Baker Tilly Municipal Advisors, LLC
5440 West 110th St, Suite 300
Overland Park, KS 66211
United States of America

T: +1 (816) 333 7200

bakertilly.com

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Leslie Haase
Finance Director
City of Joplin
602 S Main Street
Joplin, MO 64801

Ms. Haase:

The City of Joplin, Missouri ("City") retained Baker Tilly Municipal Advisors ("BTMA") to review a request for financial incentives from Woodsonia Real Estate Inc. ("Applicant") for its proposed Prospect Village development ("Project") to evaluate the reasonableness and mathematical accuracy of the Applicant's projections in its Prospect Village Tax Increment Financing Redevelopment Plan ("Plan"). The Applicant proposes a mixed-use development east of Range Line Road and south of 20th Street to include a sports facility to be constructed by the Applicant and owned by the City. A significant portion of the 78.5-acre Project site was deemed an Environmental Protection Agency (EPA) Super Fund Clean Up Site in 1990 due to its long-use for mining, milling, smelting, solid waste landfill, and other uses requiring environmental remediation.

BTMA considered the assumptions and methodologies for four significant elements of the Applicant's Plan: **construction costs, property valuation and PILOTs, taxable annual sales and EATs capture, and baseline district sales.** Baker Tilly applied the following processes to evaluate the reasonableness and accuracy of the Applicant's Plan projections.

Assumptions and methodologies related to the cost of private construction:

- **Verification:** BTMA evaluated the Applicant's assumptions for the cost of construction using information from RSMeans data, a Gordian service, a leading provider of facility and construction data.
- **Evaluation**: BTMA determined that the estimated construction costs per square foot for the multi-family, hotel, and anchor retail store are reasonable and align with the estimates from RSMeans.
- **Exceptions and Variance:** No material exceptions or variances.
- **Determination:** Assumptions are reasonable, and the calculation is mathematically accurate.

Assumptions related to Increment Production:

BTMA considered projections prepared by the Applicant and those prepared by the Applicant's development counsel. As assumptions, timelines, valuation, and estimated sales activity were updated by the Applicant, BTMA maintained calculations of the Project's tax production to ensure consistency. Any inconsistency identified was communicated to the Applicant and revised in subsequent versions of the projections.

Assumptions and methodologies related to assessed valuation of private construction and associated PILOTs.

- **Verification:** The Applicant's process for valuation of private construction is consistent with expected methodologies to estimate construction valuation, appraisal, assessment, and taxation. BTMA evaluated whether the Applicant used correct property tax levy rates and that PILOT calculations were consistent with Missouri statute, properly accounting for exempt levies.

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- **Evaluation:** BTMA replicated the methodology used by the Applicant's counsel to calculate the valuation of private development in the Project proposal. The Applicant calculated the estimated appraised value by adding existing and post construction improved values for all properties. BTMA did not evaluate the property tax generation against state and local assessment collection practices, as the project phasing may vary between this valuation and ultimate construction. BTMA instead treated all construction as fully taxable in the year following the completion of that element of the Project.
- **Exceptions and Variance:** No material exceptions or variances. Any clarifications or comments on assumptions were communicated to the Applicant and revised.
- **Determination:** Applicant used 2023 property tax levies, as 2024 levies were not available at the time of preparation. The substitution of 2024 levies do not materially change forecasted PILOTs. The forecast of PILOTs is heavily influenced by construction cost estimates, which are addressed above. PILOT calculations were consistent with Missouri statute, properly accounting for exempt levies.

Assumptions and methodologies related to calculation of new taxable sales and associated EATs within TIF:

- **Verification:** The taxable sales generated by this activity are reasonable, and in line with BTMA's expectations for a project with a comparable development composition and geography.
- **Evaluation:** BTMA replicated the methodology outlined by the Applicant and the Applicant's counsel to calculate both taxable sales and EATs production and was able to replicate both with no material variations.
- **Exceptions and Variance:** No material exceptions or variances. Any clarifications or comments on assumptions were communicated to the Applicant and revised. However, sales tax projections could vary by up to 2% if all retailers opt to pay their Missouri sales taxes on time.
- **Determination:** Assumptions are reasonable, and the calculation is mathematically accurate.

Assumptions and methodologies related to calculation of taxable sales and associated project revenues within the CIDs:

- **Verification:** The Applicant's counsel supplied data and methodologies to support the baseline taxable sales within the boundaries of the proposed Community Improvement Districts (CIDs). BTMA evaluated the information and determined that the Applicant derived sales using reasonable sources and methodologies. Individual business sales data is confidential in the state of Missouri, therefore BTMA could not verify the precise baseline sales for the specific businesses in the District. However, the City has confirmed that staff have verified that the Applicant's projected baseline sales are within a reasonable range while preserving necessary confidentiality.
- **Evaluation:** BTMA replicated the methodology outlined by the Applicant and the Applicant's counsel to calculate both taxable sales and EATs production and was able to replicate both with no material variations. Sales tax generation may vary due to the state's early-payment discount on sales tax collections.
- **Exceptions and Variance:** BTMA did not identify any exceptions or variations in the Applicant's calculation methodologies. However, sales tax projections could vary by up to 2% if all retailers opt to pay their Missouri sales taxes on time.
- **Determination:** The Applicant's assumptions and methodologies are sufficient and use the best available information while adhering to Federal, State, and Local laws and policies regarding protection of confidential sales and sales tax information.

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Other assumptions, calculations, and considerations:

- **Financing:** BTMA verified that the cashflows from proposed Project revenues related to the Sports Complex CID will support the requested principal totaling $66.1 million, assuming uniform financing at 5.5% interest for the 27-year lifetime of the CID. On January 21, 2025, at the request of the City, BTMA provided a revised structure supporting principal of $61.5 million assuming reduced CID participation.

  Construction of the Sports Complex is assumed to be financed through CID debt. The balance of the Project is structured assuming pay-as-you-go reimbursement to the Applicant of Project costs from incentive cashflows and does not represent a direct financial obligation of the City.

- **Prior Analysis:** BTMA previously evaluated in its December 6, 2024, But-For Determination Report assumptions associated with private Project revenues from the sale of land, rental income from the proposed development, and costs associated with site infrastructure. No material exceptions or variances were identified.

We conclude that the Applicant's financial projections in its Prospect Village Tax Increment Financing Redevelopment Plan are based upon reasonable assumptions and are mathematically accurate. This Analysis is not an opinion of the likelihood of success of the proposed Project, nor a statement of financial or market feasibility. Projecting outcomes for projects of this nature involves subjective judgment which may or may not prove correct.

We would welcome an opportunity to discuss this analysis.

Respectfully,

BAKER TILLY MUNICIPAL ADVISORS, LLC

Tom Kaleko

Tom Kaleko, Principal

CC: Mr. Nick Edwards, City Manager

Disclosure and Reliance

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

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