

AN ORDINANCE APPROVING A PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT FOR GLADSTONE CAP, LLC, A DELAWARE LIMITED LIABILITY COMPANY, CONSISTING OF THE CONSTRUCTION AND IMPROVEMENT OF A COMMERCIAL FACILITY; DECLARING THE INTENT OF THE CITY OF GLADSTONE, MISSOURI TO ISSUE ITS TAXABLE INDUSTRIAL DEVELOPMENT REVENUE BONDS (NORTHLAND INNOVATION CENTER PROJECT), SERIES 2015, IN A PRINCIPAL AMOUNT NOT TO EXCEED \$17,700,000.00 TO FINANCE THE COSTS OF SUCH PROJECT; AND AUTHORIZING CERTAIN ACTIONS RELATING THERETO.

WHEREAS, the City of Gladstone, Missouri (the “City”) is a third class city and political subdivision of the State of Missouri, duly created, organized and existing under and by virtue of the Constitution and laws of the State of Missouri; and

WHEREAS, the City is authorized under the provisions of Article VI, Section 27 of the Missouri Constitution, as amended, and Sections 100.010 to 100.200, inclusive, of the Revised Statutes of Missouri, as amended (collectively, the “Act”), to purchase, construct, extend and improve certain projects (as defined in the Act) for the purposes set forth in the Act and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, warehousing and industrial development purposes upon such terms and conditions as the City shall deem advisable; and

WHEREAS, the City, in accordance with Section 100.050 of the Act, has prepared a plan for industrial development (the “Plan”) for Gladstone Cap, LLC, a Delaware limited liability company (together with any successors or assigns, the “Company”), with respect to a project consisting of the construction and improvement of a commercial facility (the “Project”); and

WHEREAS, notice of the Project was given to the taxing jurisdictions in accordance with Section 100.059.1 of the Act and the City now desires to approve the Plan; and

WHEREAS, the City desires to finance the costs of the Project out of the proceeds of industrial development revenue bonds to be issued under the Act (the “Bonds”); and

WHEREAS, the City has and does hereby find and determine that it is desirable for the economic development of the City and within the public purposes of the Act that the City proceed with the issuance of the Bonds for the purpose described above; and

WHEREAS, because the Bonds will be payable solely out of payments, revenues and receipts derived by the City from the lease of the Project to the Company and from no other source, the City has determined that it is appropriate that the Bonds be sold to the Company pursuant to Section 108.170 of Revised Statutes of Missouri, as amended, which provides that notwithstanding any other provisions of any law or any charter provision to the contrary, industrial development revenue bonds may be sold at private sale.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF GLADSTONE, MISSOURI, AS FOLLOWS:

Section 1. Public Purpose. The Council hereby finds and determines that the Project will promote the economic welfare and the development of the City, and the issuance of the Bonds by the City to pay the costs of the Project will be in furtherance of the public purposes set forth in the Act.

Section 2. Approval of Plan. The Council hereby approves the Plan for Industrial Development Project attached hereto as **Exhibit A** in accordance with Section 100.050 of the Act.

Section 3. Intent to Issue the Bonds. The City declares its intent to issue and sell its Taxable Industrial Development Revenue Bonds (Northland Innovation Center Project), Series 2015, in an aggregate principal amount not to exceed \$17,700,000.00, for the purpose of providing funds to pay the costs of the Project. The issuance of the Bonds and the execution and delivery of any documents related to financing the Project are subject to (i) passage of an ordinance by the City Council authorizing the issuance of the Bonds and approving documents described in Section 5 hereof as to form; (ii) approval by the appropriate officers of the Company; (iii) obtaining by the Company of any necessary governmental licenses, permits and approvals, including adoption of an approving ordinance by the City; and (iv) agreement by the City, the Company and the purchasers of the Bonds upon (a) mutually acceptable terms for the Bonds and for the sale and delivery thereof and (b) mutually acceptable terms and conditions of any documents related to the issuance of the Bonds and the Project, including a Performance Agreement setting forth the terms of the property tax abatement to be described in the Plan.

Section 4. Limited Obligations. The Bonds and the interest thereon shall be limited obligations of the City payable solely out of the payments, revenues and receipts derived by the City from a Lease Agreement, and such payments, revenues and receipts shall be pledged and assigned to the Trustee as security for the payment of the Bonds as provided in the Trust Indenture. The Bonds and interest thereon shall not be deemed to constitute a debt or liability of the City within the meaning of any constitutional provision, statutory limitation or City code provision and shall not constitute a pledge of the full faith and credit of the City. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the City to levy any form of taxation therefore or to make any appropriation for their payment.

Section 5. Preparation of Documents. The City Manager, the City Attorney and the City's bond counsel are hereby authorized and directed to prepare the following documents (the "City Documents"), which City Documents shall be approved by separate ordinance at a future Council meeting:

(a) Trust Indenture (the "Trust Indenture") between the City and First Bank of Missouri, Gladstone, Missouri (the "Trustee"), pursuant to which the Bonds shall be issued and the City shall pledge and assign the payments, revenues and receipts received pursuant to the Lease Agreement to the Trustee for the benefit and security of the owners of the Bonds upon the terms and conditions as set forth in the Trust Indenture;

(b) Lease Agreement (the "Lease Agreement") between the City and the Company, under which the City will provide funds for the construction and improvement of the Project and lease the Project to the Company pursuant to the terms and conditions in the Lease Agreement, in consideration of rental payments by the Company which will be sufficient to pay the principal of, premium, if any, and interest on the Bonds;

(c) Bond Purchase Agreement between the City and the Company, pursuant to which the Company agrees to purchase the Bonds; and

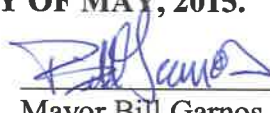
(d) Performance Agreement between the City and the Company, pursuant to which the City will grant the Company certain rights with respect to the abatement of *ad valorem* real property taxes on the Project in consideration for the Company's agreement to operate the Project as a commercial facility.

Section 6. Severability. The sections, paragraphs, sentences, clauses and phrases of this Ordinance shall be severable. In the event that any such section, paragraph, sentence, clause or phrase of this Ordinance is found by a court of competent jurisdiction to be invalid, the remaining portions of this Ordinance are valid, unless the court finds the valid portions of the Ordinance are so essential to and inseparably connected with and dependent upon the void portion that it cannot be presumed that the City Council has enacted the valid portions without the void ones, or unless the court finds that the valid portions, standing alone, are incomplete and are incapable of being executed in accordance with the legislative intent.

Section 7. Governing Law. This Ordinance shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

Section 8. Effective Date. This ordinance shall take effect and be in full force from and after its passage by the City Council.

**PASSED, SIGNED AND MADE EFFECTIVE BY THE COUNCIL OF THE CITY
OF GLADSTONE, MISSOURI, THIS 11TH DAY OF MAY, 2015.**



Mayor Bill Garnos

(SEAL)

ATTEST:



Ruth E. Bocchino, City Clerk

First Reading: May 11, 2015

Second Reading: May 11, 2015



All-America City

Gladstone



2008

TO: Kirk Davis, City Manager

FROM: Scott Wingerson, Assistant City Manager *Scott*

DATE: May 5, 2015

SUBJECT: Northland Innovation Center (NIC)
Chapter 100 Hearing

Please find enclosed materials related to the above captioned subject.

The purpose of this memorandum is to provide background information and to outline the Chapter 100 hearing process.

Clay County has identified the need for a facility that allows for innovative programs to be housed to support employment in the Northland. The North Kansas City School District has identified the need to house a centralized gifted and talented center. Northwest Missouri State University has identified a need for a Kansas City Metropolitan area presence. Finally, Gladstone has identified the need to enhance Downtown development through construction of an urban style Class A quality office development. These needs come together in the Northland Innovation Center (NIC).

The NIC is generally described as being located at the southeast corner of NE 69th Street and N. Oak Trafficway. The project site serves to anchor the south edge of Downtown Gladstone. The building contains approximately 90,000 sf spread over 5 floors. The design quality is Class A and the general concept is to provide a vibrant urban environment.

Earlier this year the Gladstone Planning Commission considered a zoning change and development plan for the NIC. After public hearings the Planning Commission recommended approval. Subsequently, the City Council held public hearings and ultimately voted to approve the zoning change, development plan, final plat and building permit requests. Representative example exhibits from those processes are attached.

The scheduled hearing is to consider a plan to issue Industrial Development Bonds and the related cost benefit analysis. This process is commonly referred to as Chapter 100 financing and results in tax abatement for the project.

P.O. BOX 10719
GLADSTONE, MISSOURI 64118-0719

7010 NORTH HOLMES
GLADSTONE, MISSOURI 64118-2646

816-436-2200
816-436-2228 FAX

The Chapter 100 hearing is planned to follow these general steps:

- After the Mayor reads the agenda caption and opens the hearing staff will make a brief introduction of the project, the request, the hearing process, and action requested of the City Council.
- A representative of the Developer will present an overview of the project, generally discuss the planned improvements, and explain the overall need for public incentive.
- Gilmore and Bell (City bond counsel) will present the plan for an Industrial Development project and the cost benefit analysis. Key points include:
 - The Developer plans to invest \$17.7 million dollars.
 - Taxes on the value of these improvements are abated for a period to 20 years.
 - Existing taxes are protected and increase 2% every other year.
- After the Gilmore and Bell presentation the City Council will have the opportunity to ask questions of the Developer or Gilmore & Bell.
- Finally, the Mayor will ask if any taxing jurisdiction desires to comment. Then, the Mayor will ask if there are any additional comments. Please note that this hearing is subtly different than a zoning public hearing in that the City Council is asked to consider comments but not necessarily put them in a category of support or objection.

At the conclusion of the comments, the Mayor will close the hearing.

The next agenda item is consideration of a Bill to endorse the Plan, Cost Benefit Analysis and the intent to issue Industrial Development bonds. The City Council will be asked to consider a second Bill at the May 26, 2015, meeting which specifically provides for the issuance of the bonds.

Thank you for your consideration. If you should wish to discuss this matter in greater detail or desire additional information, please advise.

Encl

Taxation Division
Post Office Box 453
Jefferson City, Missouri 65105-0453



(573) 751-5900
E-mail: Countyfees@dor.mo.gov

Ruth Bocchino, City Clerk
City of Gladstone
7010 North Holmes
Gladstone, MO 64118

May 1, 2015

Dear Sir or Madam:

The Department of Revenue acknowledges receipt of your letter concerning the hearing on May 11, 2015, for the plan for an Industrial Development Project for Gladstone Cap, LLC, Area TIF.

We respectfully decline comment on the above hearing.

If you have any further questions concerning this matter, please feel free to contact the County Tax Section at the above address or telephone number.

Sincerely,

A handwritten signature in cursive script that reads "Angi Edwards".

Angi Edwards
Supervisor
Sales/Use Tax

AE:rp

EXHIBIT A

PLAN FOR INDUSTRIAL DEVELOPMENT PROJECT

[FOLLOWS THIS PAGE]

CITY OF GLADSTONE, MISSOURI

**PLAN FOR AN INDUSTRIAL
DEVELOPMENT PROJECT
AND
COST-BENEFIT ANALYSIS**

FOR

GLADSTONE CAP, LLC

TABLE OF CONTENTS

	<u>Page</u>
I. PURPOSE OF THIS PLAN	1
II. DESCRIPTION OF CHAPTER 100 FINANCINGS.....	1
General.....	1
Issuance and Sale of Bonds	1
Property Tax Abatement.....	2
III. DESCRIPTION OF THE PARTIES	2
Gladstone Cap, LLC.....	2
City of Gladstone, Missouri.....	2
IV. REQUIREMENTS OF THE ACT	3
Description of the Project.....	3
Estimate of the Costs of the Project.....	2
Source of Funds to be Expended for the Project.....	3
Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City.....	3
Affected School District, Community College District, County and City.....	3
Current Assessed Valuation.....	3
Payments in Lieu of Taxes.....	3
Cost-Benefit Analysis and Discussion of Exhibits.....	3
V. ASSUMPTIONS AND BASIS OF PLAN	4

ATTACHMENT A – SUMMARY OF KEY ASSUMPTIONS

EXHIBIT 1 - PROJECT ASSUMPTIONS

EXHIBIT 2 - SUMMARY OF COST BENEFIT ANALYSIS

EXHIBIT 3 - TAX REVENUES ON PROJECT IMPROVEMENTS WITHOUT ABATEMENT

EXHIBIT 4 - PILOT AMOUNTS

EXHIBIT 5 - TAX ABATEMENT ON PROJECT IMPROVEMENTS

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CITY OF GLADSTONE, MISSOURI

PLAN FOR AN INDUSTRIAL DEVELOPMENT PROJECT AND COST-BENEFIT ANALYSIS FOR GLADSTONE CAP, LLC

I. PURPOSE OF THIS PLAN

The City Council of the City of Gladstone, Missouri (the "City") will consider the issuance by the City of its industrial development revenue bonds in the aggregate principal amount of approximately \$17,700,000 (the "Bonds"), to finance and refinance the costs of an industrial development project (the "Project") for Gladstone Cap, LLC (the "Company"). The Bonds will be issued pursuant to the provisions of Sections 100.010 to 100.200 of the Revised Statutes of Missouri, as amended, and Article VI, Section 27(b) of the Missouri Constitution, as amended (collectively, the "Act").

This Plan for an Industrial Development Project and Cost-Benefit Analysis (the "Plan") has been prepared to satisfy the requirements of the Act and to analyze the potential costs and benefits, including the related tax impact on all affected taxing jurisdictions, of using industrial development revenue bonds to finance the Project and to facilitate abatement of ad valorem taxes on the bond-financed property.

II. DESCRIPTION OF CHAPTER 100 FINANCINGS

General. The Act authorizes cities, counties, towns and villages to issue industrial development revenue bonds to finance the purchase, construction, extension and improvement of warehouses, distribution facilities, research and development facilities, office industries, agricultural processing industries, service facilities that provide interstate commerce, industrial plants and other commercial facilities.

Issuance and Sale of Bonds. Revenue bonds issued pursuant to the Act do not require voter approval and are payable solely from revenues received from the project. The municipality issues its bonds and in exchange, the benefited company promises to make payments that are sufficient to pay the principal of and interest on the bonds as they become due. Thus, the municipality merely acts as a conduit for the financing.

Concurrently with the closing of the bonds, the municipality will hold title to the site on which the industrial development project will be located. (The municipality must be the legal owner of the property while the bonds are outstanding for the property to be eligible for tax abatement, as further described below.) At the same time, the municipality will lease the project site and the improvements thereon back to the benefited company pursuant to a lease agreement. The lease agreement will require the company, acting on behalf of the municipality, to use the bond proceeds to finance and refinance the costs or reimburse the costs of purchasing, constructing and installing the project, as applicable.

Under the lease agreement, the company typically: (1) will unconditionally agree to make payments sufficient to pay the principal of and interest on the bonds as they become due; (2) will agree, at its own expense, to maintain the project, to pay all taxes and assessments with respect to the project, and to maintain adequate insurance; (3) has the right, at its own expense, to make certain additions, modifications or improvements to the project; (4) may assign its interests under the lease agreement or sublease the project while remaining responsible for payments under the lease agreement; (5) will covenant to maintain its corporate existence during the term of the bond issue; and (6) will agree to

indemnify the municipality for any liability the municipality might incur as a result of its participation in the transaction.

Property Tax Abatement. Under Article X, Section 6 of the Missouri Constitution and Section 137.100 of the Revised Statutes of Missouri, all property of any political subdivision is exempt from taxation. In a typical transaction, the municipality holds fee title to the project and leases the project to the benefited company. Although the Missouri Supreme Court has held that the leasehold interest is taxable, it is taxable only to the extent that the economic value of the lease is less than the actual market value of the lease. See *Iron County v. State Tax Commission*, 437 S.W.2d 665 (Mo. 1968)(*en banc*) and *St. Louis County v. State Tax Commission*, 406 S.W.2d 644 (Mo. 1966)(*en banc*). If the rental payments under the lease agreement equal the actual debt service payments on the bonds, the leasehold interest should have no "bonus value" and the bond-financed property should be exempt from ad valorem taxation and personal property taxation so long as the bonds are outstanding.

If the municipality and the company determine that partial tax abatement is desirable, the company may agree to make "payments in lieu of taxes." The amount of payments in lieu of taxes is negotiable. The payments in lieu of taxes are payable by December 31 of each year, and are distributed to the municipality and to each political subdivision within the boundaries of the project in the same manner and in the same proportion as property taxes would otherwise be distributed under Missouri law.

III. DESCRIPTION OF THE PARTIES

Gladstone Cap, LLC. The Company is a limited liability company organized and existing under the laws of the State of Missouri and is authorized to do business in Missouri.

City of Gladstone, Missouri. The City is a third class city and municipal corporation organized and existing under the laws of the State of Missouri. The City is authorized and empowered pursuant to the provisions of the Act to purchase, construct, extend and improve certain projects (as defined in the Act) and to issue industrial development revenue bonds for the purpose of providing funds to pay the costs of such projects and to lease or otherwise dispose of such projects to private persons or corporations for manufacturing, commercial, warehousing and industrial development purposes upon such terms and conditions as the City deems advisable.

IV. REQUIREMENTS OF THE ACT

Description of the Project. The project to be financed by the Bonds consists of the design, engineering and construction of building(s) containing a minimum of 90,000 square feet of net leasable area to be occupied by a variety of public and private tenants, located on Lot 1 of Northland Innovation Campus, a subdivision in Gladstone, Clay County, Missouri. The real property improvements being financed by the Bonds are referred to as the "Project Improvements" which are located on real estate referred to as the "Project Site." The Project Improvements located on the Project Site are collectively referred to as the "Project."

There is anticipated to be a phase 2 of the development which will consist of the design, engineering and construction of an additional approximately 50,000 square feet of net leasable area to be occupied by a variety of public and private tenants, along with associated parking improvements. Phase 2 of the development will be located adjacent to the Project Site and is anticipated to be the subject of a separate tax abatement incentive package in the future.

Estimate of the Costs of the Project. The Project Improvements are initially expected to cost approximately \$17,500,000.

Source of Funds to be Expended for the Project Improvements. The sources of funds to be expended for the Project will be the proceeds of the Bonds in a principal amount of approximately \$17,700,000 to be issued by the City and purchased by the Company (the "Bondholder") and, if needed, other available funds of the Company. The Bonds will be payable solely from the revenues derived by the City from the lease or other disposition of the Project (as further described below). The Bonds will not be an indebtedness or general obligation, debt or liability of the City or the State of Missouri.

Statement of the Terms Upon Which the Project is to be Leased or Otherwise Disposed of by the City. The Company will deed the Project to the City subject to permitted encumbrances. The City will lease the Project to the Company pursuant to a lease agreement that will provide for lease payments equal to the principal and interest payments on the Bonds. Under the terms of the lease agreement with the City, the Company will have the option to purchase the Project at any time and will have the obligation to purchase the Project at the termination of the lease. The lease agreement between the City and the Company will terminate in 2039, unless terminated sooner pursuant to the terms of the lease agreement.

Affected School District, Community College District, County and City. The North Kansas City School District is the school district affected by the Project. Clay County, Missouri is the county affected by the Project. Metropolitan Community College is the community college district affected by the Project. The City is the city affected by the Project. The Cost-Benefit Analysis attached hereto identifies all other taxing districts affected by the Project (other than those taxing entities solely affected by the Project with respect to receipt of tax revenues from the commercial surcharge tax).

Current Assessed Valuation. The most recent equalized assessed valuation of the Project Site is \$23,842.¹ The estimated total equalized assessed valuation after development of the Project (2016) is \$5,600,000. The valuation for the Project Improvements was calculated based upon the Company's anticipated investment of 17,500,000 in the Project Improvements, multiplied by the assessment rate of 32%.

Payments in Lieu of Taxes. If this Plan is approved by the City Council, the City intends to issue the Bonds and to extend tax abatement for the Project to the Company for a period of twenty three (23) years beginning in 2017 and ending in 2039. The Company will make fixed annual payments in lieu of taxes in the amounts set forth in Exhibit 4. The annual payments in lieu of taxes for the Project will be fixed as set forth in Exhibit 4 irrespective of (i) any annual appraisal or assessment which may be rendered by the County Assessor's Office with respect to the Project or (ii) the actual amount or timing of investments in the Project. The annual payments in lieu of taxes for the Project have been calculated based upon the amount of taxes currently being paid on the Project Site based on an assessed value of 23,842.

Sales Tax Exemption. It is anticipated that the construction materials used to construct the Project will be exempt from state and local sales taxes.

Cost-Benefit Analysis and Discussion of Exhibits. In compliance with Section 100.050.2(3) of the Revised Statutes of Missouri, this Plan has been prepared to show the costs and benefits to the City

¹ The most recent equalized assessed valuation of the Project Site was calculated by dividing the square footage of Lot 1, Northland Innovation Campus (82,534 square feet), into the total square footage of Clay County Assessor parcel numbers 13-614-00-26-001.00, 13-614-00-26-002.00, and 13-614-00-27-001.00 (317,260 square feet) and multiplying that percentage by the total assessed value of the three parcels (\$91,648).

and to other taxing jurisdictions affected by the tax abatements and exemptions of the Project. The following is a summary of the exhibits attached to this Plan that show the direct tax impact the Project is expected to have on each taxing jurisdiction. This Plan does not attempt to quantify the overall economic impact of the Project.

Project Assumptions. **Exhibit 1** presents a list of the assumptions related to the determination of assessed valuations and the tax formulas.

Summary of Cost-Benefit Analysis. **Exhibit 2** presents a summary for each affected taxing district of (1) the total estimated tax revenues that would be generated if the Project did not receive tax abatement, (2) the total estimated value of the payments in lieu of taxes ("PILOT Amounts") to be made by the Company for the proposed abatement period and (3) the total estimated value of the abatement to the Company.

Real Property Tax Revenues. **Exhibit 3** provides the projected tax revenues that would be generated from the Project Improvements without tax abatement. **Exhibit 4** provides the projected value of PILOT Amounts to be paid by the Company with respect to the Project Improvements. **Exhibit 5** provides the projected value to the Company of the real property tax abatement on the Project Improvements.

V. ASSUMPTIONS AND BASIS OF PLAN

In preparing this Plan, key assumptions have been made to estimate the fiscal impact of the abatement and exemptions proposed for the Project. See **ATTACHMENT A** for a summary of these assumptions.

Information necessary to complete this Plan, has been furnished by representatives of the City, representatives of the Company and its counsel, the Bondholder and other persons deemed appropriate and such information has not been independently verified for accuracy, completeness or fairness.

* * *

ATTACHMENT A

SUMMARY OF KEY ASSUMPTIONS

1. The cost of constructing the Project Improvements is estimated to be \$17,500,000.
2. The construction of the Project Improvements will be completed in 2016 which would become taxable in 2017.
3. The Project will be owned by the City and leased to the Company with an option to purchase. As long as the Project is owned by the City, it will be exempt from ad valorem taxes.
4. The Project Improvements will be excluded from the calculation of ad valorem property taxes for a period of twenty three years beginning in the year following the investment in the Project Improvements.
5. During the entire term of the Bonds through 2039, the Company will make payments in lieu of taxes in accordance with that portion of Section IV above in the Plan entitled "Payments in Lieu of Taxes."
6. Commercial real property taxes are calculated using the following formula:
$$(\text{Assessed Value} * \text{Tax Rate})/100$$
7. The assessed value of the Project Improvements is calculated using the following formula:
$$\text{Estimated Value} * \text{Assessment Ratio of 32\%}$$
8. After development, the assessed value of the Project Improvements is subject to growth at an estimated rate of 2% every year an assessment is made (every odd year).
9. The tax rates used in this Plan reflect the rates in effect for the tax year 2014. The tax rates were held constant through the 2039 tax year.

* * *

**City of Gladstone
(Gladstone CAP, LLC Project)**

**COST BENEFIT ANALYSIS
PLAN FOR INDUSTRIAL DEVELOPMENT PROJECT**



Table of Contents

I	Project Assumptions	1
II	Summary of Tax Impact Analysis	2
III	Tax Revenues on Project Improvements Without Abatement	3
IV	PILOT Amounts	4
V	Tax Abatement on Project Improvements	5

Exhibit 1

Project Assumptions

♦ Initial year taxes assessed	2017
♦ Appraised value of real property improvements	\$ 17,500,000
♦ Bi-annual growth rate of appraised value of real property	2.0%
♦ Assessed value as a percentage of appraised value (real)	32.0%
♦ Assessed value of real property improvements	\$ 5,600,000
♦ Assessed value of property before development	\$ 23,842
♦ PILOT Fixed Years 1 to 23	\$ 2,046

Exhibit 2
Summary of Tax Impact Analysis

Tax Distribution	Tax Rate	Tax Revenues on Project Improvements Without Abatement	PILOT Amounts	Tax Abatement on Project Improvements
North Kansas City School District	6.5167	\$ 9,335,336	\$ 35,735	\$ 9,299,601
Gladstone	0.9290	1,330,816	5,094	1,325,722
Library Tax	0.3200	458,408	1,755	456,653
KCJC Tax	0.2374	340,081	1,302	338,780
Developmental Disabilities DDRB	0.1162	166,459	637	165,822
Mental Health Tax	0.1032	147,837	566	147,271
County Services	0.1800	257,855	987	256,867
Health Tax	0.1000	143,253	548	142,704
Senior Citizen Service Fund	0.0499	71,483	274	71,209
State Tax	0.0300	42,976	164	42,811
	8.5824	\$ 12,294,503	\$ 47,063	\$ 12,247,441

Exhibit 3
Tax Revenues on Project Improvements Without Abatement

Estimated Assessed Value of Real Property		Tax Rate per \$100											
Taxing Jurisdiction		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
North Kansas City School District	6.5167	\$ 364,935	\$ 364,935	\$ 372,234	\$ 372,234	\$ 379,679	\$ 379,679	\$ 387,272	\$ 387,272	\$ 395,018	\$ 395,018	\$ 402,918	\$ 402,918
Gladstone	0.9290	52,024	52,024	53,064	53,064	54,126	54,126	55,208	55,208	56,312	56,312	57,439	57,439
Library Tax	0.3200	17,920	17,920	18,278	18,278	18,644	18,644	19,017	19,017	19,397	19,397	19,785	19,785
KCJC Tax	0.2374	13,294	13,294	13,560	13,560	13,831	13,831	14,108	14,108	14,390	14,390	14,678	14,678
Developmental Disabilities DDRB	0.1162	6,507	6,507	6,637	6,637	6,770	6,770	6,905	6,905	7,044	7,044	7,184	7,184
Mental Health Tax	0.1032	5,779	5,779	5,895	5,895	6,013	6,013	6,133	6,133	6,256	6,256	6,381	6,381
County Services	0.1800	10,080	10,080	10,282	10,282	10,487	10,487	10,697	10,697	10,911	10,911	11,129	11,129
Health Tax	0.1000	5,600	5,600	5,712	5,712	5,826	5,826	5,943	5,943	6,062	6,062	6,183	6,183
Senior Citizen Service Fund	0.0499	2,794	2,794	2,850	2,850	2,907	2,907	2,965	2,965	3,025	3,025	3,085	3,085
State Tax	0.0300	1,680	1,680	1,714	1,714	1,748	1,748	1,783	1,783	1,818	1,818	1,855	1,855
	8.5824	\$ 480,614	\$ 480,614	\$ 490,227	\$ 490,227	\$ 500,031	\$ 500,031	\$ 510,032	\$ 510,032	\$ 520,232	\$ 520,232	\$ 530,637	\$ 530,637

Estimated Assessed Value of Real Property		Tax Rate per \$100											
Taxing Jurisdiction		2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	Total
North Kansas City School District	6.5167	\$ 410,976	\$ 410,976	\$ 419,196	\$ 419,196	\$ 427,580	\$ 427,580	\$ 436,131	\$ 436,131	\$ 444,854	\$ 444,854	\$ 453,751	\$ 9,335,336
Gladstone	0.9290	58,587	58,587	59,759	59,759	60,954	60,954	62,174	62,174	63,417	63,417	64,685	1,330,816
Library Tax	0.3200	20,181	20,181	20,584	20,584	20,996	20,996	21,416	21,416	21,844	21,844	22,281	458,408
KCJC Tax	0.2374	14,972	14,972	15,271	15,271	15,577	15,577	15,888	15,888	16,206	16,206	16,530	340,081
Developmental Disabilities DDRB	0.1162	7,328	7,328	7,475	7,475	7,624	7,624	7,777	7,777	7,932	7,932	8,091	166,459
Mental Health Tax	0.1032	6,508	6,508	6,638	6,638	6,771	6,771	6,907	6,907	7,045	7,045	7,186	147,837
County Services	0.1800	11,352	11,352	11,579	11,579	11,810	11,810	12,047	12,047	12,287	12,287	12,533	257,855
Health Tax	0.1000	6,307	6,307	6,433	6,433	6,561	6,561	6,693	6,693	6,826	6,826	6,963	143,253
Senior Citizen Service Fund	0.0499	3,147	3,147	3,210	3,210	3,274	3,274	3,340	3,340	3,406	3,406	3,474	71,483
State Tax	0.0300	1,892	1,892	1,930	1,930	1,968	1,968	2,008	2,008	2,048	2,048	2,089	42,976
	8.5824	\$ 541,250	\$ 541,250	\$ 552,075	\$ 552,075	\$ 563,116	\$ 563,116	\$ 574,379	\$ 574,379	\$ 585,866	\$ 585,866	\$ 597,584	\$12,294,503

Exhibit 4
PILOT Amounts

Assessed Value of Property Before Development		\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842
Taxing Jurisdiction		Tax Rate per \$100														
North Kansas City School District Gladstone Library Tax KCJC Tax Developmental Disabilities DDRB Mental Health Tax County Services Health Tax Senior Citizen Service Fund State Tax	6.5167	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554
	0.9290	221	221	221	221	221	221	221	221	221	221	221	221	221	221	221
	0.3200	76	76	76	76	76	76	76	76	76	76	76	76	76	76	76
	0.2374	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57
	0.1162	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28
	0.1032	25	25	25	25	25	25	25	25	25	25	25	25	25	25	25
	0.1800	43	43	43	43	43	43	43	43	43	43	43	43	43	43	43
	0.1000	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
	0.0499	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
	0.0300	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
8.5824		\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046

Assessed Value of Property Before Development		\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842	\$ 23,842
Taxing Jurisdiction		Tax Rate per \$100														
North Kansas City School District Gladstone Library Tax KCJC Tax Developmental Disabilities DDRB Mental Health Tax County Services Health Tax Senior Citizen Service Fund State Tax	6.5167	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 1,554	\$ 35,735
	0.9290	221	221	221	221	221	221	221	221	221	221	221	221	221	221	5,094
	0.3200	76	76	76	76	76	76	76	76	76	76	76	76	76	76	1,755
	0.2374	57	57	57	57	57	57	57	57	57	57	57	57	57	57	1,302
	0.1162	28	28	28	28	28	28	28	28	28	28	28	28	28	28	637
	0.1032	25	25	25	25	25	25	25	25	25	25	25	25	25	25	566
	0.1800	43	43	43	43	43	43	43	43	43	43	43	43	43	43	987
	0.1000	24	24	24	24	24	24	24	24	24	24	24	24	24	24	548
	0.0499	12	12	12	12	12	12	12	12	12	12	12	12	12	12	274
	0.0300	7	7	7	7	7	7	7	7	7	7	7	7	7	7	164
8.5824		\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 2,046	\$ 47,063

Exhibit 5
Tax Abatement on Project Improvements

Estimated Assessed Value of Real Property	\$5,600,000	\$5,600,000	\$5,712,000	\$5,712,000	\$5,826,240	\$5,826,240	\$5,942,765	\$5,942,765	\$6,061,620	\$6,061,620	\$6,182,852	\$6,182,852
Assessed Value of Property Before Development	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842
Taxing Jurisdiction	Tax Rate per \$100											
North Kansas City School District	6.5167	\$363,381	\$363,381	\$370,680	\$370,680	\$378,125	\$385,718	\$385,718	\$393,464	\$393,464	\$401,364	\$401,364
Gladstone	0.9290	51,803	51,803	52,843	52,843	53,904	54,987	54,987	56,091	56,091	57,217	57,217
Library Tax	0.3200	17,844	17,844	18,202	18,202	18,568	18,941	18,941	19,321	19,321	19,709	19,709
KCJC Tax	0.2374	13,238	13,238	13,504	13,504	13,775	14,052	14,052	14,334	14,334	14,621	14,621
Developmental Disabilities DDRB	0.1162	6,480	6,480	6,610	6,610	6,742	6,878	6,878	7,016	7,016	7,157	7,157
Mental Health Tax	0.1032	5,755	5,755	5,870	5,870	5,988	6,108	6,108	6,231	6,231	6,356	6,356
County Services	0.1800	10,037	10,037	10,239	10,239	10,444	10,654	10,654	10,868	10,868	11,086	11,086
Health Tax	0.1000	5,576	5,576	5,688	5,688	5,802	5,919	5,919	6,038	6,038	6,159	6,159
Senior Citizen Service Fund	0.0499	2,783	2,783	2,838	2,838	2,895	2,954	2,954	3,013	3,013	3,073	3,073
State Tax	0.0300	1,673	1,673	1,706	1,706	1,741	1,776	1,776	1,811	1,811	1,848	1,848
	8.5824	\$478,568	\$478,568	\$488,180	\$488,180	\$497,985	\$507,986	\$507,986	\$518,186	\$518,186	\$528,591	\$528,591

Estimated Assessed Value of Real Property \$6,306,510 \$6,306,510 \$6,432,640 \$6,432,640 \$6,561,293 \$6,561,293 \$6,692,518 \$6,692,518 \$6,826,369 \$6,826,369 \$6,962,896

Assessed Value of Property Before Development	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842	\$23,842
Taxing Jurisdiction	Tax Rate per \$100											
North Kansas City School District	6.5167	\$409,423	\$409,423	\$417,642	\$417,642	\$426,026	\$434,578	\$434,578	\$443,300	\$443,300	\$452,197	\$452,197
Gladstone	0.9290	58,366	58,366	59,538	59,538	60,733	61,952	61,952	63,195	63,195	64,464	64,464
Library Tax	0.3200	20,105	20,105	20,508	20,508	20,920	21,340	21,340	21,768	21,768	22,205	22,205
KCJC Tax	0.2374	14,915	14,915	15,214	15,214	15,520	15,831	15,831	16,149	16,149	16,473	16,473
Developmental Disabilities DDRB	0.1162	7,300	7,300	7,447	7,447	7,597	7,749	7,749	7,905	7,905	8,063	8,063
Mental Health Tax	0.1032	6,484	6,484	6,614	6,614	6,747	6,882	6,882	7,020	7,020	7,161	7,161
County Services	0.1800	11,309	11,309	11,536	11,536	11,767	12,004	12,004	12,245	12,245	12,490	12,490
Health Tax	0.1000	6,283	6,283	6,409	6,409	6,537	6,669	6,669	6,803	6,803	6,939	6,939
Senior Citizen Service Fund	0.0499	3,135	3,135	3,198	3,198	3,262	3,328	3,328	3,394	3,394	3,463	3,463
State Tax	0.0300	1,885	1,885	1,923	1,923	1,961	2,001	2,001	2,041	2,041	2,082	2,082
	8.5824	\$539,204	\$539,204	\$550,029	\$550,029	\$561,070	\$572,333	\$572,333	\$583,820	\$583,820	\$595,537	\$595,537

Taxing Jurisdictions -- Distribution List

City of Gladstone, Missouri

Brian Hill, Mayor
Gladstone City Hall
7010 North Holmes
Gladstone, MO 64118

North Kansas City School District

Todd E. White, Ed.D., Superintendent
2000 NE 46th Street
Kansas City, MO 64116

Metropolitan Community College

Mark James, Chancellor
3200 Broadway
Kansas City, MO 64111

Clay County, Missouri

Dean Brookshier, County Administrator
1 Courthouse Square
Liberty, MO 64068

Clay County Health Department

Attn: Director
800 Haines Drive
Liberty, MO 64068

Missouri Department of Revenue

Blind Pension Fund
Ronald J. Levy, Director
221 West High Street
Jefferson City, MO 65102

Tri-County Mental Health Services

Board of Trustees
3100 NE 83rd Street, Suite 1001
Kansas City, MO 64119

Mid Continent Public Library

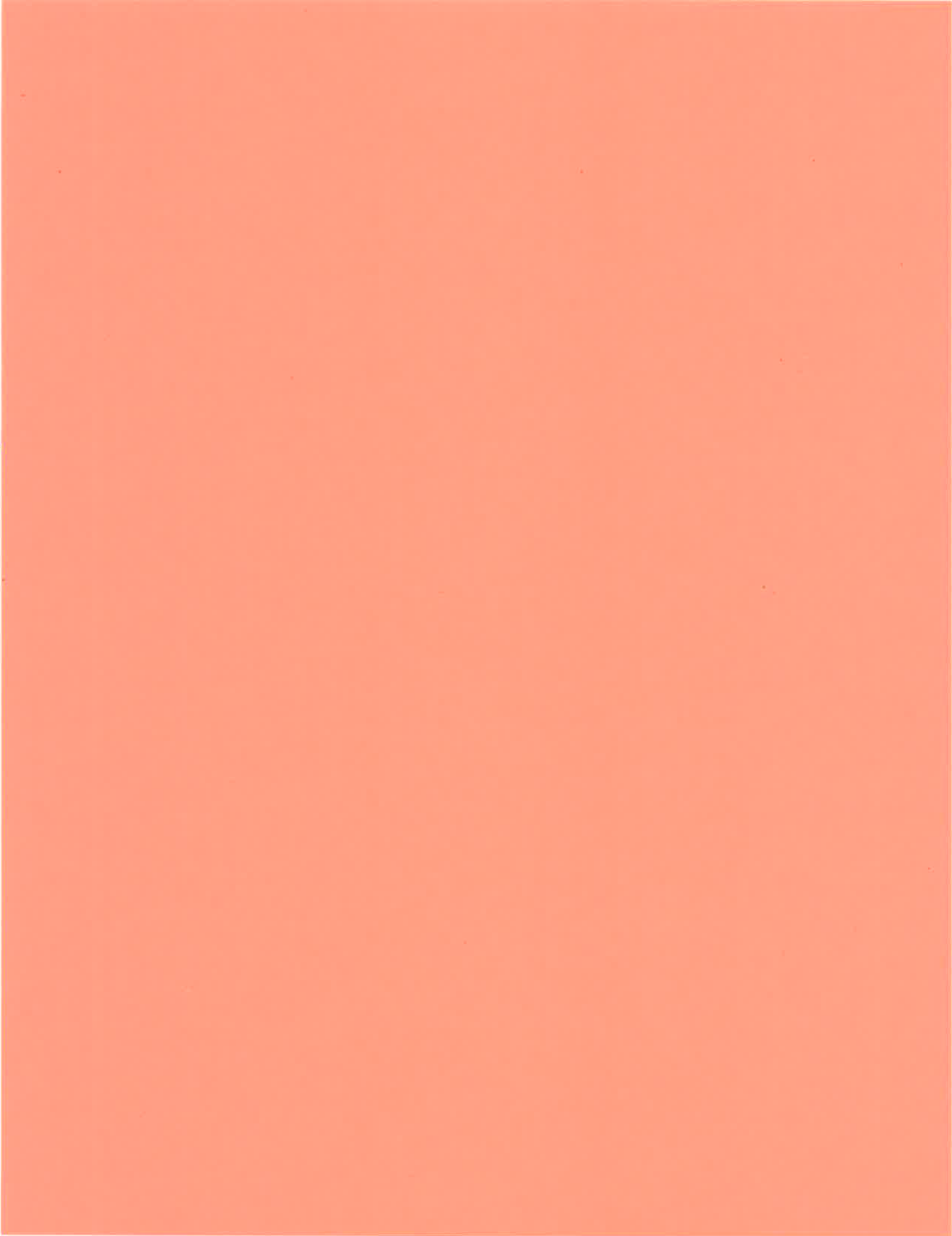
Steven V. Potter, Director
15616 E. Highway 24
Independence, MO 64050

Developmental Disabilities

Resource Board of Clay County
Brian O'Malley, Executive Director
920 Kent
Liberty, MO 64068

Clay County Senior Services

Attn: Robert Steinkamp, Chair
4444 N. Belleview, Suite 108
Gladstone, MO 64116



1 Site Analysis



Northland Innovation Center

HOEFER WYSOCKI
Architects

GarBauerCandall

1 Site Analysis



Northland Innovation Center

HOEFER WYSOCKI
Architects

Carl Baker Crandall



Building's Southwest Corner

Northland Innovation Center

Hoskins Wysocki
ARCHITECTS

Continuity & Detail
ARCHITECTS

A.1 PERSPECTIVE VIEW NORTHEAST



A.8 PERSPECTIVE VIEW WEST FACADE



F.1 PERSPECTIVE VIEW NORTHWEST



F.6 PERSPECTIVE VIEW SOUTHWEST



Site Spaces/Features

- A** Entry Plaza Park
- B** Corner Treatment "Gladstone Gateway"
- C** East Entry
- D** Future School Yard
- E** Bus Drop-Off
- F** Car Drop-Off
- G** School Main Building Entry
- H** Public Building Entry
- I** Lower Level School Private Building Entry

Overall Landscape Concept

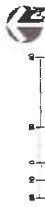


Northland Innovation Center
Gladstone, Missouri
December 22, 2014



Section A - Street Frontage @ Light Pole

Section B - Street Frontage @ Tree Well



NORTHLAND INNOVATION CAMPUS

69TH STREET
GLADSTONE, MO 64118

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HOEFER WYsocki
ARCHITECTS, LLC
REVISIONS:

PROFESSIONAL SEAL

L100
APPROVED: 20 DECEMBER 2014

OVERALL
LANDSCAPE
CONCEPT

SCHEMATIC DESIGN / CITY PLANNING SUBMITTAL

HOEFER WYsocki
11400 Townshill Creek Parkway, Suite 400, Lenexa, Kansas 66157
P: 913.307.3700 F: 913.307.3710 www.hoeferwysocki.com

Entry Plaza Park

Entry Plaza Park - "Angle"

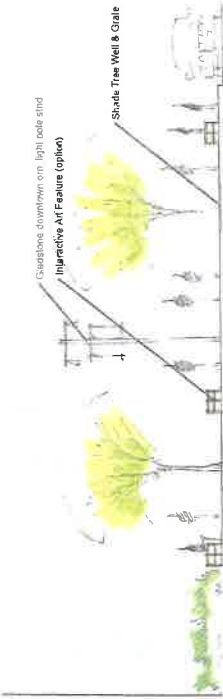
The angle orientation is aligned to frame views into the plaza and "stand alone" as a separate space not defined by the building. The angle layout minimizes the emphasis of pass through pedestrian walks. Instead one clearly enters into a space promotes seating and interactive art.



Section - Landmark Art Option



Section - Angled Entry Plaza Park



Art Feature

In lieu of a traditional art "centerpiece", the art feature could be an integrated, usable component in the plaza. Custom seatwalls, modern planting/lighting features, etc. are ways to integrate or redefine the element of an art feature and celebrate the youth and education of the center.



Interactive



Pavement Lighting



Landmark



Landmark



Northland Innovation Center

Gladstone, Missouri

December 22, 2014

L110

ISSUE DATE: 12/22/2014
PROJECT NUMBER: 1101

ENTRY
PLAZA
CONCEPT



Springsted

Springsted Incorporated
9229 Ward Parkway, Suite 104
Kansas City, MO 64114-3311

Tel: 816-333-7200
Fax: 816-333-6899
Email: advisors@springsted.com
www.springsted.com

MEMORANDUM

TO: Scott Wingerson, City of Gladstone

FROM: Thomas Denaway, Assistant Vice President

DATE: March 31, 2015

SUBJECT: Northland Innovation Center Financial Review

At the request of the City, Springsted has prepared a financial review of the proposed Northland Innovation Campus to make a determination regarding the financial capacity of the project to undertake the construction of a parking structure as a component of the first phase of the development of the campus. Additionally, we have been asked to provide comment verifying the need for the requested 23-year tax abatement assistance.

Background

The City is partnering with a private developer CarrBaierCrandall, LLC (CBC) to develop the first phase of the Northland Innovation Campus, which will include an approximately 92,758 square foot building. The North Kansas City School District is a partner in the project as a tenant, who will be committing to a 20-year lease to occupy approximately 70,000 square feet of the phase one building. In addition to the School District the Developer will be seeking additional tenants to occupy the approximately 17,000 square feet of remaining leasable space. The Developer is also anticipating the project will expand to include a second phase in the future, bringing the total square footage to approximately 140,000 sf.

Project Costs

The Developer prepared a detailed project budget outlining the line-item costs incurred in the construction of the first building of the campus. The proposed development has a total estimated project cost of \$15,675,449 for the construction of the 92,758 sf facility. The budget is broken down in the chart below:

Public Sector Advisors

	Total Costs	% of Total
Hard Costs	\$12,602,221	80%
Soft Costs	\$917,490	6%
Land Related	\$523,100	3%
Architectural & Engineering Fee	\$744,456	5%
Other A&E related Fees	\$209,000	1%
Additional Cost Contingency	\$372,228	2%
Closing Costs – Financing etc.	\$62,702	0.4%
Capitalized Interest	\$244,251	2%
Total Development Costs	\$15,675,449	

Land Related costs

The Developer has assumed a land acquisition price of \$500,000, in addition to \$23,100 of costs related to an appraisal and survey as part of the purchase transaction.

Hard Costs

The Hard Costs category is the largest of the cost categories at \$12,602,221, and includes line-items related to: vertical building construction, site work, a 6% general contractor contingency, a 1.5% construction management fee, and a developer contingency of 3%. The costs associated with construction of the building equates to approximately \$139.87 per gross building square foot. The Developer did not project any expenses related to tenant improvement allowances.

To analyze the projected vertical construction cost line-items we compared the cost estimate to the *RSMeans Quickcost cost estimator* for estimated construction costs for a commercial type of building in the Kansas City metropolitan area. The *RSMeans* data provides a range of cost estimates from low, to medium, to high for the construction of vertical building improvements. In evaluating the cost estimate the Developer provided a construction cost estimate of \$139.87 per square foot. The *RSMeans* estimate for the construction of an office building is \$132.15 for the low estimate, \$146.83 for the medium estimate, and \$183.54 for the high estimate. The Developer's Hard Construction estimate appears to be reasonable based on this comparison.

Soft Costs

The soft cost category totals \$917,490 and includes the following line-items; legal/accounting, development fee, environmental, geotech, traffic study, third-party inspections, travel, title insurance/closing costs, bank inspections, and a contingency. The largest of the soft cost line-items is the Developer Fee of \$600,000, which equates to 4.62% of the total hard costs. The next largest line item is \$125,000 for costs associated with legal and accounting. The other line-items are minor in nature.

Architecture and Engineering Fee

This cost category totals \$953,456, and equates to \$10.28 per square foot. The medium *RSMeans* cost estimate for this line-item is \$10.28 per square foot.

Financing Costs

This line-item totals \$306,953, and includes \$62,702 in closing costs and \$244,251 in interest reserve during construction. The interest reserve line-item is based on a construction loan at an interest rate of 4%.

Operating Pro Forma Review:

The Developer provided a detailed operating pro forma to illustrate the feasibility of the project, and the impact on feasibility from the inclusion of approximately \$8,000,000 in additional costs associated with constructing structured parking. The development pro forma outlined their assumptions as it related to the operating revenue they are projecting from the potential tenants, as well as their anticipated financing terms. We utilized the information included in the pro forma prepared by the Developer to calculate a potential Internal Rate of Return (IRR) realized by the developer for three scenarios; the project with abatement and no parking structure, the project with abatement and parking structure, and the project without abatement and no parking structure.

By taking the information provided in the Developer's pro forma and applying an IRR measure, we are able to identify the feasibility of the various scenarios as illustrated by the rate of return realized by the Developer. Given the significant risk undertaken in the development of commercial property there needs to be a sufficient enough economic return realized by a developer to warrant investment in a project. Absent a sufficient return, a development would be unlikely to be undertaken. Therefore, we can utilize the projected return on a development as a means for measuring the feasibility of various scenarios.

We utilized the Developer's supplied pro forma to calculate potential Internal Rates of Returns on the development after a period of 10-years. In order to calculate the IRR, a hypothetical sale of the asset is assumed in the final year of the period of time being reviewed. In this case we examined a 10-year period. The purpose of this hypothetical sale is simply to convert the asset back to an all cash position for purposes of calculating a financial return on the initial investment. It should not be taken as any indication of the Developer's intention to sell the property at that point in time, it's simply a "sale" on paper for purposes of converting the real estate asset to a cash position. In order to calculate the estimate "sale" value of the property in year 10 we utilized an 8% capitalization rate, applied to the year 10 net operating income. Additionally, we assumed a 3% cost of sale assumption, in determining the sale value.

The Developer projected operating income for the project will be based on the occupancy of 90% of the building at a triple-net lease rate of \$18.00 per square foot. The Developer indicated they anticipate additional operating expenses of approximately \$6.40 to \$6.75 will be passed along to the individual tenants; bringing total gross rental rates paid by tenants to the \$24.40 to \$24.75 range. The gross rental rates projected by the Developer are before the application of any property tax expenses, which would also typically be passed along to the individual tenants as well.

We prepared an estimate of the potential property taxes incurred by the Development absent any property tax abatement. Utilizing a preliminary market value of \$15M, we calculated an annual property tax payment of \$514,752

without abatement. Spreading this property tax expense against the leasable square footage of 87,131 results in a per square foot cost of \$5.91, which would also be passed along to the tenants as part of the gross rental rate. Absent the requested abatement the total gross rental income would increase to a range of \$30.31 to \$30.66.

In order to justify the need for the tax abatement assistance, the Developer provided a number of current existing class A commercial spaces available for lease in the Northland with available gross lease rates in the \$24 range. Given these comparable products available on the market the Developer indicates they need the property tax expense savings provided by the tax abatement, in order to pass along to their potential tenants a gross lease rate that is comparable to the market rate of \$24 per square foot range. Absent the property tax abatement savings the total gross lease rate would be in the \$30 range and significantly higher than other products currently available in the market.

In order to judge the feasibility of the project we prepared calculations of the potential return realized by the Developer if they were to undertake the project either without abatement, or with abatement and with the structured parking. We calculated these returns on an unleveraged basis in order to be comparable to a third third-party benchmark we use in the *Korpacz/PriceWaterHouseCooper (PWC) Real Estate Investor Survey*. This a survey that is performed quarterly which seeks Developer input on what level of return they would seek in the purchase of existing real estate developments. We use the Korpacz/PWC survey as a third-party benchmark for determining project feasibility, and illustrating the likelihood of a project being undertaken at certain return levels. That being said, it is a conservative benchmark as it is based on the desired return on an existing development. A developer seeking to undertake new construction will be undertaking a significantly greater level of risk, and therefore is likely seeking a return range higher than what is cited in the investor survey. However, as a feasibility benchmark it is used as a low hurdle rate, which only lends further credence to a finding that a project is unfeasible in the event the return is below the average cited in the survey.

The Korpacz/PWC first quarter 2015 survey identifies the desired return range of 6.0% to 12.00% with an average return of 8.77%; for office buildings in what they have defined as the “secondary office market” which includes Kansas City and other similar sized markets nationwide. The chart below illustrates the potential unleveraged rate of return realized by the Developer if they were to undertake the project without abatement, or with abatement and the structure parking

Scenario	Unleveraged Internal Rate of Return
Without Abatement & No Parking Structure	5.37%
With Abatement & With Parking Structure	4.83%

Given the Korpacz/PWC survey identifies an average return sought on the investment in an existing development at 8.77%, we can determine that the project is unlikely to be undertaken absent the property tax abatement, or with the inclusion of the abatement and the parking structure. In both of these scenarios the potential return realized by the Developer falls out of the range entirely.

Additionally, we calculated the potential rate of return realized by the development as currently proposed, which is illustrated in the chart below.

Scenario	Unleveraged Internal Rate of Return
With Abatement & No Parking Structure	10.97%

As this analysis indicates the project generates a feasible rate of return with the property tax abatement, and without the inclusion of the parking structure. The rate of return generated by our analysis indicates a potential return of 10.97% and is within the range cited in the investor survey, which is admittedly a conservative range. Additionally, it should be noted that the potential return illustrated is based on the assumption that no tenant improvement allowances will be necessary to attract potential tenants. In the event the Developer were to incur additional tenant improvement costs, the potential rate of return would decrease from what is illustrated here.

Conclusion

Based on our analysis of the project cost and operating information prepared by the Developer and the unleveraged Internal Rate of Return analysis we performed based on this information, we can conclude that the project would be unlikely to proceed either without abatement, or with abatement but with the inclusion of the parking structure.