



# City of Lee's Summit

## Discovery Park Tax Increment Financing Plan

Financial Analysis | October 27, 2022





Columbia Capital Management, LLC  
6700 Antioch Rd., Suite 250  
Merriam, Kansas 66204  
913.312.8077

**Jeff White**  
Managing Member  
jwhite@columbiacapital.com

**Jim Prichard**  
Senior Vice President  
jprichard@columbiacapital.com

Columbia Capital is an SEC-registered investment adviser and a registered municipal advisor. Columbia Capital provides advice as a fiduciary to its clients.



### INTRODUCTION

Discover Park Lee’s Summit, L.L.C., a Missouri limited liability company (the “Developer”), submitted “The Discover Park Tax Increment Financing Plan” dated September 9, 2022 (the “Plan”) to the Tax Increment Financing Commission (“Commission”) of the City of Lee’s Summit, Missouri (the “City”) for consideration. The Plan describes the construction of a large scale mixed use development across four distinct project areas on 265 acres and eventually including: approximately 685,300 square feet of retail, office, entertainment and hospitality space and/or other related commercial uses; approximately 2,797 luxury multi-family units; and approximately 1,860 structured parking stalls (the “Project”) in the Redevelopment Area (as defined in the Plan), which is generally located between NE Colbern Road and NE Douglas Street on the north, I-470 on the south, NE Douglas Street on the east, and Main Street on the west. As of October 18, 2022, the Developer is constituted as an active Missouri limited liability company according to the records of the Missouri Secretary of State.

The City engaged Columbia Capital Management, LLC (“Columbia”) to provide a financial analysis (the “Analysis”) of the Plan, including an assessment of the need for tax increment financing incentives. The City did not ask us to review the blight analysis for the Project.

Tax increment financing (TIF) is a tool that allows a city to identify a defined geographic area within which certain taxes, including *ad valorem* property taxes (through payments-in-lieu-of-taxes, or PILOTs), sales taxes and other revenues, may be captured for a period of limited duration and redirected to the payment or reimbursement of certain eligible project costs.

In Missouri, TIF is limited to a 23-year duration from the effective date of a TIF plan, capturing incremental PILOTs (i.e., those net new taxes created by the development above base year levels) plus all or a portion of other economic activity taxes (EATs) pledged by the City for capture at its discretion, including but not limited to sales taxes and other locally-levied taxes and fees.

The Plan contemplates the capture of an effective 75% of incremental *ad valorem* property taxes and 50% of EATs for up to full 23 years permitted by statute.

In addition to the TIF benefit contemplated by the Plan, the Developer has petitioned the City to expand an existing community improvement district (CID) levying a 1% sales tax and to rebate the City's general 1% sales tax levied and collected on hotel/motel room nights.

The Developer reports a \$951,032,692 million total development cost budget for the Project with the Project being fully constructed within approximately ten (10) years of its commencement. The Developer's request for TIF, CID and hotel sales tax reimbursement, combined, is estimated at \$214.8 million on a future value basis, or about 24% of total future value Project costs.

## RELATIONSHIPS

Columbia Capital Management, LLC (the "Financial Advisor") is a registered municipal advisor and serves as the City's financial advisor. The City engaged the Financial Advisor to provide a financial evaluation of the Plan. The Financial Advisor is not now, nor has ever been, engaged by the Developer or its related entities to provide it with similar services. The reader's interests may vary from those of the City's or the Commission's.

## RELIANCE

This Analysis is not a projection of the likelihood of success of the Project proposed in the Plan and as described more fully herein. In preparing this analysis, the Financial Advisor relied upon certain data and information supplied to it by the Developer, contained both in the Plan, delivered to the Commission and provided to it separately.

Except where noted herein, the Financial Advisor has relied upon this data and information without independently verifying the veracity or reliability of such information. The Analysis may not be used, except in the context of the City's review of the Developer's request for TIF and other incentives. The Analysis assumes all components of the Project are developed as described herein.

As with any work of this kind, the Analysis is almost exclusively forward-looking. The reader should note that small changes in modeling inputs could have significant impacts on modeled financial outcomes. The reader must consider this Analysis in light of contractual arrangements that the City would expect to undertake with the Developer to formalize the development components of the Plan and their anticipated timing for completion.

## DATA

On October 6, 2022, we requested from the Developer team detailed information beyond what was available in the Plan. The Developer team initially provided data in response to our detailed request on October 12, with answers to some supplemental questions on October 17. Following the Commission meeting on October 17, the Developer team

notified the City of changes to the Plan. The Developer team provided us with revised use-level data the morning of October 20 and then revised the Project’s budget and certain other assumptions in a new set of numbers the afternoon of October 20. This report relies upon the October 20 afternoon data.

CHANGES FROM COMMISSION PRESENTATION		
Item	Original Project	Revised Project
Total Development Cost	\$956.5 million	\$951.0 million
Projected Incentives	\$212.2 million	\$227.4 million
Incentives as % of Dev Cost	22.1%	23.9%
Residential Units	2,930	2,797
Commercial Space (sf)	660,500	665,300
Structured Parking Stalls	1,520	1,860

The Developer’s projections are driven by the assumed construction of 62 unique building/structures containing nearly 80 total uses. (Some buildings/structures have multiple uses.) While the Developer made available to Columbia Capital key assumptions at the building/structure level, we did not have access to the working version of the Developer’s financial model. We did construct our own model from these data, attempting to match the Developer’s core assumptions on development cost, post-construction valuation and the like, but had to make a very significant number of assumptions of our own with respect to timing of costs and cashflows.

**THE PROJECT**

The Project consists of land acquisition, engineering, site preparation, construction of public and private infrastructure improvements to construct approximately 685,300 square feet of retail, office, entertainment and hospitality space and/or other related commercial uses, approximately 2,797 luxury multi-family units and approximately 1,860 structured parking stalls. The Developer reports its intention to construct the Project across four phases or redevelopment project areas (RPAs).

*Development Components.* Based upon data the Developer provided to us and testimony its representatives provided to the Commission, the first phase, RPA1, appears to be fairly well defined. The other phases, however, are much more concept than plan, and the Developer reports the final phase, RPA 4, is speculative and “market driven.”

Phase/ RPA	Phase Start	Phase End	Multifam Units	Comm. Space (sf)	Hotel Rooms	Structured Parking	Development Assumptions
1	5/2023	10/2026	1,185	80,800	220	500	Specific to unit mix
3	5/2024	12/2027	332	224,000	0	0	Averages/generic
2	8/2024	10/2026	0	126,500	0	0	Averages/generic
4	3/2028	4/2031	1,280	254,000	0	1,360	Averages/generic
<b>Totals</b>			<b>2,797</b>	<b>685,300</b>	<b>220</b>	<b>1,860</b>	

The development data the Developer provided to us, except for RPA 1, relies upon averages and broad assumptions across the mix of residential and commercial spaces. This generalization makes comparisons with other recent projects in Lee’s Summit and other

parts of the Kansas City metro more challenging. It also signals that, beyond RPA 1, the modeled use mix is likely speculative and subject to significant change over time.

*Residential Will Drive the Development.* The economics of the Project are heavily driven by its residential components: 70% of the net operating income (NOI) of the Project is projected to be generated by the proposed residential components. With plans to deliver nearly 2,800 housing units, the Developer proposes to construct 65% of the total housing demand that VSInsights in its 2022 report projected Lee's Summit would need over the next decade<sup>1</sup>. This assumption seems unreasonable.

*Only Phase 1 is Currently Well-Understood.* While the Developer's modeling included a residential unit mix for Phase 1, its residential assumptions for the other phases and its commercial assumptions for all phases are generic. We note that the Developer's assumed rents for one-bedroom apartments of \$1,700 for Phase 1 are above the high-end of the suggested rents in the VSInsights study; the assumed rents for two-bedrooms of \$1,800 in Phase 1 are within the suggested rental range.

*Confirmation of Hotel Flags.* The Developer testified before the Commission that it has agreements in place with two major hotel chains, identifying the specific brands ("flags") to be located in the Project. We did not review those agreements.

*Significant Development is Scheduled for Phase 4.* Representatives of the Developer indicated in their testimony to the Commission that the development scheduled for Phase 4 is speculative and will be "market driven." We note that the total development cost the Developer identified for Phase 4, \$387.3 million, is more than 40% of the total cost of the Project. We also note the Developer does not expect to start this phase until 2028. As such, we do not believe the City is able to rely on any of the estimates for Phase 4 as being reliable enough to determine whether the Developer's projected economic return on this phase is reasonable or not. Importantly for the City, Phase 4 is scheduled to include 37% of the Project's total commercial square footage, putting in question the amount of sales tax revenue on which the City can expect to rely from the Project.

*No Third-Party Market Study.* The Developer did not commission a third-party market study to evaluate the reasonableness of its development projections or the likelihood of success of the Project. Given the magnitude of this development, it may not be reasonable for the Developer to rely upon market-level information about rents, absorption levels and the like to assess the likely success of the Project.

## DEVELOPMENT BUDGET AND PROJECT COST

The Developer's revised (October 20 afternoon) project budget shows the following expected total development costs in the aggregate, by phase and by eligible amounts across the three incentives requested.

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<sup>1</sup> Vogt Strategic Insights. *Housing Needs Assessment for the City of Lee's Summit*. June 29, 2022.

USE	Phase 1	Phase 2	Phase 3	Phase 4	Totals	TIF Eligible	CID Eligible	Hotel Reim.
Land Acquisition	8,194,843	2,623,939	5,189,626	10,180,670	<b>26,189,078</b>	-	-	-
On-Site (Of Interest)								
Sanitary Sewer	1,092,188	387,110	974,024	1,086,313	<b>3,539,635</b>	2,823,600	716,035	-
Blue Parkway	-	-	-	5,000,000	<b>5,000,000</b>	-	5,000,000	-
On-Site (Other)	32,754,773	5,649,384	25,200,189	20,272,172	<b>83,876,518</b>	76,946,831	5,166,035	1,763,652
Building Construct.	275,095,887	32,069,956	118,676,912	315,828,253	<b>741,671,008</b>	74,735,231	-	-
Soft Costs	25,622,586	3,081,013	10,140,649	24,140,034	<b>62,984,281</b>	58,284,281	-	-
Development Fees	2,100,000	600,000	1,500,000	2,010,000	<b>6,210,000</b>	-	-	-
Contingency	8,667,097	865,650	3,282,000	8,747,424	<b>21,562,171</b>	2,000,000	-	-
<b>Totals</b>	<b>353,527,374</b>	<b>45,277,052</b>	<b>164,963,400</b>	<b>387,264,866</b>	<b>951,032,692</b>	<b>214,789,943</b>	<b>10,882,070</b>	<b>1,763,652</b>

*Developer Provided its Own Cost Estimates.* Representatives of the Developer testified before the Commission that the Developer would serve as its own general contractor. As such, the Developer provided all construction estimates. While it appears to us that assumptions about construction costs are reasonable given other mixed-use projects in Lee’s Summit and around the Kansas City metropolitan area in recent years, there are more than 60 individual project components identified in the Plan totaling about 80 discrete uses. As noted above, the Developer provided detailed costing for only the residential components for Phase 1; all other estimates are generic on a per square foot/per unit basis. The Developer’s actual costs of construction are likely to vary considerably from its model over time given both changes in use mix and choices regarding level of finish. These specifics, if known today, might materially impact our analysis and conclusions.

We are unable to verify whether Developer’s estimates for horizontal work are reasonable, although its projected cost of structured parking appears to be consistent with similar projects we have reviewed in recent months.

*The Cost Noted for Blue Parkway is Not Actually a Cost.* As representatives of the City testified before the Commission, the City has already constructed the Blue Parkway extension at its cost and expects to be reimbursed from proceeds of the expanded CID. Only if the Developer incurred CID-eligible costs that the CID were not able to reimburse because it did not generate enough new CID sales taxes would this component constitute a “cost” to the Developer.

*Developer Fees are Also a Source of Funds.* Because the Developer is self-developing the Project, the “Development Fees” cost—\$6.2 million in total—is also a *source* of funds and contributes to the Developer’s return on the project.

*Contingency is Meaningful.* While the amount of “Contingency” shown appears to be reasonable given a project of this magnitude, it is a meaningful cost item and, if not spent, could positively impact the Developer’s economic return.

*Construction Cost Escalation is a Significant Risk.* Our experience working with public and non-profit agencies on new construction and renovation projects during 2022 is that construction inflation has materially and negatively impacted project cost expectations. If cost escalation continues at the same pace in 2023 and beyond, the Developer may not be able to construct according to its development plan or expected timing. All things equal, we would expect

this outcome to lower the Developer’s return on investment; at the same time, it could also lower the public’s return on the Project from tax receipts.

## CAPITAL STACK

Due to the pay-as-you-go nature of the proposed incentives, the Developer will be obligated to finance most of the total development cost of the Project ahead of TIF, CID or hotel sales tax reimbursement being generated. The Developer reports its expectation that its bank lenders will provide financing at not more than 65-70% loan-to-value. We believe this to be a reasonable assumption. At a loan to value of 70%, the capital stack would be:

ESTIMATED SOURCES OF FUNDS	
Debt (70%)	\$665,722,884
Equity (30%)	285,309,807
<b>TOTAL SOURCES</b>	<b>\$951,032,692</b>

The Developer reported to us that it anticipates “self-syndicating” the financing for each phase, with single banks assigned to single components of the project to avoid cross-collateralization. As a result, the Developer indicated its belief that as many as eight to ten banks might be involved in Phase 1 alone. As part of its testimony to the Commission, the Developer entered into the record three bank letters of interest and two conditional bank commitment letters. Together, these banks have provided the Developer/related entities with approximately \$275 million of financing on projects over the last five years, approximately 40% of the amount of the financing projected to be needed for the Project. Importantly, none of these letters constitutes a term sheet; the two conditional commitments provided are fully subject to underwriting and contain no proposed terms.

The Developer indicated to us that it intends to provide all equity required itself and would not rely upon outside investors in the Project. The Developer did not provide us with and we did not review evidence of the Developer’s capacity to provide the more than \$285 million in equity to the project over approximately eight years. The Developer did testify before the Commission, however, and noted to us that, that it currently owns all land in RPAs 1, 3 and 4 in fee simple and expects to close on the RPA 2 site in November 2022.

## EVALUATING THE APPROPRIATENESS OF INCENTIVES AND DEVELOPER’S RATE OF RETURN CALCULATIONS

The City’s ultimate desire for any commercial property is that it be developed to its highest and best use. An efficiently used site will maximize the City’s future tax receipts from the Project and will provide the community with access to amenities and experiences that might not be available in the community today. Ideally, a private developer would produce such an outcome without public subsidy in the project.

**Philosophical Approach.** Most modern urban redevelopment suffers from challenges that increase project costs and reduce investor returns versus similar projects on “greenfield” sites (undeveloped properties with no impediments to development). Demolition and site preparation, environmental remediation, new or revitalized public utilities, and parking and transportation infrastructure improvements are the common drivers of these higher costs.

Philosophically, cities desire to “level the playing field” between more expensive infill sites and less costly greenfield sites through the payment of incentives to infill developers. Cities desire to provide incentives that will equalize the profitability of an infill site and a greenfield site. The challenge for all cities is the asymmetry of information available to assess what, exactly, is this “perfect” level of incentive. Developers often have a desired minimum amount of incentives in mind, but cities are forced to guess this number. A key risk for a city in this challenging dance is that it ends up over-incentivizing the infill project by agreeing to pay the developer a subsidy amount higher than the developer would have accepted to move forward with the project.

In order to assess the value to the Developer of the incentives requested, it is important first to try to quantify their value. All financial projections suffer from a very fuzzy crystal ball. The potential end-of-life of the incentives requested for the Project is more than 25 years from now. The risk of this uncertainty generally falls mostly to the Developer—that is the reason it demands a rate of return on the Project that substantially exceeds a “risk free” rate of return.

The City is also at risk, however, in this transaction. By granting incentives, it is making an affirmative decision to cause a project to develop at this site that the market itself will not support. Further, it agrees to continue to support that project financially for the better part of three decades. There is an opportunity cost to the City to forgo a portion of the incremental property and sales taxes from the Project during the life of the TIF (although it is impossible to know what that opportunity cost is without knowing what might have been developed on this site instead of the Project).

**“But-For” Test.** Missouri law requires that a TIF incentives grant meet the so-called “but-for” test, which is also an economic development best practice to employ. The but-for test is simple in theory: but-for the presence of the incentives, the project would not proceed. As described above, urban infill development faces significant barriers to attracting private capital versus less costly, more certain greenfield developments.

In practice, the but-for test is hard to apply. The City does not know the intentions of the developer and the developer has an incentive (and depending on its corporate structure, potentially a duty) to maximize its return from the investment in a project. We understand from reviewing the Plan that the incentives requested are a necessary precondition to the Developer’s construction of the Project due to its extraordinary costs. The Developer testified to the Commission, for instance, that providing sewer to the entire site was a key driver of its extraordinary costs to develop the Project. That said, according to the Developer’s projections, this cost is less than one-half of one percent of the Project’s total development costs. Given that it is challenging to recognize the conditions at the Project’s current site that would require investment to make the site attractive to development beyond the lack of sanitary sewer access today, it is very difficult for the City to quantify how much incentive is necessary to level the playing field with the cost of developing the Project at another site.

The but-for calculation generally relies on a comparison of the developer’s return on investment, both with and without incentives, against market rates of return for similar projects. These types of analyses are blunt instruments, at best. Legitimate debates rage about calculation inputs, cashflow discounting rates and calculation mechanics at the end of the analysis period. Additionally, these analyses are often performed using concept plan-level project cost information (in this case the Developer assumed, for instance, a generic 32% operating expense ratio for residential uses), generic assumptions about sources of project income (lease rates, property sale proceeds), and speculative estimates of potential drivers of new tax revenues (post-construction equalized assessed valuation, in this case). The result is that a developer of a project and a city providing the incentives for that project can draw very different conclusions from the same set of analytical inputs.

**Required Return.** As described above, the City’s interest (presuming it desires to see the Developer construct the Project) is to provide just enough incentive to cause the Developer to proceed with the Project—but not a penny more. Where the parties have diametrically opposing interests (the Developer wants to maximize its incentives grant while the City wants to pay none), we look to calculate the Project’s internal rate of return (“IRR”) with and without incentives, and then compares those rates with market rates of return for similar projects.

Based upon third-party reports published by real estate companies active in the Kansas City market and nationally, the “capitalization rate” for the components of the Project during 2022 are noted in the table below. The capitalization rate or cap rate—an indicator of value relative to stabilized NOI—is a commonly used metric of real estate pricing. Cap rate is a measure of property value per dollar of current net income. Cap rate is useful as a basic valuation measure so an investor can see how a specific project’s valuation compares to other, similar projects. IRR is similar to the concept of “net present value,” and captures the rate of return earned on an investment during a specific time frame, assuming a reinvestment of cash flows at the same return rate. As a result, we can use the cap rate as a proxy for the market rate of return required to induce the Developer to invest in the Project versus another development elsewhere, although we do note that most Developers would seek to “go in” to a project at a rate higher than current cap rates in order to provide some conservatism and to provide room for spread compression: the idea that it might be able to exit at a more favorable (lower) capitalization rate than where it entered the project.

Anecdotally, we understand from other developers and real estate practitioners that dramatically rising interest rates during 2022 are already weakening demand for most asset classes (save, maybe, for multifamily which, in Kansas City as in other markets, continues to see very low vacancy rates). We have adjusted cap rates in the table below by 0.50% (higher) across each class to account for the fact that our data sources were mostly published in the first half of 2022.

USE	Proportion of Net Operating Income	Kansas City/National 2022 Cap Rates†
Apartments	\$37,942,136	5.89%
Hotel	\$1,810,172	8.50%
Retail	\$9,466,278	8.15%
Office	\$3,736,314	8.40%
Parking	\$1,261,980	6.25%
<b>Total</b>	<b>\$54,216,879</b>	
<b>Weighted Average</b>		<b>6.56%</b>

† Early 2022 data adjusted by +0.50% to account for interest rate movement. Hotel cap rate is national. Source: IRR; CBRE; Costar; JLL

Based upon the proposed economic mix of the Project and third-party reports regarding cap rates, we anticipate a developer would likely need to see project (unleveraged) returns of seven (7) to eight (8) percent to undertake a similar project.

**Developer’s Modeled IRR.** The table below identifies the Developer’s modeled IRR for the Project across all four phases, making a very significant number of assumptions regarding the timing of cashflows related to development costs on both horizontal and vertical improvements, and income from operation of the completed project and reimbursement of costs from TIF. As is typical in these calculations, the Developer’s model assumes a hypothetical sale of the Project (“reversion”), in this case at stabilization of operations from Phase 4, in this case assuming a seven (7) percent cap rate and recognition of projected but unrealized incentives after reversion discounted to that date at six (6) percent.

The table below shows the Developer’s IRR calculations, without incentives, based upon its October 20 afternoon modeling. Using the Developer’s numbers, we also calculate impacts on the Developer’s IRR based upon certain stress tests leaving all other assumptions in place, including: actual NOI each year is 125% of modeled NOI; or, total development costs are only 75% of each year’s modeled amount; or, the actual cap rate at reversion is 100 basis points (1%) better than expected; or, total development costs are equal to the amounts modeled, but are shifted later in time by six months.

Developer’s Calcs	As Modeled	NOI @ 125%	Costs @ 75%	Reversion @ -100 bps	Costs @ -6 mos.
Unincentivized IRR	4.2%	7.7%	8.8%	5.7%	6.2%
<b>Target Return†</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>

† The target return amount is Columbia Capital’s estimate of the required market return for the Project

As these comparisons show, the Project appears to produce below-market returns on an unincentivized basis even if Project costs occur six months later than expected in all cases or if the Developer’s hypothetical exit from the Project could occur at cap rates about 50 basis point stronger than early 2022 values (and 100 basis points stronger than we have estimated they are today). In contrast, the Project would likely *not* require incentives if net operating income were materially higher than forecast or if development costs were materially lower than forecast.

In order to evaluate the reasonableness of the Developer’s modeled IRR, we used the Developer’s inputs to create our own model to attempt to replicate annual expected development costs and projected NOI. Without having access to the Developer’s exact calculations, it is impossible for us to perfectly match its modeling, but we believe our comparisons are materially similar and that scenario analyses using our own modeling are reliable (particularly for scenario comparisons against our own modeling base).

The table below presents the Developer’s own modeled IRR with and without incentives, Columbia Capital’s matching model’s IRR with and without incentives, as well as Columbia Capital’s estimated IRR calculations for each individual phase.

	Developer’s Model	CCM’s Model	CCM • RPA 1	CCM • RPA 2	CCM • RPA 3	CCM • RPA 4
Unincentivized IRR	4.2%	4.4%	3.6%	3.3%	5.0%	6.0%
Incentivized IRR	7.6%	7.9%	6.2%	10.6%	8.0%	10.8%
<b>Target Return†</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>	<b>7-8%</b>

† The target return amount is Columbia Capital’s estimate of the required market return for the Project

Given the significant number of individual uses modeled and timing assumptions, we believe our IRR conclusions to be materially the same as the Developer’s. Our IRR conclusions (“CCM Model” column) are slightly higher in part because:

- the Developer reported to us that it plans to construct, own and operate the entire project, without sales to third parties. It also testified before the Commission that it plans to serve as its own general contractor. The Project’s uses of funds include \$6.2 million of Developer Fee. In the case of Developer Fee, 100% of that fee will inure to the Developer; as such, we treated it as both a source and a use.
- in its total development cost, the Developer has included \$5.0 million for the Blue Parkway extension improvements. Representatives of the City testified before the Commission, however, that the City has already constructed these improvements at its cost, with hopes of reimbursement from CID receipts. This cost, then, is not a cost to the Developer and should not be included its total development cost. At worst, Developer would see its financing cost increase somewhat to “bridge” the City’s reimbursement of the Blue Parkway costs from CID proceeds. We exclude this item from Developer’s total development costs.

We also used our modeling to evaluate the IRR for each of the four phases, as shown in the table above. Although the results show variation in returns from phase to phase, none of the four would meet or exceed the unincentivized IRR we would expect to be required to permit it to proceed without incentives. We do note, again, that Phase 4 is more concept than actual plan at this point and that, based upon preliminary modeling, it has the greatest chance of occurring without incentives and, therefore, not meeting the but-for standard.

**FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

Based upon the information available to us and subject to the limitations noted in the foregoing paragraphs, our findings are as follows:

- based upon the assumed inputs and modeled timing for horizontal and vertical construction costs, the Developer’s financial modeling of Project costs appears to be mathematically reliable
- based upon the assumed inputs and modeled timing for construction, lease-up and stabilization, the Developer’s modeling of TIF, CID and hotel sales tax reimbursement appears to be mathematically reliable
- the concerns we note above regarding Developer Fee needing to be both a cost and a source of income, the potential that Contingency might not be used, and that the Blue Parkway “cost” is not really a cost to the Developer are not meaningful enough in the analysis to impact the but-for determination if the entire Project is constructed as modeled
- a key weakness of the Developer’s model is that it developed its own construction estimates and does not have third-party validation of these estimates. If Developer’s modeled total development costs are overstated by more than 15-20%, all other things equal, the Project would likely not need incentives.
- a key weakness of the Developer’s model is that its development assumptions for residential uses, other than in Phase 1, and for all commercial uses are generic. We also believe, based upon assumptions used in similar projects in Lee’s Summit and around Kansas City plus our own research on this point, that Developer’s assumed operating expenses for its residential uses are overstated by approximately five (5) percent per year. This alone is not enough to change the but-for conclusion, but if Developer’s modeled net operating income is understated by more than 20-25%, all other things equal, the Project would likely not need incentives
- although the Developer presented a number of bank letters of support of the Project, including two positioned as “conditional commitments,” the Developer did not present us with term sheets to finance any portion of the Project, including Phase 1 which, according to the Developer’s testimony to the Commission, will soon be under construction. We think it is reasonable for the Commission and the City to question whether the Developer has the capacity to obtain \$666 million in bank debt and to provide \$285 million in equity over the next eight to ten years to permit the Project to materialize
- a substantial proportion of the development planned for the Project is identified in the speculative Phase 4, not scheduled to start construction until 2028. We think it is reasonable for the Commission and the City to contemplate the Project as not ever including any of the development in Phase 4 and, thus, to assess the desirability and viability of Phases 1 to 3 of the Project on their own

Based upon these findings:

- subject to the concerns and conditions noted herein, we conclude that the Developer has presented sufficient information to permit the Commission to evaluate whether the Project as proposed is financially feasible
- subject to the concerns and conditions noted herein, we conclude that the Developer has provided sufficient information to permit the Commission to determine that, as presented, the Plan, as modified by the October 20 afternoon modeling, would not provide a market rate of return and, therefore, meets the statutory but-for test. We further conclude this is the case for each of the RPAs if calculated as an independent project
- with respect to the full Project, our return assumptions are materially the same as the Developer's

If the City Council determines to proceed with the Project as presented, our recommendations for constructing a development agreement that takes specific measures to reduce the risk the City over-incentivizes the Project include:

- requiring new financial analysis for each phase of the Project to include specific, detailed project information at each phase (down to the user level where possible), ideally including third-party support for construction cost estimates and potential net operating income projections.
- based upon that analysis, imposing finite limits on the amount of reimbursement that can be generated by the Developer from such phase.
- requiring, as City representatives mentioned in their testimony to the Commission, that certain levels of commercial development be required to “unlock” the Developer's access to reimbursement in each phase. In addition to protecting the City's expectation of access to sales tax revenues to support services required by the developed Project, this approach has the added benefit of ensuring that our assumed blended reversion rate is not too high (too conservative) given the development actually being constructed.

Additionally, we encourage the City Council to consider:

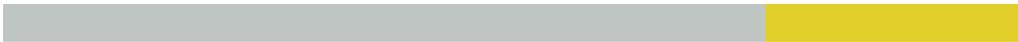
- whether, given the City's own recent housing study update, Developer's proposal, on its own, to meet 65% of City's projected housing demand over the next decade makes sense. In particular, we note that, based upon the housing study findings, it is unlikely many employees at the Project will be able to afford the housing proposed there. Should the City consider requiring (or incentivizing) a more diverse housing mix within the Project?
- whether it should include Phase 4 in any approvals it gives to the Project, given that phase's proposed schedule (commencement in 2028). The City might normally expect a Developer to object to such an approach as impairing its ability to obtain financing. But, given how this developer intends to finance the project—on a building-by-building basis

across a number of banks—the City’s action to postpone approvals on Phase 4 should not be as impactful on the Developer’s ability to finance earlier phases.

- whether to reject the Developer’s request for reimbursement of hotel sales tax receipts as a way for the City to hedge its risk that commercial development does not occur at the times or in the amounts projected in the Plan.



Exhibit A—Rate of Return Summaries



# INTERNAL RATE OF RETURN CALCULATIONS

All Phases

## WITHOUT INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(26,189,078)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	(6,405,647)	(9,711,062)	(9,711,062)	(9,711,062)	(3,305,415)	(6,035,009)	(6,035,009)	(6,035,009)	(6,035,009)	-	-	-	-
On-Site Costs	(66,057,668)	-	-	-	-	(21,358,485)	-	-	-	-	-	-	-
Contruction	(40,304,178)	(122,950,585)	(178,534,264)	(87,891,524)	(9,140,442)	(32,341,703)	(57,583,535)	(122,110,445)	(81,585,591)	(9,228,742)	-	-	-
Development Fee	(2,100,000)	(2,100,000)	-	-	-	(2,010,000)	-	-	-	-	-	-	-
Contingency	(2,889,032)	(3,925,945)	(3,925,945)	(1,036,913)	(1,036,913)	(1,749,485)	(1,749,485)	(1,749,485)	(1,749,485)	(1,749,485)	-	-	-
<b>Outflows</b>	<b>(143,945,603)</b>	<b>(138,687,592)</b>	<b>(192,171,270)</b>	<b>(98,639,498)</b>	<b>(13,482,770)</b>	<b>(63,494,682)</b>	<b>(65,368,028)</b>	<b>(129,894,938)</b>	<b>(89,370,084)</b>	<b>(10,978,226)</b>	-	-	-
Net Operating Income	2,315,354	4,925,115	13,288,751	25,442,741	29,541,077	33,575,562	35,418,237	40,490,362	51,465,975	55,645,171	57,077,769	58,219,324	-
Incentives	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Inflows</b>	<b>2,315,354</b>	<b>4,925,115</b>	<b>13,288,751</b>	<b>25,442,741</b>	<b>29,541,077</b>	<b>33,575,562</b>	<b>35,418,237</b>	<b>40,490,362</b>	<b>51,465,975</b>	<b>55,645,171</b>	<b>57,077,769</b>	<b>58,219,324</b>	-
<b>Project Cashflow</b>	<b>(141,630,249)</b>	<b>(133,762,477)</b>	<b>(178,882,520)</b>	<b>(73,196,756)</b>	<b>16,058,307</b>	<b>(29,919,119)</b>	<b>(29,949,791)</b>	<b>(89,404,576)</b>	<b>(37,904,109)</b>	<b>44,666,945</b>	<b>57,077,769</b>	<b>58,219,324</b>	<b>840,006,705</b>

Internal Rate of Return (Without Incentives)

4.43%

## WITH INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(26,189,078)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	(6,405,647)	(9,711,062)	(9,711,062)	(9,711,062)	(3,305,415)	(6,035,009)	(6,035,009)	(6,035,009)	(6,035,009)	-	-	-	-
On-Site Costs	(66,057,668)	-	-	-	-	(21,358,485)	-	-	-	-	-	-	-
Contruction	(40,304,178)	(122,950,585)	(178,534,264)	(87,891,524)	(9,140,442)	(32,341,703)	(57,583,535)	(122,110,445)	(81,585,591)	(9,228,742)	-	-	-
Development Fee	(2,100,000)	(2,100,000)	-	-	-	(2,010,000)	-	-	-	-	-	-	-
Contingency	(2,889,032)	(3,925,945)	(3,925,945)	(1,036,913)	(1,036,913)	(1,749,485)	(1,749,485)	(1,749,485)	(1,749,485)	(1,749,485)	-	-	-
<b>Outflows</b>	<b>(143,945,603)</b>	<b>(138,687,592)</b>	<b>(192,171,270)</b>	<b>(98,639,498)</b>	<b>(13,482,770)</b>	<b>(63,494,682)</b>	<b>(65,368,028)</b>	<b>(129,894,938)</b>	<b>(89,370,084)</b>	<b>(10,978,226)</b>	-	-	-
Net Operating Income	2,315,354	4,925,115	13,288,751	25,442,741	29,541,077	33,575,562	35,418,237	40,490,362	51,465,975	55,645,171	57,077,769	58,219,324	-
Incentives	-	763,886	3,327,701	7,715,902	9,698,341	9,966,967	10,784,871	11,766,447	14,120,837	15,962,962	16,566,812	16,587,303	-
<b>Inflows</b>	<b>2,315,354</b>	<b>5,689,001</b>	<b>16,616,451</b>	<b>33,158,644</b>	<b>39,239,417</b>	<b>43,542,530</b>	<b>46,203,108</b>	<b>52,256,809</b>	<b>65,586,812</b>	<b>71,608,134</b>	<b>73,644,581</b>	<b>74,806,627</b>	-
<b>Project Cashflow</b>	<b>(141,630,249)</b>	<b>(132,998,591)</b>	<b>(175,554,819)</b>	<b>(65,480,854)</b>	<b>25,756,647</b>	<b>(19,952,152)</b>	<b>(19,164,921)</b>	<b>(77,638,129)</b>	<b>(23,783,272)</b>	<b>60,629,907</b>	<b>73,644,581</b>	<b>74,806,627</b>	<b>998,302,833</b>

Internal Rate of Return (With Incentives)

7.90%

# INTERNAL RATE OF RETURN CALCULATIONS

## Phase 1

### WITHOUT INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(8,194,843)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	(6,405,647)	(6,405,647)	(6,405,647)	(6,405,647)	-	-	-	-	-	-	-	-	-
On-Site Costs	(33,846,961)	-	-	-	-	-	-	-	-	-	-	-	-
Contruction	(40,304,178)	(104,610,257)	(108,689,800)	(36,494,471)	-	-	-	-	-	-	-	-	-
Development Fee	(2,100,000)	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	(2,889,032)	(2,889,032)	(2,889,032)	-	-	-	-	-	-	-	-	-	-
<b>Outflows</b>	<b>(93,740,661)</b>	<b>(113,904,936)</b>	<b>(117,984,479)</b>	<b>(42,900,118)</b>	-	-	-	-	-	-	-	-	-
Net Operating Income	2,315,354	2,566,145	10,233,182	16,221,026	18,383,829	18,751,506	18,170,209	17,558,160	18,904,286	20,297,233	20,703,178	21,117,241	-
Incentives	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Inflows</b>	<b>2,315,354</b>	<b>2,566,145</b>	<b>10,233,182</b>	<b>16,221,026</b>	<b>18,383,829</b>	<b>18,751,506</b>	<b>18,170,209</b>	<b>17,558,160</b>	<b>18,904,286</b>	<b>20,297,233</b>	<b>20,703,178</b>	<b>21,117,241</b>	-
<b>Project Cashflow</b>	<b>(91,425,307)</b>	<b>(111,338,790)</b>	<b>(107,751,296)</b>	<b>(26,679,092)</b>	<b>18,383,829</b>	<b>18,751,506</b>	<b>18,170,209</b>	<b>17,558,160</b>	<b>18,904,286</b>	<b>20,297,233</b>	<b>20,703,178</b>	<b>21,117,241</b>	<b>304,686,196</b>

Internal Rate of Return (Without Incentives)

3.64%

### WITH INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(8,194,843)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	(6,405,647)	(6,405,647)	(6,405,647)	(6,405,647)	-	-	-	-	-	-	-	-	-
On-Site Costs	(33,846,961)	-	-	-	-	-	-	-	-	-	-	-	-
Contruction	(40,304,178)	(104,610,257)	(108,689,800)	(36,494,471)	-	-	-	-	-	-	-	-	-
Development Fee	(2,100,000)	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	(2,889,032)	(2,889,032)	(2,889,032)	-	-	-	-	-	-	-	-	-	-
<b>Outflows</b>	<b>(93,740,661)</b>	<b>(113,904,936)</b>	<b>(117,984,479)</b>	<b>(42,900,118)</b>	-	-	-	-	-	-	-	-	-
Net Operating Income	2,315,354	2,566,145	10,233,182	16,221,026	18,383,829	18,751,506	18,170,209	17,558,160	18,904,286	20,297,233	20,703,178	21,117,241	-
Incentives	-	763,886	2,683,060	4,637,240	5,309,698	5,355,758	5,458,914	5,443,408	5,527,103	5,553,848	5,682,796	5,688,636	-
<b>Inflows</b>	<b>2,315,354</b>	<b>3,330,031</b>	<b>12,916,242</b>	<b>20,858,266</b>	<b>23,693,527</b>	<b>24,107,264</b>	<b>23,629,124</b>	<b>23,001,568</b>	<b>24,431,389</b>	<b>25,851,081</b>	<b>26,385,974</b>	<b>26,805,877</b>	-
<b>Project Cashflow</b>	<b>(91,425,307)</b>	<b>(110,574,904)</b>	<b>(105,068,237)</b>	<b>(22,041,851)</b>	<b>23,693,527</b>	<b>24,107,264</b>	<b>23,629,124</b>	<b>23,001,568</b>	<b>24,431,389</b>	<b>25,851,081</b>	<b>26,385,974</b>	<b>26,805,877</b>	<b>351,987,900</b>

Internal Rate of Return (With Incentives)

6.24%

# INTERNAL RATE OF RETURN CALCULATIONS

## Phase 2

### WITHOUT INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(2,623,939)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	(770,253)	(770,253)	(770,253)	(770,253)	-	-	-	-	-	-	-	-
On-Site Costs	(6,036,494)	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	(8,258,923)	(15,271,043)	(7,952,630)	-	-	-	-	-	-	-	-	-
Development Fee	-	(600,000)	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	(216,413)	(216,413)	(216,413)	(216,413)	-	-	-	-	-	-	-	-
<b>Outflows</b>	<b>(8,660,433)</b>	<b>(9,845,589)</b>	<b>(16,257,708)</b>	<b>(8,939,296)</b>	<b>(986,666)</b>	-	-	-	-	-	-	-	-
Net Operating Income	-	769,670	1,196,620	1,889,016	2,140,885	2,183,703	2,116,008	2,044,732	2,201,495	2,363,710	2,410,985	2,459,204	-
Incentives	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Inflows</b>	<b>-</b>	<b>769,670</b>	<b>1,196,620</b>	<b>1,889,016</b>	<b>2,140,885</b>	<b>2,183,703</b>	<b>2,116,008</b>	<b>2,044,732</b>	<b>2,201,495</b>	<b>2,363,710</b>	<b>2,410,985</b>	<b>2,459,204</b>	-
<b>Project Cashflow</b>	<b>(8,660,433)</b>	<b>(9,075,919)</b>	<b>(15,061,088)</b>	<b>(7,050,279)</b>	<b>1,154,220</b>	<b>2,183,703</b>	<b>2,116,008</b>	<b>2,044,732</b>	<b>2,201,495</b>	<b>2,363,710</b>	<b>2,410,985</b>	<b>2,459,204</b>	<b>35,482,173</b>

Internal Rate of Return (Without Incentives)

3.31%

### WITH INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(2,623,939)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	(770,253)	(770,253)	(770,253)	(770,253)	-	-	-	-	-	-	-	-
On-Site Costs	(6,036,494)	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	(8,258,923)	(15,271,043)	(7,952,630)	-	-	-	-	-	-	-	-	-
Development Fee	-	(600,000)	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	(216,413)	(216,413)	(216,413)	(216,413)	-	-	-	-	-	-	-	-
<b>Outflows</b>	<b>(8,660,433)</b>	<b>(9,845,589)</b>	<b>(16,257,708)</b>	<b>(8,939,296)</b>	<b>(986,666)</b>	-	-	-	-	-	-	-	-
Net Operating Income	-	769,670	1,196,620	1,889,016	2,140,885	2,183,703	2,116,008	2,044,732	2,201,495	2,363,710	2,410,985	2,459,204	-
Incentives	-	-	320,787	1,391,315	1,775,406	1,900,296	1,926,835	1,879,928	1,847,340	1,917,638	2,004,916	2,016,968	-
<b>Inflows</b>	<b>-</b>	<b>769,670</b>	<b>1,517,407</b>	<b>3,280,332</b>	<b>3,916,291</b>	<b>4,083,999</b>	<b>4,042,843</b>	<b>3,924,660</b>	<b>4,048,835</b>	<b>4,281,348</b>	<b>4,415,900</b>	<b>4,476,172</b>	-
<b>Project Cashflow</b>	<b>(8,660,433)</b>	<b>(9,075,919)</b>	<b>(14,740,302)</b>	<b>(5,658,964)</b>	<b>2,929,625</b>	<b>4,083,999</b>	<b>4,042,843</b>	<b>3,924,660</b>	<b>4,048,835</b>	<b>4,281,348</b>	<b>4,415,900</b>	<b>4,476,172</b>	<b>54,101,692</b>

Internal Rate of Return (With Incentives)

10.58%

# INTERNAL RATE OF RETURN CALCULATIONS

## Phase 3

### WITHOUT INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(5,189,626)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	(2,535,162)	(2,535,162)	(2,535,162)	(2,535,162)	-	-	-	-	-	-	-	-
On-Site Costs	(26,174,213)	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	(10,081,405)	(54,573,421)	(43,444,422)	(9,140,442)	-	-	-	-	-	-	-	-
Development Fee	-	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	(820,500)	(820,500)	(820,500)	(820,500)	-	-	-	-	-	-	-	-
<b>Outflows</b>	<b>(31,363,839)</b>	<b>(14,937,068)</b>	<b>(57,929,084)</b>	<b>(46,800,084)</b>	<b>(12,496,104)</b>	-	-	-	-	-	-	-	-
Net Operating Income	-	1,589,300	1,858,949	7,332,699	9,016,362	9,196,689	8,911,592	8,611,412	9,271,620	9,954,792	10,153,888	10,356,966	-
Incentives	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Inflows</b>	<b>-</b>	<b>1,589,300</b>	<b>1,858,949</b>	<b>7,332,699</b>	<b>9,016,362</b>	<b>9,196,689</b>	<b>8,911,592</b>	<b>8,611,412</b>	<b>9,271,620</b>	<b>9,954,792</b>	<b>10,153,888</b>	<b>10,356,966</b>	-
<b>Project Cashflow</b>	<b>(31,363,839)</b>	<b>(13,347,768)</b>	<b>(56,070,135)</b>	<b>(39,467,385)</b>	<b>(3,479,742)</b>	<b>9,196,689</b>	<b>8,911,592</b>	<b>8,611,412</b>	<b>9,271,620</b>	<b>9,954,792</b>	<b>10,153,888</b>	<b>10,356,966</b>	<b>149,433,560</b>

Internal Rate of Return (Without Incentives)

5.04%

### WITH INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	(5,189,626)	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	(2,535,162)	(2,535,162)	(2,535,162)	(2,535,162)	-	-	-	-	-	-	-	-
On-Site Costs	(26,174,213)	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	(10,081,405)	(54,573,421)	(43,444,422)	(9,140,442)	-	-	-	-	-	-	-	-
Development Fee	-	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-
Contingency	-	(820,500)	(820,500)	(820,500)	(820,500)	-	-	-	-	-	-	-	-
<b>Outflows</b>	<b>(31,363,839)</b>	<b>(14,937,068)</b>	<b>(57,929,084)</b>	<b>(46,800,084)</b>	<b>(12,496,104)</b>	-	-	-	-	-	-	-	-
Net Operating Income	-	1,589,300	1,858,949	7,332,699	9,016,362	9,196,689	8,911,592	8,611,412	9,271,620	9,954,792	10,153,888	10,356,966	-
Incentives	-	-	323,854	1,687,346	2,613,237	2,710,913	2,758,237	2,737,068	2,761,421	2,787,633	2,860,789	2,863,388	-
<b>Inflows</b>	<b>-</b>	<b>1,589,300</b>	<b>2,182,803</b>	<b>9,020,045</b>	<b>11,629,599</b>	<b>11,907,602</b>	<b>11,669,829</b>	<b>11,348,480</b>	<b>12,033,041</b>	<b>12,742,425</b>	<b>13,014,677</b>	<b>13,220,354</b>	-
<b>Project Cashflow</b>	<b>(31,363,839)</b>	<b>(13,347,768)</b>	<b>(55,746,280)</b>	<b>(37,780,039)</b>	<b>(866,505)</b>	<b>11,907,602</b>	<b>11,669,829</b>	<b>11,348,480</b>	<b>12,033,041</b>	<b>12,742,425</b>	<b>13,014,677</b>	<b>13,220,354</b>	<b>175,700,687</b>

Internal Rate of Return (With Incentives)

7.98%

# INTERNAL RATE OF RETURN CALCULATIONS

## Phase 4

### WITHOUT INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	10,180,670	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	6,035,009	6,035,009	6,035,009	6,035,009	-	-	-	-
On-Site Costs	-	-	-	-	-	21,358,485	-	-	-	-	-	-	-
Contruction	-	-	-	-	-	32,341,703	57,583,535	122,110,445	81,585,591	9,228,742	-	-	-
Development Fee	-	-	-	-	-	2,010,000	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	1,749,485	1,749,485	1,749,485	1,749,485	1,749,485	-	-	-
<b>Outflows</b>	<b>10,180,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,494,682</b>	<b>65,368,028</b>	<b>129,894,938</b>	<b>89,370,084</b>	<b>10,978,226</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Operating Income	-	-	-	-	-	3,443,664	6,220,427	12,276,057	21,088,574	23,029,435	23,809,718	24,285,912	-
Incentives	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,443,664</b>	<b>6,220,427</b>	<b>12,276,057</b>	<b>21,088,574</b>	<b>23,029,435</b>	<b>23,809,718</b>	<b>24,285,912</b>	<b>-</b>
<b>Project Cashflow</b>	<b>10,180,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,938,346</b>	<b>71,588,455</b>	<b>142,170,995</b>	<b>110,458,658</b>	<b>34,007,662</b>	<b>23,809,718</b>	<b>24,285,912</b>	<b>350,404,776</b>

Internal Rate of Return (Without Incentives) **5.99%**

### WITH INCENTIVES

Year	1	2	3	4	5	6	7	8	9	10	11	12	Reversion
Land Aquisition	10,180,670	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	6,035,009	6,035,009	6,035,009	6,035,009	-	-	-	-
On-Site Costs	-	-	-	-	-	21,358,485	-	-	-	-	-	-	-
Contruction	-	-	-	-	-	32,341,703	57,583,535	122,110,445	81,585,591	9,228,742	-	-	-
Development Fee	-	-	-	-	-	2,010,000	-	-	-	-	-	-	-
Contingency	-	-	-	-	-	1,749,485	1,749,485	1,749,485	1,749,485	1,749,485	-	-	-
<b>Outflows</b>	<b>10,180,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,494,682</b>	<b>65,368,028</b>	<b>129,894,938</b>	<b>89,370,084</b>	<b>10,978,226</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Operating Income	-	-	-	-	-	3,443,664	6,220,427	12,276,057	21,088,574	23,029,435	23,809,718	24,285,912	-
Incentives	-	-	-	-	-	-	640,885	1,706,042	3,984,973	5,703,843	6,018,312	6,018,312	-
<b>Inflows</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,443,664</b>	<b>6,861,312</b>	<b>13,982,099</b>	<b>25,073,547</b>	<b>28,733,279</b>	<b>29,828,030</b>	<b>30,304,224</b>	<b>-</b>
<b>Project Cashflow</b>	<b>10,180,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,938,346</b>	<b>72,229,340</b>	<b>143,877,037</b>	<b>114,443,631</b>	<b>39,711,505</b>	<b>29,828,030</b>	<b>30,304,224</b>	<b>416,512,554</b>

Internal Rate of Return (With Incentives) **10.75%**