



But-For Determination Report

East Village Investors, LLC

Prepared for the City of Lee's Summit, Missouri

November 14, 2025

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Executive Summary

The City of Lee's Summit (the "City") retained Baker Tilly Municipal Advisors ("BTMA") to review a request for public financial assistance from East Village Investors, LLC (the "Applicant"). The Applicant's proposed project includes the development of 125 acres generally located south of US Highway 50 and East of Route 291 (the "Project"). The proposed development would add a 160,000 square foot wholesaler facility, three multi-family developments, 100 townhomes, and 85,000 square feet of commercial space divided among 15 commercial developments.

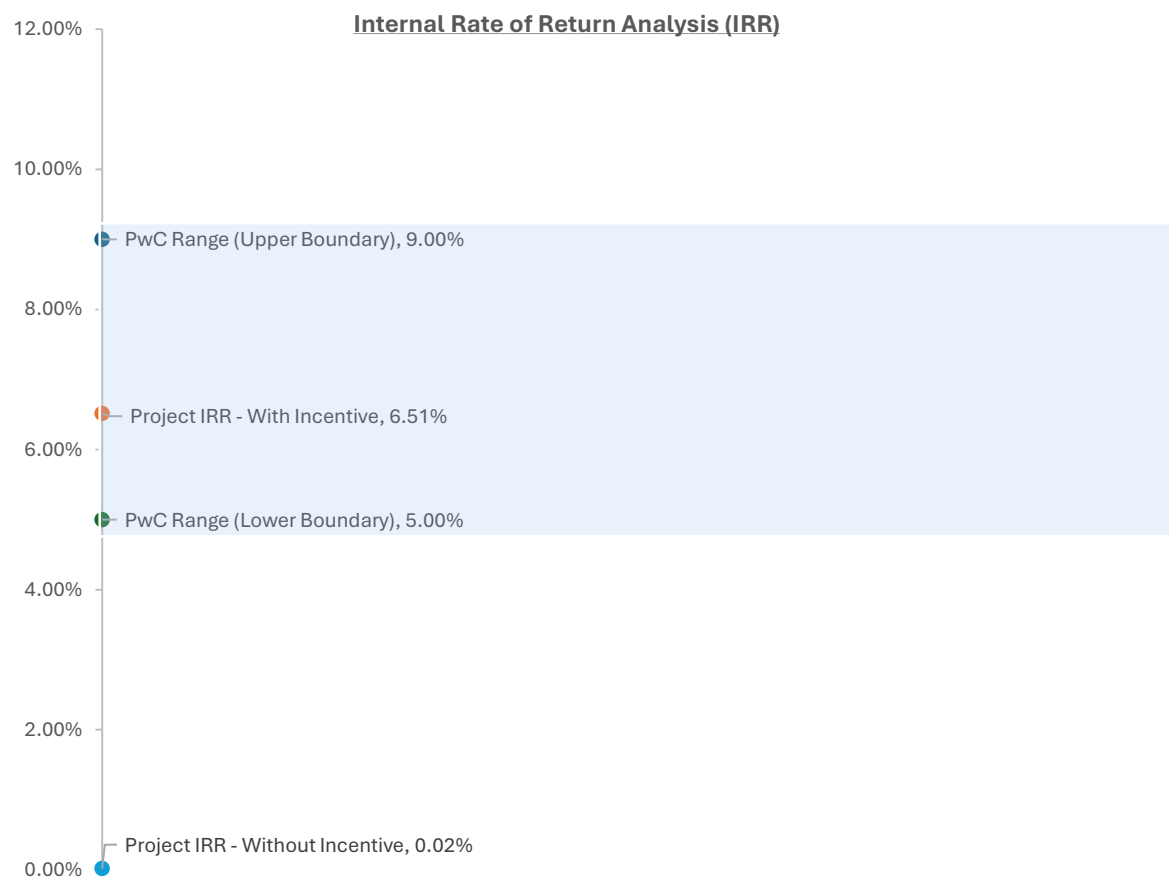
The Applicant seeks tax increment financing ("TIF") assistance through the redirection of 50% of the incremental increase in ad valorem property tax revenues (PILOTS) and 50% of the incremental increase in economic activity taxes (EATS), which includes the portion of CID Revenue captured as EATS from the existing 291 South Regional Community Improvement District, or any other community improvement district with boundaries that include property within the redevelopment area. Five redevelopment project areas are anticipated, and each may receive TIF assistance for up to 23 years from the date of approval. The Applicant also requests incentives through the Land Clearance for Redevelopment Authority (LCRA), including: i) a sales tax exemption on construction materials during the construction period, and ii) a 75% property tax abatement for multi-family components for a duration of 25 years.

The basis for the Incentive is that the Project development area is considered to be an economically underutilized and "blighted area" according to a Blight Study prepared by Sterrett Urban, LLC. The development also requires a significant amount of sitework, such as grading, drainage, as well as public-use utility and roadway improvements.

The profitability measurement used to evaluate the need for assistance is the return on investment, referred to as 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.

BTMA reviewed the Applicant's pro forma and the underlying assumptions regarding Project financing, construction costs and operations. BTMA determined that the proposed Project, without the requested Incentive, falls below the national benchmark average. The graphic below illustrates the forecasted IRR compared to the market benchmark returns from the *PWC Real Estate Investor Survey, Third Quarter 2025*. A summary of the Report's key points is as follows.

	Project Description	<i>\$492 million investment which will add 890 units of housing, retail sites, and a wholesale retail center</i>
	Assistance Request	<i>\$110 million in total incentives including: STECM and tax abatement through the LCRA, TIF, and CID</i>
	Project Cost Analysis	<i>Cost estimates are reasonable at this stage. Costs for the multi-family appear elevated compared to available data</i>
	Operating Revenues and Expenditures	<i>Revenues and expenditures are considered reasonable but may be optimistic</i>
	Conclusion	<i>The Project would not proceed in the current market without the requested Incentive</i>



Purpose and Approach

BTMA evaluated Project information provided by the Applicant - including Project financing, timing, revenues and operating costs - 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 asset(s) at an appropriate market price. This analysis is referred to as 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 internal rate of return to a national investor survey. By removing the effects of financing structures, this measure isolates the performance of the underlying asset and avoids distortions caused by changes in market dynamics such as interest rates, debt terms, or leverage levels. This ensures that the return reflects the project's fundamental cash flow generation rather than capital structure assumptions, providing a consistent and comparable benchmark against broader market data.

Unless stated otherwise, this Report references Incentive amounts in terms of net present value (NPV), rather than gross value. The Incentive gross value is simply the total amount of money expected to be received in the future, without considering how time affects its worth. The Incentive net present value recognizes that money today is worth more than the same amount in the future because of interest, inflation, or other investment opportunities. Depending on the structure of the Incentive, the benefits may be spread across multiple years; therefore, it is necessary to express the value of those future dollars in today's terms.

Disclosure and Reliance

This analysis is not an opinion of the Project's feasibility, including the likelihood that the relevant trade area will absorb the Project during the development period forecast by the Applicant. Rather, BTMA was engaged to independently review the Applicant's assumptions for the Project and determine whether the Project would likely realize an acceptable market rate of return in the current marketplace. 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 predictive accuracy of this analysis, and nothing herein is, or shall be relied upon as, a representation or warranty with respect to future results.

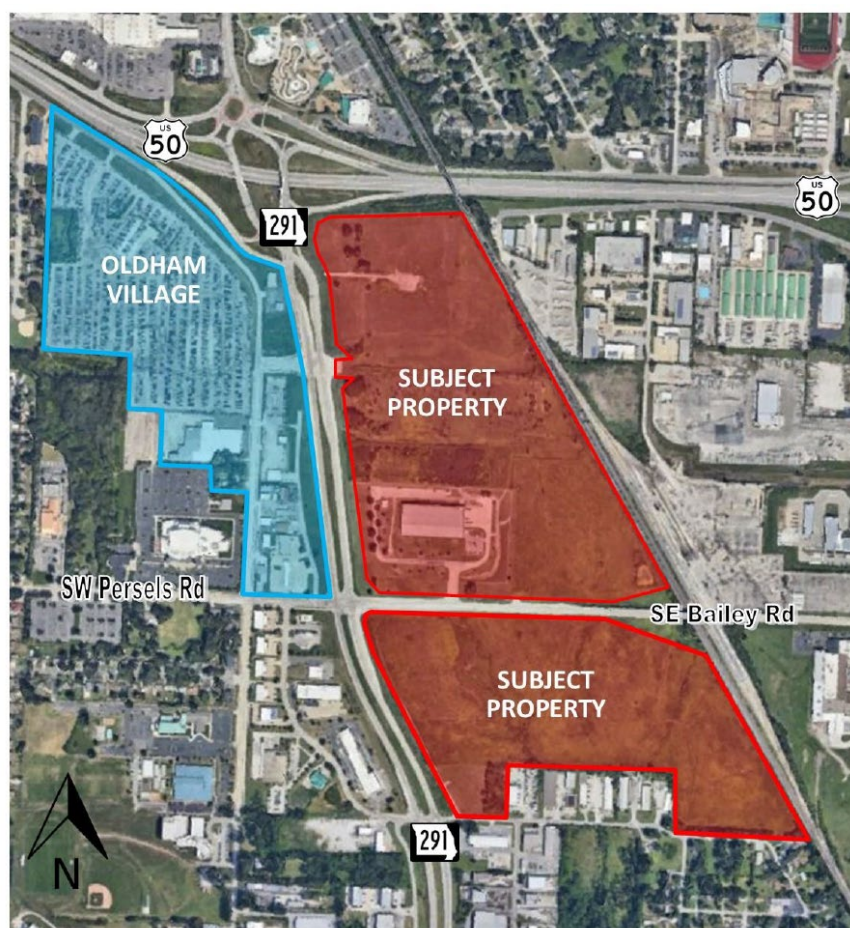
BTMA has no financial interest in the Project, the Applicant, or any entities affiliated with the Project or the request for public incentives. BTMA is compensated on an hourly basis through a funding agreement between the City and the Applicant.

The Project

East Village Investors, LLC (the “Applicant”) is proposing the development of five parcels comprising 125 acres located in the southeast quadrant of the U.S. Highway 50 and Missouri Route 291 interchange and generally bounded on the north by the southern right of way of U.S. 50 Highway, on the east by the western railroad right of way of Union Pacific Railroad, on the south by SE 16th Street, and on the west by the eastern right of way of Missouri Route 291 in Lee’s Summit, Jackson County, Missouri (the “Site”).

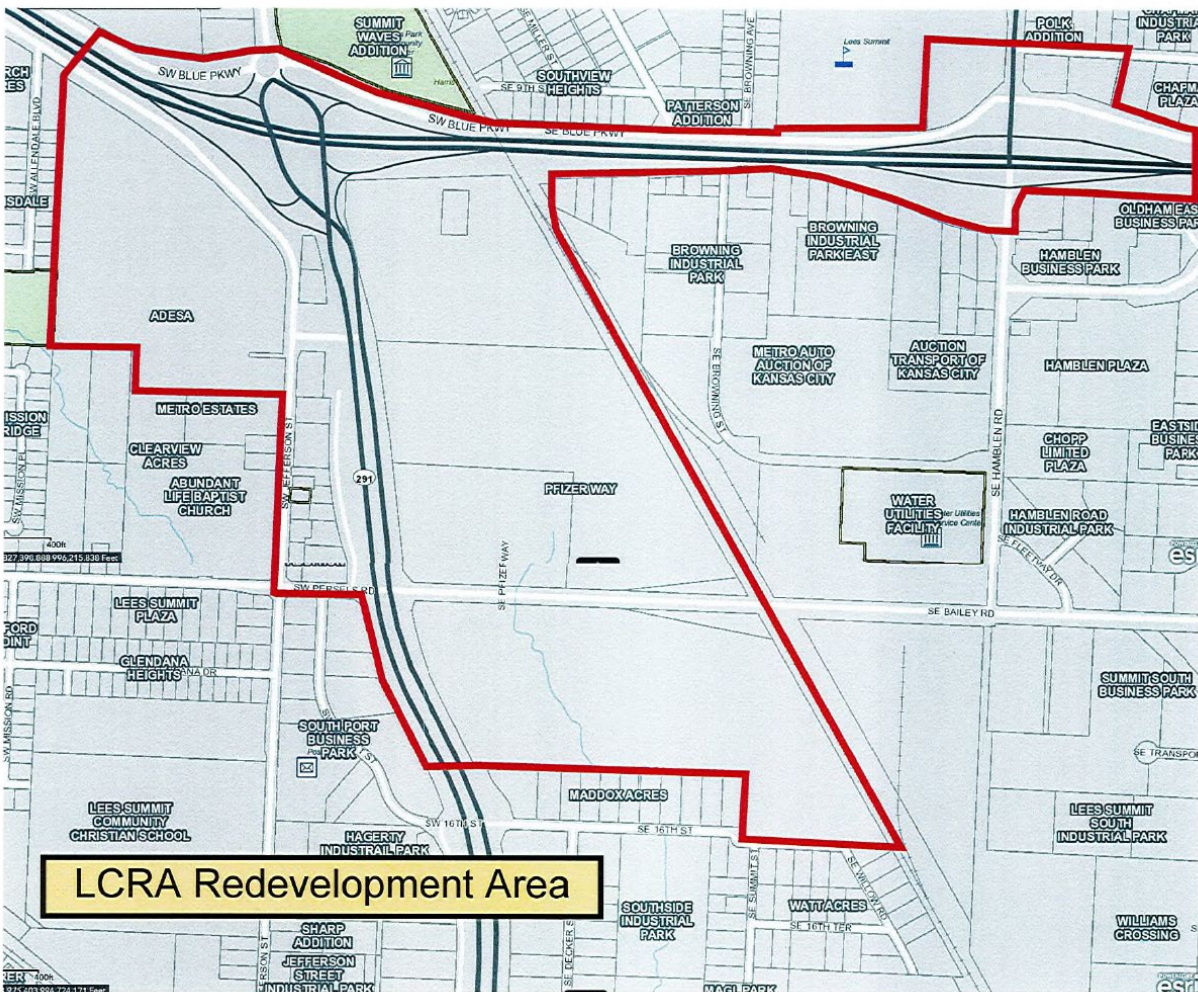
The proposed development would add a 160,000 square foot wholesaler facility, three multi-family developments which would add 790 units to the City’s housing stock, 100 townhome-style units, and 85,000 square feet of commercial space divided among 15 commercial developments (the “Project”). The tenants and exact nature of the commercial / retail developments are not known at time, but it is anticipated that at least three of the sites will be anchor restaurants, approximately 7,000 square feet each. It is anticipated that the Applicant will prepare and sell the pad site for the wholesale developer and will be the owner / developer of the commercial and retail developments.

The subject properties are depicted below.



The proposed TIF boundary for the Project site is provided on the following page. The boundary for the LCRA redevelopment area is also provided.





Renderings or preliminary designs of the building were not available at the time of drafting this report; however, the Applicant indicated that its recent development in Lee's Summit, "The Streets of West Pryor," is comparable to the intended development in East Village as well as Oldham Village, which recently broke ground on construction. The images below depict the Streets of West Pryor development and are sourced from the Drake Development website.



The Applicant provided a preliminary schedule for the Project which extends from Q1 of 2027 to Q1 of 2033. The full schedule, project components, and estimated size are provided in the table below.

Description of Assistance Request

Tenant	Units	Square Feet	Anticipated Open Date
Wholesaler		161,562	Q1 2027
Multi-Family Apartments	250	199,318	Q1 2029
Multi-Family Apartments	320	254,000	Q1 2031
Anchor Restaurant 1		7,020	Q1 2029
Anchor Restaurant 2		7,020	Q1 2029
Outparcel 1		8,380	Q3 2028
Outparcel 2		2,700	Q3 2028
Outparcel 3		7,020	Q3 2028
Outparcel 1		2,700	Q3 2029
Outparcel 2		7,020	Q3 2029
Multi-Tenant Outparcel		14,600	Q3 2029
Anchor Restaurant 1		7,640	Q1 2030
Outparcel 1		3,000	Q3 2030
Outparcel 2		3,000	Q3 2030
Outparcel 3		2,700	Q3 2030
Outparcel 4		7,020	Q1 2031
Outparcel 5		2,700	Q1 2031
Outparcel 6		3,000	Q1 2031
Multi-Family Apartments	220	174,172	Q1 2033
Townhomes	100	186,000	Q1 2032

Description of Assistance Request

The Applicant seeks tax increment financing (“TIF”) assistance through the redirection of 50% of the incremental increase in ad valorem property tax revenues (PILOTS) and 50% of the incremental increase in economic activity taxes (EATS), which includes the portion of CID Revenue captured as EATS from the existing 291 South Regional Community Improvement District, or any other community improvement district with boundaries that include property within the redevelopment area. Five redevelopment project areas are anticipated, and each may receive TIF assistance for up to 23 years from the date of approval. The Applicant also requests incentives through the Land Clearance for Redevelopment Authority (LCRA), including: i) a sales tax exemption on construction materials during the construction period, and ii) a 75% property tax abatement for multi-family components for a duration of 25 years.

TIF – The Applicant is requesting reimbursement of eligible costs through redirection of 50% of the incremental increase in ad valorem property tax revenues (“PILOTS”) and 50% of the incremental increase in economic activity (sales) tax revenues (“EATS”) collected within the TIF district. Five redevelopment project areas are anticipated with each redevelopment project area eligible for tax redirection for up to 23 years. The Applicant projects that each TIF redevelopment project area will be active for the maximum term of the TIF - 23 years.

CID Sales Tax – The Applicant has requested the remaining .50% of the of new available sales tax increment which is not captured by the TIF EATs. This sales tax increment will be collected either by the existing CID or a new district.

LCRA – The Property is located in the 291 South LCRA Redevelopment Plan Redevelopment Area which was approved by the City Council of Lee’s Summit, Missouri (the “City”) on November 14, 2023 pursuant to Ordinance No. 9783 (the “291 South LCRA Plan”) and is also part of the “US 50 / M-291 Highway Urban Renewal Area” which was designated as an Urban Renewal Area pursuant to the LCRA Act by the

City Council, pursuant to Ordinance No. 7472 adopted in June 2014. As a result of public ownership by the City in accordance with the LCRA project plan, all construction materials which are Redevelopment Project Costs will be exempt from state and local sales taxes. Except for the residential portion of the LCRA project plan which will remain in public ownership to provide a long-term tax abatement of approximately 25 years, it is expected that the commercial property will return to private ownership upon completing construction.

The following table shows the total expected net present value of each incentive and its share of the total Project cost.

Incentive	Estimated NPV Amount	% of Project Costs
TIF - CID	\$17,975,832	3.65%
TIF EATS	64,490,615	13.09%
TIF PILOTS	4,678,020	0.95%
STECM	10,718,608	2.18%
LCRA Abatement	13,033,786	2.65%
Total	\$110,896,861	22.51%

The pro forma analysis only considers the first ten years of the Incentive. To account for the remaining life of the Incentive, BTMA includes the net present value of the remaining Incentive by estimating the net present value for periods 11 through 27 using the following formula¹. Accounting for the value of the Incentive for years 11-27 ensures that the Applicant's internal rate of return is not underestimated.

$$NPV = \sum_{t=11}^{25} \frac{CF_t}{(1+i)^t}$$

Return Analysis

The Applicant provided a pro forma detailing timing, financing, operating revenues and expenditures and assumptions for the requested Incentive. Utilizing the baseline pro forma provided by the Applicant, BTMA calculated the internal rate of 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 used.

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.

¹ Where: CF = Net cash flow from incentive; i = discount rate; and t = period or year of pro forma

Expenditure Type	Total	% of Budget
Land Acquisition	\$ 29,103,682	5.91%
Building Construction Costs	305,338,210	61.97%
Tenant Improvements	4,276,000	0.87%
Site Construction:		
Demolition	501,344	0.10%
Drainage, Grading, Parking	29,999,228	6.09%
Utilities	3,892,200	0.79%
Roadways, Sanitary & Water Mains	16,549,176	3.36%
Greenspace, landscape, hardscape, signage & other	5,825,000	1.18%
Contingency	3,066,756	0.62%
Sitework Subtotal	59,833,704	12.14%
Professional Services	37,823,759	7.68%
Development Fee	9,369,945	1.90%
Commissions and Marketing	2,430,000	0.49%
Financing and Interest Carry	39,464,948	8.01%
Permits and Fees	5,091,293	1.03%
Total	\$ 492,731,541	

Land Acquisition

The Applicant has assumed land cost of \$29,103,682 or approximately \$5.38 PSF for the 125 acres. Per discussions with the Applicant, no third-party appraisals or market studies are available to support the acquisition price.

BTMA utilized the CoStar platform to review sales of commercial-type land properties in the Lee's Summit area over the past five years that were at least fifteen acres in size. Eleven sales were identified that had the final sale price available. Among the sales identified, these lots had an average square foot price of \$2.14 and a median price of \$1.99 PSF.

BTMA also reviewed the current asking prices for commercial-type, land, and industrial parcels at least 15 acres in size. Current asking prices are reviewed when there is not a robust number of recent sale comps over the prior year. The data search returned nine parcels with a median size of 42 acres. Among the parcels that can be viewed on Costar, there is a median asking price per square foot of \$2.50 PSF and an average price per square foot of \$3.23. Current asking prices range between \$.57 PSF and \$6.00 PSF.

A third-party appraisal is necessary to confirm the market value of the land, as one parcel has a large, occupied building while the majority of comps available are raw land sales. The Applicant's assumed land acquisition costs fall within the range of current asking prices and is considered reasonable at this time. However, the acquisition price of the land has only a modest impact on the internal rate of return.

Construction Costs

BTMA requested the basis for the Applicant's construction cost to substantiate the assumed sitework and vertical costs in their application. Estimates are preliminary at this time, but Drake Development employs a full-time Director of Engineering and Construction. As an active developer, the Drake Development team also maintains regular contact with industry professionals. Additionally, Drake Development has completed several large-scale developments and recently began work on the Oldham Village development in Lee's Summit. The total vertical cost and PSF price of construction are provided in the table below for each of the Project components. Preliminary estimates using available data from RS Means are also provided.

Tenant Information						BTMA Estimate	
Tenant	Units	Square Feet	Type	Cost of Construction	\$ PSF Cost	Cost of Construction	\$ PSF COST
Multi-Family Apartments	250	199,318	MF	\$ 71,156,526	\$ 357	51,788,796	259.83
Multi-Family Apartments	320	254,000	MF	\$ 90,678,000	\$ 357	64,188,340	252.71
Anchor Restaurant 1		7,020	Retail	\$ 1,382,940	\$ 197	1,797,050	255.99
Anchor Restaurant 2		7,020	Retail	\$ 1,382,940	\$ 197	1,797,050	255.99
Outparcel 1		8,380	Retail	\$ 1,650,860	\$ 197	1,329,487	158.65
Outparcel 2		2,700	Retail	\$ 531,900	\$ 197	540,243	200.09
Outparcel 3		7,020	Retail	\$ 1,382,940	\$ 197	1,145,243	163.14
Outparcel 1		2,700	Retail	\$ 531,900	\$ 197	540,243	200.09
Outparcel 2		7,020	Retail	\$ 1,382,940	\$ 197	1,145,243	163.14
Multi-Tenant Outparcel		14,600	Retail	\$ 2,876,200	\$ 197	2,155,398	147.63
Anchor Restaurant 1		7,640	Retail	\$ 1,505,080	\$ 197	1,940,025	253.93
Outparcel 1		3,000	Retail	\$ 591,000	\$ 197	584,340	194.78
Outparcel 2		3,000	Retail	\$ 591,000	\$ 197	584,340	194.78
Outparcel 3		2,700	Retail	\$ 531,900	\$ 197	540,243	200.09
Outparcel 4		7,020	Retail	\$ 1,382,940	\$ 197	1,145,243	163.14
Outparcel 5		2,700	Retail	\$ 531,900	\$ 197	540,243	200.09
Outparcel 6		3,000	Retail	\$ 591,000	\$ 197	584,340	194.78
Multi-Family Apartments	220	174,172	MF	\$ 62,179,404	\$ 357	48,665,399	279.41
Townhomes	100	186,000	Townhome	\$ 36,642,000	\$ 197	31,060,140	166.99

The Applicant has assumed an average PSF cost of \$357 for the multi-family developments, an average of \$197.00 for the townhomes, and an average cost of \$197.00 for the commercial developments. This equates to an average PSF cost of \$308 for the entire development.

To provide a cost comparison, BTMA utilized the RSMeans Data from Gordian to estimate the cost of construction for each of the project components in the Kansas City, Missouri submarket with the characteristics based on the Streets at West Pryor development. RSMeans data 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.

Retail Construction Costs

Costs can vary widely depending on fees such as general contractor fees, architect fees, and other costs. For each estimate, a standardized assumption of 20.00% for general contractor fees and 7.00% for architectural fees is used. Brick veneer and wood frame is assumed for each component of the retail development. The BTMA estimate for the commercial components was \$196.42 PSF on average. These commercial estimates align closely with the Applicant's assumptions and are considered reasonable at this stage of the process.

Multi-Family / Townhome Construction Costs

At this time in the development process, the Applicant does not have renderings or designs available for the multi-family buildings or the townhomes. Assumptions include a 20.00% general contractor fee, a 7.00% architect fee, and other general assumptions related to number of stories and ceiling height, matching a development similar to the Streets at West Pryor. BTMA estimates for the multi-family and townhome components varied significantly from the Applicant's assumed costs.

BTMA requested a detailed cost breakdown of the multi-family development, but a detailed estimate was not available at the time of finalizing this Report. During discussion with the Applicant, it was highlighted that the multi-family costs include other costs such as parking. Once the estimated cost of parking was accounted for, the townhomes had an estimated cost PSF of \$175 which aligns closely with the BTMA estimate of \$167.00. However, the multi-family development was still significantly higher at approximately \$307 PSF compared to the BTMA estimate of \$264.

Given that the vertical construction cost is a high sensitivity variable, a sensitivity analysis is provided in the final evaluation of the Applicant's IRR which will review how changes in the cost to the multi-family development would impact the Applicant's rate of return.

Site Construction

The Applicant expects to incur significant sitework costs. Extraordinary challenges to develop this site include remediation of the blighted parcels, sanitary sewer and water mains, roadway improvements, relocation of utilities, and drainage improvements. The site will also require grading due to the change in elevation. The Applicant has provided an estimate of \$59,833,704 in total sitework costs or \$10.99 per square foot which is about 12.14% of the total project budget.

The sitework budget proposed by the Applicant is as follows:

Expenditure Type	Total	% of Budget
Site Construction:		
Demolition	\$ 501,344	0.10%
Drainage, Grading, Parking	29,999,228	6.09%
Utilities	3,892,200	0.79%
Roadways, Sanitary & Water Mains	16,549,176	3.36%
Greenspace, landscape, hardscape, signage & other	5,825,000	1.18%
Contingency	3,066,756	0.62%
Sitework Subtotal	\$ 59,833,704	12.14%

Similar to the vertical construction estimates, the Applicant's basis for the sitework expenditures are developed internally and informed by their experience working on prior developments. Sitework is difficult to estimate, as there are numerous factors that can influence the final price PSF. The Applicant provided two separate environmental assessments from CG Environmental Services, LLC detailing the conditions of the subject parcels. Based on similar developments in scope and size, sitework costs are expected to be at least 15.00% of the total budget. BTMA suggests no modifications to the Applicant's sitework assumptions.

Soft Costs and Developer Fee

The Applicant's pro forma includes estimated soft costs totaling \$45,345,052 which is 9.20% of the total budget. Soft cost items include: engineering, architectural, legal and consulting services, as well as necessary permits and associated fees. Soft costs and contingency can vary widely, but the industry standard for budgeting typically ranges between 5.00% and 10.00%. The Applicant's softs costs and contingency assumptions are considered reasonable as they fall within the industry standard range.

The Applicant estimates the developer fee to be \$9,369,945 for this Project, which is just under 2.00% of the total budget. The developer fee is not included in the Applicant's internal rate of return because the developer fee is not a profit margin—it is compensation for:

- Assembling the project team
- Securing financing (debt + subsidies)
- Managing pre-development and entitlements
- Overseeing construction and lease-up
- Taking financial risk (often unreimbursed time and expenses)

A typical range for market-rate developments ranges between 3.00%-5.00%. The Applicant's developer fee is below the standard industry range and is therefore considered reasonable.

Step Two – Evaluating Income and Expenses

Revenue and Expenditures

The second step in calculating the Return to the Applicant is to determine if the assumed Project operating revenues and expenses are reasonable. The Project will generate revenue from the sale of the of wholesale pad site, rental of the multi-family development, and net leases of the commercial retail spaces.

Pad Site Sales

The Applicant provided confidential information about pad sites for which it intends to sell within the Project. The total proceeds from such sales are anticipated to be approximately \$6.7 million.

There are very few comps for pad-ready sites available in the Lee's Summit area on Costar. As discussed in our analysis of the Applicant's acquisition costs, current asking prices for land have a median asking price per square foot of \$2.50 PSF and an average price per square foot of \$3.23. The Applicant's sale of pads are expected to be above the market price for raw land to reflect the sitework improvements anticipated to be required to sell the pad sites. The Applicant's assumption for the pad site sales is considered reasonable, but an appraisal would be necessary to determine the value of each pad site. However, the sales of the pad sites reflect only a small percentage of the total revenue from the Project and have a minimal impact on the Applicant's overall internal rate of return.

Multi-Family and Commercial

The Applicant forecasts that the multi-family units will generate annual net operating income of \$14,058,671 after stabilization. The commercial net leases are expected to generate approximately \$3,848,400.

The Applicant's estimates for revenues and expenses are derived based on prior experience with other developments. To evaluate whether the Applicant's revenue estimates are reasonable, BTMA used the CoStar platform to evaluate rents within and around the Lee's Summit market for comparable developments.

Multi-Family Market

The exact unit mix and amount of space available for rent in the multi-family developments are not finalized. The development is expected to include 890 units between the multi-family buildings and the townhomes totaling approximately 813,490 square feet. The Applicant projects a net monthly rent of \$1.56 PSF for the apartments and \$1.04 PSF for the townhomes. The PSF estimates in the Applicant's pro forma represent **net** estimates – the amount of income less their operating expenses. BTMA requested a breakdown of their operating assumptions, but these assumptions were not provided by the time this Report was finalized.

Return Analysis

Outlying Jackson County is one of the top three largest Kansas City submarkets by unit count, just behind Northland. Located on the eastern side of the market, most properties are located near some of the biggest suburbs in the Kansas City metropolitan area, such as Independence and Lee's Summit. Average asking rents in Outlying Jackson County MO are about \$1,290/month compared to an average of roughly \$1,370/month in the metro. Rent growth has measured 1.8% in the past year compared to 1.4% in Kansas City. In the past five years, rents have increased by 20.6% cumulatively compared to 21.7% across the Kansas City region, and 12-month rent growth peaked at 6.2% in the submarket during that stretch. Annual rent growth is forecast to finish the year at 1.5%.

These units are expected to be similar to the West Pryor development at 2100 NW Lowenstein Dr. which are currently categorized as a 3 Star Low-Rise Apartments complex by CoStar. Average rents for this development are approximately \$1.67 PSF. The rents at the West Pryor development align with what would be considered "luxury" units by Costar. The rents proposed for the new development at East Village would also align with the higher-end, luxury developments of Outlying Jackson County. Year-to-date (YTD) rents and the forecasted growth over the next four years are provided below.

4 & 5 STAR VACANCY & RENT

Year	Vacancy			Market Rent			
	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth	Ppts Chg
2029	577	7.2%	(0.1)	\$1,739	\$1.75	1.5%	(0.2)
2028	562	7.3%	0.1	\$1,714	\$1.72	1.8%	(0.3)
2027	529	7.2%	(4.3)	\$1,684	\$1.69	2.1%	0.9
2026	831	11.5%	0.4	\$1,650	\$1.66	1.2%	0.2
2025	692	11.2%	(0.6)	\$1,630	\$1.64	1.0%	1.7
YTD	467	7.9%	(3.9)	\$1,644	\$1.65	0.8%	1.5

3 STAR VACANCY & RENT

Year	Vacancy			Market Rent		
	Units	Percent	Ppts Chg	Per Unit	Per SF	% Growth
2029	1,616	11.8%	0.5	\$1,299	\$1.37	1.8%
2028	1,538	11.3%	0.3	\$1,277	\$1.35	1.8%
2027	1,499	11.1%	(0.5)	\$1,254	\$1.32	1.8%
2026	1,565	11.5%	(0.8)	\$1,232	\$1.30	0.8%
2025	1,628	12.3%	2.0	\$1,222	\$1.29	1.7%
YTD	1,648	12.5%	2.2	\$1,226	\$1.29	2.1%

The Applicant was only able to provide their net revenues; however, Costar provides robust data for operational expenses in the Kansas City market across multiple counties and zip codes. Based on the data provided below, total expenses for luxury multi-family developments range between \$6.26 and \$9.66 PSF. The outlying area of Jackson County has an estimated annual expense of \$6.26 PSF.

Return Analysis

4 & 5 STAR EXPENSES PER SF (ANNUAL)

Market / Cluster	Operating Expenses								Capital Expenditures			Total
	Mgmt.	Admin.	Payroll	Water	Utilities	Maint.	Insurance	Taxes	Appliance	Structural	Other	
Kansas City	\$0.55	\$0.65	\$0.87	\$0.74	\$1.37	\$0.91	\$0.48	\$0.75	\$0.13	\$0.31	\$0.75	\$7.51
Cass County	\$0.49	\$0.56	\$0.77	\$0.62	\$0.94	\$1.07	\$0.33	\$0.82	\$0.11	\$0.27	\$0.83	\$6.81
Downtown Kansas...	\$0.60	\$1.10	\$1.04	\$0.67	\$2.03	\$0.96	\$0.71	\$0.74	\$0.10	\$0.33	\$0.74	\$9.02
East Side Kansas C...	\$0.63	\$1.18	\$1.09	\$0.68	\$2.15	\$1.07	\$0.76	\$0.82	\$0.11	\$0.34	\$0.83	\$9.66
Johnson County KS	\$0.45	\$0.59	\$0.55	\$0.53	\$0.78	\$1.03	\$0.32	\$1	\$0.15	\$0.20	\$0.87	\$6.47
Midtown Kansas Cit...	\$0.63	\$1.18	\$1.09	\$0.68	\$2.15	\$1.07	\$0.76	\$0.82	\$0.11	\$0.34	\$0.83	\$9.66
Northland	\$0.67	\$0.33	\$1.09	\$1.27	\$1.53	\$0.47	\$0.51	\$0.63	\$0.17	\$0.27	\$0.83	\$7.77
Outlying Jackson C...	\$0.47	\$0.39	\$0.72	\$0.54	\$0.93	\$1.19	\$0.29	\$0.59	\$0.13	\$0.51	\$0.50	\$6.26
Plaza Area	\$0.54	\$0.93	\$0.93	\$0.63	\$1.75	\$0.77	\$0.59	\$0.60	\$0.07	\$0.31	\$0.56	\$7.68
Wyandotte County	\$0.49	\$0.56	\$0.77	\$0.62	\$0.94	\$1.07	\$0.33	\$0.82	\$0.11	\$0.27	\$0.83	\$6.81

Expenses are estimated using NCREIF, IREM, and CoStar data using the narrowest possible geographical definition from Zip Code to region.

Average expenses for the area were added back in to estimate the gross rents for the development and provide a better comparison to the Costar data. Based on a total expenditure of \$6.26 PSF annually, the gross estimated rent is expected to be approximately \$2.08 PSF by 2027. This indicates that the Applicant's estimates for the projected net revenues may be somewhat aggressive.

The Applicant's estimated revenues do not appear to be significantly below the market range; therefore, BTMA suggests no changes to the Applicant's pro forma.

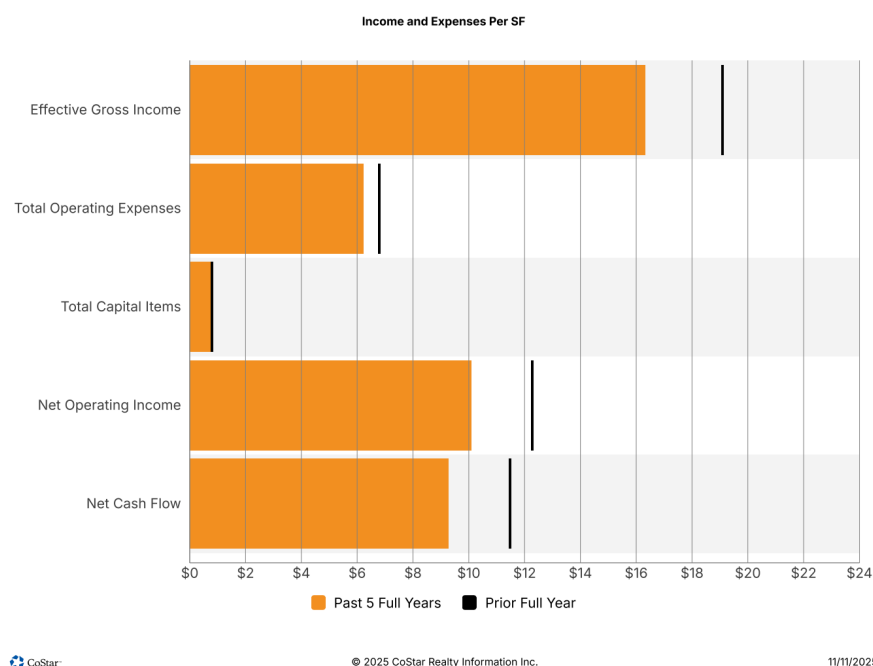
Commercial / Retail Market

The Applicant has assumed commercial net rents to be \$45.00 PSF on average. According to Costar, market rents in Southeast Jackson County are \$22.00/SF. Rents have changed by 3.2% year over year in Southeast Jackson County, compared to a change of 3.7% across the wider Kansas City market. Annual rent growth of 3.2% in Southeast Jackson County compares to the submarket's five-year average of 4.1% and its 10-year average of 3.5%. Looking at the broader Kansas City market, Rental rates continued to climb, with average asking rents rising 4.7% over the past year. This is more than double the national pace, placing Kansas City among the top 10 U.S. retail markets for rent growth. Triple-net asking rents reached a record high of \$19.10/SF, with premium pricing concentrated in submarkets south of downtown, including Country Club Plaza and Brookside. These areas benefit from high median incomes and strong purchasing power, supporting above-average rent growth.

The table and graphic below depicts the forecasted market rents for Southeast Jackson County as well as the overall performance of the retail market in the area over the past five years.

GENERAL RETAIL RENT & VACANCY

Year	Market Asking Rent			
	Per SF	Index	% Growth	Vs Hist Peak
2029	\$23.63	158	2.1%	13.3%
2028	\$23.13	155	3.2%	10.9%
2027	\$22.41	150	3.1%	7.4%
2026	\$21.74	146	2.8%	4.2%
2025	\$21.16	142	1.4%	1.4%
YTD	\$21.17	142	2.3%	1.5%



The data available for the commercial retail market indicates expectedly thinner net revenues for the commercial components of the Project. These rents would be significantly elevated for the Lee's Summit and Kansas City area; however, it is recognized that the commercial activity may benefit greatly from the larger number of apartments and townhomes in close proximity. While the net operating income of the commercial leases are a high sensitivity variable, lower commercial rents would diminish 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 imply that the Applicant intends to sell elements of the proposed Project for ownership and operation at the assumed or any other date.

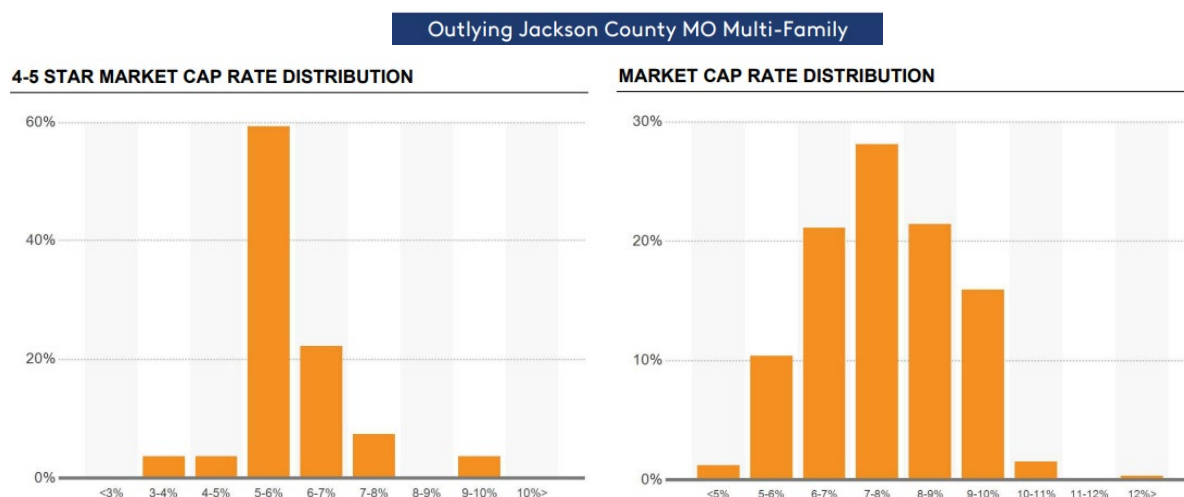
The critical assumption when valuing the asset at the time of the hypothetical sale is the capitalization rate. The estimated net operating income is divided by the capitalization rate, which results in the assumed fair market value of the asset. The capitalization rate is intended to represent the yield of an investment over one year and is also a useful measure of risk. The Applicant has assumed a capitalization rate of 5.00% for all components of the Project.

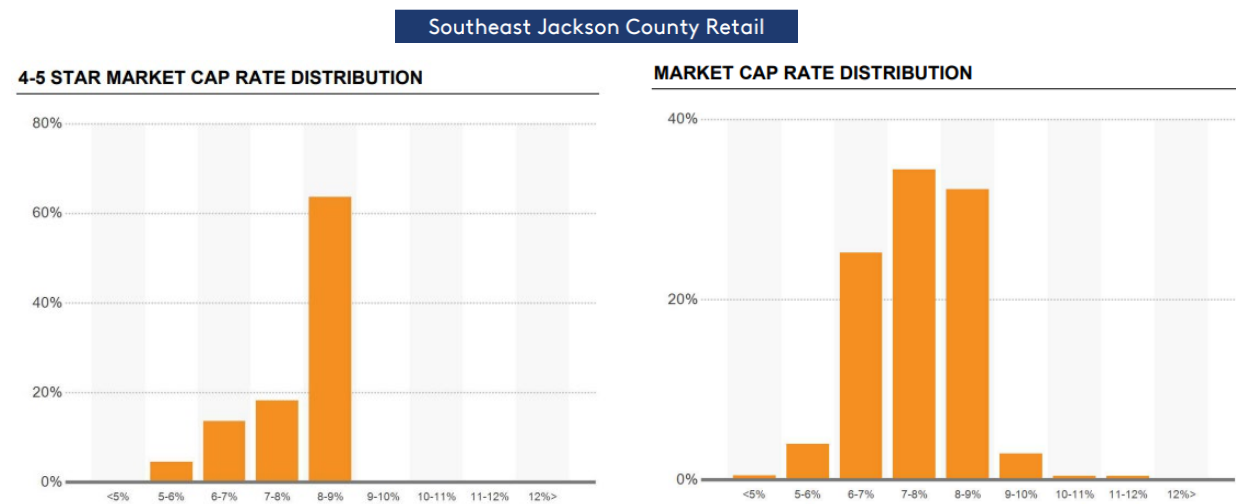
BTMA compared the forecasted Project Returns and the proposed capitalization rates to a third-party reference, the *PwC Real Estate Investor Survey*, a national survey that publishes data on the commercial real estate marketplace sampled from active investors. BTMA also compared the Applicant's proposed cap rates to the broader Kansas City market and the outlying areas of Jackson County using Costar data. The estimates from both PWC and Costar are provided below.

Reference	Low	Average	High
Apartment / Multi-Family Market			
PWC	4.00%	5.35%	7.00%
Kansas City (Costar)	4.60%	6.60%	8.40%
Jackson County (Costar)	N/A	6.60%	N/A
Blended Average	4.30%	6.18%	7.70%

Reference	Low	Average	High
Net Lease / Retail Market			
PWC	6.00%	7.63%	11.00%
Kansas City (Costar)	5.00%	7.00%	9.1%
Jackson County (Costar)	6.80%	6.90%	7.00%
Blended Average	5.93%	7.18%	9.03%

The visuals below illustrate the difference in the distribution of cap rate data from CoStar specifically for 4-5 star buildings in the outlying Jackson County area compared to the overall distribution of cap rates in the area.





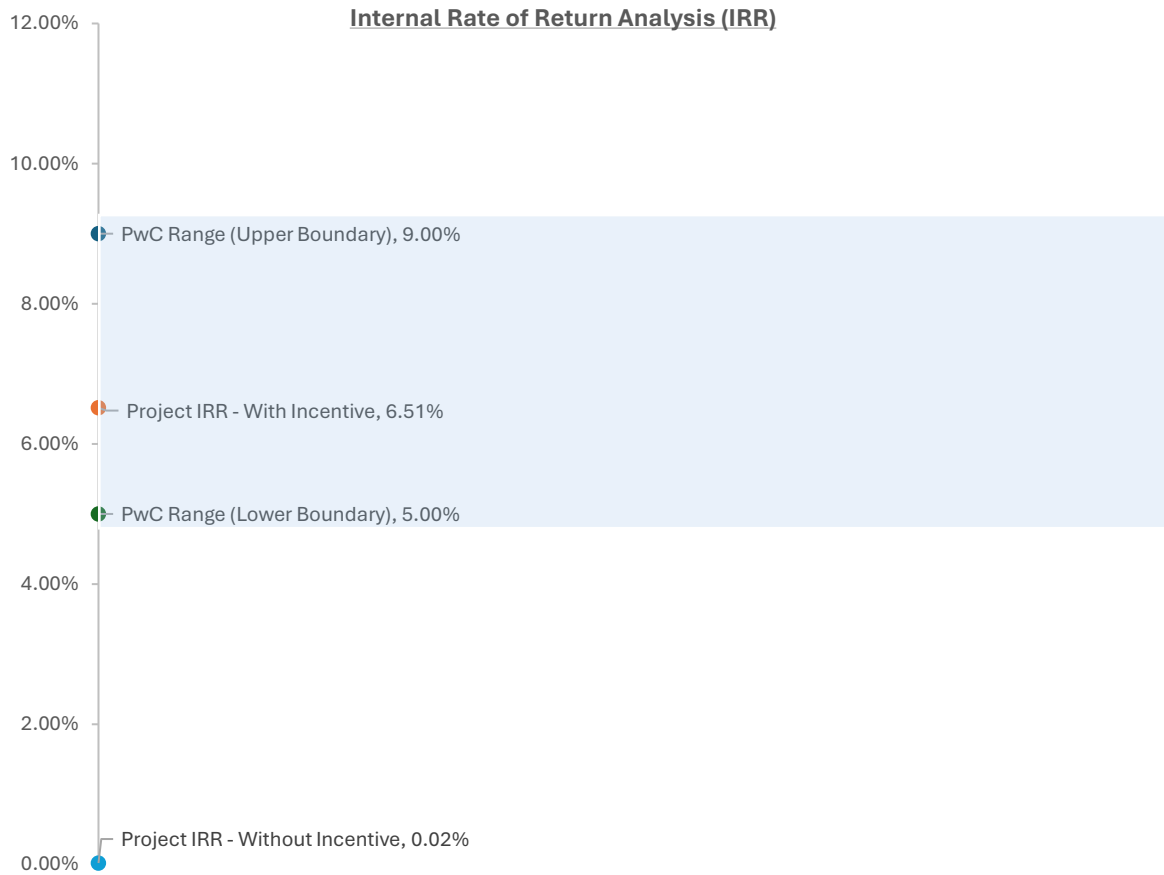
Among likely comparable developments for the proposed Project, capitalization rates for higher quality buildings tend to be significantly lower compared to the broader market among multi-family developments. Cap rates for retail developments are slightly higher, ranging between 6.00-9.00%.

Based on the data indicative of the outlying Jackson County market, it is the opinion of BTMA that assuming a higher capitalization rate of 7.00% for the retail components would be a reasonable adjustment to the Applicant's pro forma. This will have the effect of lowering the Applicant's internal rate of return but reflects a reasonable market expectation. BTMA suggests no change to the assumed capitalization rate of 5.00% for the multi-family developments.

Internal Rate of Return

The profitability measurement used to evaluate the need for assistance is the return on investment, referred to as 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, according to the *PWC Real Estate Investor Survey, Third Quarter 2025*.

The unlevered IRR calculation for the Project and the PwC benchmark range are presented in the graphic below.



IRR Sensitivity to Changes in Development Costs

As discussed previously in the analysis of the Applicant's cost of construction, the Applicant's estimate for the multi-family development is significantly higher than the available comparison from RS Means, and the assumed acquisition price is somewhat elevated compared to market comps from Costar. A sensitivity matrix was prepared to visualize how the Applicant's internal rate of return changes subject to the final development cost for the multi-family and the land acquisition cost per square foot. The cells highlighted in red indicate scenarios where the Applicant's forecasted IRR is below the benchmark minimum PwC investor return of 5.00%.

		Sensitivity to Development Cost (Without Incentive)			
		Land Cost PSF			
		\$5.38	4.50	4.00	3.50
Multi-family Cost	\$357.00	0.02%	0.20%	0.30%	0.40%
	300.00	1.39%	1.59%	1.71%	1.83%
	290.00	1.64%	1.85%	1.97%	2.09%
	280.00	1.90%	2.11%	2.23%	2.36%
	270.00	2.15%	2.37%	2.50%	2.63%
	260.00	2.42%	2.64%	2.77%	2.90%

While the cost of the multi-family development has a large impact on the Applicant's internal rate of return, there is not a reasonable scenario where the Applicant could decrease costs at a sufficient level to achieve a market rate of return without the requested Incentive.

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 extensive sitework necessary to remediate the blight and significant cost of public infrastructure are the major drivers of the need for the Incentive. The Project Return with the requested Incentive falls within the PwC range for multi-family developments and the national net lease market. Additionally, BTMA has reviewed the sensitivity of the Applicant's cost estimates where appropriate and found that the Applicant would have to realize cost reductions well above what would be considered reasonable in the current market to realize a sufficient rate of return without the Incentive.

Appendix

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 do 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 RSMeans square foot estimator uses a predictive pricing model based on national, regional, and local data for a variety of commercial real estate developments.

Appendix – Glossary of Common Terms

Capitalization Rate (Cap Rate)	The relationship between a single year's net operating income expectancy and the market price or value. Also, a useful measure of risk.
Development Land / Pad Sites	Land that has been purchased, readied for development (i.e., entitlements and infrastructure), and subsequently sold to builders.
Developer's Fee / Profit	A market-derived figure that reflects the amount a developer expects to receive for their contribution to a project and risk.
Discount Rate	Assumed rate of return used to discount future cash flows back to their present value.
Equity	Cash provided by the Developer for the Project or share of ownership.
Levered Return	The use of borrowed funds to increase the yield (return) that would otherwise be realized on an equity investment when there is no debt financing (see "Unlevered Return").
Management Fee	An expense representing the sum paid for or the value of management services, including incentives, expressed as a percentage of total revenue.
Net Lease	A lease in which the landlord passes all expenses on to the tenant. As an investment, an income-producing property leased, often for 20 years or longer, to a creditworthy tenant.
Net Operating Income (NOI)	Income remaining after deduction of all the property's operating expenses.
Operating Expenses	The ongoing expenditures incurred during the ordinary course of business necessary to maintain and continue the production of gross revenues, not including reserves, debt service, and capital costs.
Replacement Reserve	Amount allocated for periodic replacement of building components during a property's economic life.
Tenant Improvement Allowance	A dollar amount (usually expressed as an amount per square foot) provided to the tenant by the landlord for the construction of tenant improvements, which may or may not equal the cost of remodeling.
Unlevered Return	Assumes that a Project is financed and completed entirely with cash from the Developer and no debt. BTMA's preferred approach when estimating the internal rate of return.

Appendix - Authors

Economic development is a team sport. Successful projects are driven by community collaboration. Baker Tilly's experience serving entities across the public sector, and our abilities to leverage the firm's private sector expertise, brings unique perspectives to understand community-wide goals in support of sustainable economic development. We take a holistic approach to managing project needs while bringing the community's vision to life.

The members of Baker Tilly's economic development team contributing to this report include the following.



Tom L. Kaleko, Principal

Tom leads Baker Tilly's municipal advisory professionals in Missouri and Kansas. He has provided financial advice to cities and counties since 2005. Previously, he served for 20 years in various city management capacities. Tom has extensive experience helping high-growth communities address their capital needs. He specializes in the areas of economic development and development finance – aiding in the evaluation and financing of mutually beneficial public-private partnerships. Tom has advised on some of the largest economic development projects across Missouri and Kansas with investment totaling in the billions of dollars.

Tom earned a Master of Public Administration from the University of Kansas and a Bachelor of Business Administration from the University of Tennessee. He is a registered Municipal Advisor and Municipal Advisor Principal with the Securities and Exchange Commission.

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Ben serves as a Director with Baker Tilly Municipal Advisors. He has 30 years of experience working with cities, counties and utilities in executive leadership positions for two large local municipalities in the Kansas City metropolitan area. His 15 years combined with both communities included managing each entities' annual appropriation and utility-based debt as well as leading the finance team's complex economic development initiatives including the use of TDDs, TIFs, CIDs and tax abatement tools. He was the key in the communities' efforts in developing strategic economic development, planning and capital improvement policies and procedures, resulting in vital economic growth of both communities. He is active in the Kansas and Missouri Society of CPAs, as well as the Government Finance Officers Association at a national and local level.

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Kolbe joined the firm in 2021, bringing experience in local government and economic development. Before joining Baker Tilly Municipal Advisors, LLC, Kolbe worked as an independent research consultant and economist for a large city in Missouri. He played a crucial role in the preparation of a \$1.7 billion annual budget, provided analytical support for strategic initiatives, created complex financial models, and conducted policy, program, fiscal, and economic analyses, including developing cost-benefit and feasibility studies for economic development projects.

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Lucas Peterson joined the firm in 2022, bringing experience in state and local government. Lucas began his career at the State of Kansas, working directly with local leaders to revitalize rural communities, acquiring a range of policy experience from affordable housing to childcare. After a year-long city management fellowship with a suburban community, Lucas joined Baker Tilly where he has focused on assisting communities with grant management and fully utilizing Federal resources like the American Rescue Plan Act.

Lucas earned a Bachelor of Science from Kansas State University and a Master of Public Administration from the University of Kansas.

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Jessica Oliphant, Senior Consultant

Jessica Oliphant joined the firm in 2021. Prior to joining Baker Tilly, she served as a budget analyst for a large city in Missouri where she supported financial modeling, preparation of the annual budget, and administering internal service funds. She's experienced in many facets of local government management, including budget preparation and analysis, financial modeling, and capital planning.

Jessica earned a Master of Public Administration degree and Bachelor of Arts in public policy from New York University. She is a registered Municipal Advisor with the Securities and Exchange Commission.

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Joshua Davis, Consultant

Joshua is a consultant within Baker Tilly's public sector advisory practice. He provides analytic and quantitative support on economic development projects and the issuance of municipal debt. Joshua's professional background includes previous work in governmental affairs and was a recipient of the Energy Policy Institute's Bartlett Fellowship at The University of Chicago.

Joshua earned a Master of Public Policy from The University of Chicago – Harris School of Public Policy and a Bachelor of Arts from Oklahoma City University. He is a registered Municipal Advisor with the Securities and Exchange Commission.

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