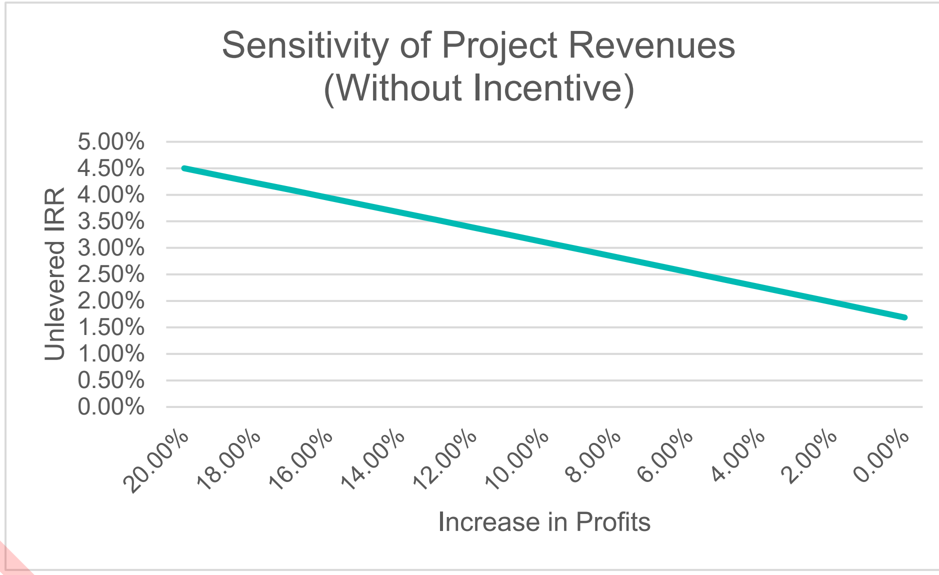
The unlevered IRR calculation for the Project with and without Incentives are presented in the graphic below.



Sensitivity Analysis

BTMA reviewed how the Applicant's IRR would change if the Applicant realized revenues above what is projected in their pro forma. We have identified this variable as having low confidence and potential for high sensitivity. All other assumptions remain constant for the purpose of the sensitivity analysis.

A graph of the IRR's sensitivity to an increase in revenue is included on the following page. The graph corresponds to an incremental increase in the Applicant's revenues in the "without Incentive" scenario. Our analysis assumes 20.00% as the upper boundary for an increase in revenues; however, this should not be indicative of any expectation or assumption for a cap on the Project's revenues. While the Applicant could realize revenues above and beyond what is projected in the pro forma, it would take a significant increase in revenue to realize a return beyond the estimated market range. Our analysis indicates that every 1% increase in revenue increases the IRR by 14 basis points (or .14%).



Conclusion

BTMA determined that the proposed Project without the requested Incentive has a forecasted Return that is below the national average benchmark return and would likely fail to generate a sufficient return on investment. The building requires extensive renovations and rehabilitation; furthermore, buildings with historical designations have limited uses and developers cannot stray too far from their historical use, character and design; this inevitably limits opportunities to maximize the return on investment. Our analysis estimates a lower “with Incentive” IRR compared to the pro forma of the Applicant; however, this is largely due to the difference in assumptions for the capitalization rate and the methodology for calculating the net operating income.

Appendix – Data Sources

CoStar Group www.costar.com

CoStar Group (NASDAQ: CSGP) is a leading global provider of commercial and residential real estate information, analytics, and online marketplaces. Included in the S&P 500 Index and the NASDAQ 100, CoStar has provided data and information services for over 37 years to the commercial real estate market. The platform allows access to a comprehensive inventory of over 7 million properties, twenty million lease and sale comparables, and 8.3 million commercial tenants.

PwC Investor Survey www.**pwc.com**

The PwC Investor Survey is a trusted source of research and investment criteria. For over 35 years, the PWC Investor Survey has provided data and insights for commercial real estate investors. The PwC Investor Survey includes regional and national data for investor expectations concerning commercial real estate and is published on a quarterly basis. Survey participants represent a cross-section of major institutional equity real estate investors who invest primarily in institutional-grade property. Survey results are intended to be interpreted as expectations and does not reflect actual property performance.

RS Means **www.rsmeans.com**

Gordian is a leading provider of facility and construction cost data, software and services for all phases of the building lifecycle. A pioneer of Job Order Contracting (JOC), Gordian's offerings also include proprietary RSMeans Data and facility intelligence solutions. The RS Means square foot estimator uses a predictive pricing model based on national, regional, and local data for a variety of commercial real estate developments.