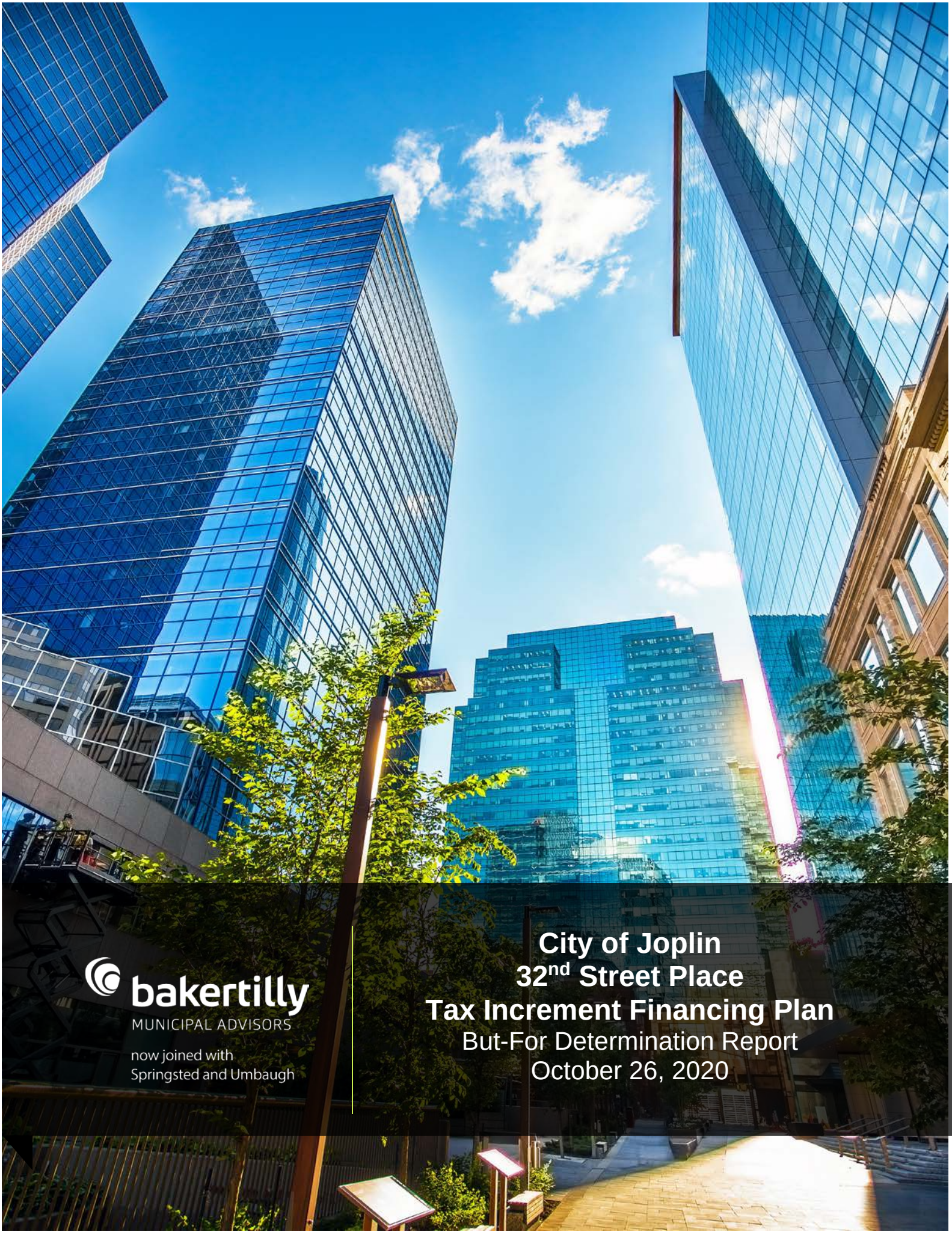


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City of Joplin
32nd Street Place
Tax Increment Financing Plan
But-For Determination Report
October 26, 2020

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1. Purpose

The City of Joplin has retained Baker Tilly Municipal Advisors to review the proposed 32nd Street Place Tax Increment Financing Redevelopment Plan. The Redevelopment Area is an approximately 78.51-acre area of land generally located south of E. 42nd Street, east of S. Range Line Boulevard and west of the Kansas City Southern Rail line. The Plan proposes the construction of a new shopping center containing an approximately 213,300 sf home improvement store, along with a 35,040 sf movie theater, and an additional 52,220 square feet of retail and commercial space. The Developer is also proposing to construct up to 300-units of multi-family apartments in two phases along with a 7,500 sf leasing office. The Developer is also proposing to renovate an additional 8,600 sf of office for the relocation of an existing business from its current location within the Redevelopment Area. Additionally, the TIF Plan contemplates the redevelopment of an existing 59,000 sf hotel property within the Redevelopment Area.

The City has requested this analysis to determine the need for the requested assistance, based on the cost and operating pro forma information provided by the Developer. The analysis that follows examines whether the proposed redevelopment scenario would reasonably be anticipated to be developed without adopting of the requested financial assistance. The report that follows is pursuant to Missouri Statutes 99.800 et seq. relative to a determination that the proposed TIF Redevelopment Plan would not reasonably be anticipated to be developed without adoption of the TIF Redevelopment Plan.

We have approached this determination based on the proposed plans regarding redevelopment costs, outcomes, financing sources, and timing to develop a measure of the Developer's expected return when compared to the amount of risk. If a development is owned and operated as an investment, a measure of return is calculated considering the time value of money and involves an assumed sale of the property at a price appropriate in the marketplace. This analysis is termed the Internal Rate of Return ("IRR"). The final determination is based on whether or not a potential IRR is reasonable without the requested subsidy, within the current marketplace and at the present time.

The Developer (Woodsonia Joplin, LLC) has requested assistance in the following forms:

-Statutory TIF – One Hundred percent of the incremental increase in ad valorem property tax revenues ("PILOTS") along with 50% of the incremental increase in economic activity tax revenues ("EATS") which will be captured and re-directed to pay for the new eligible reimbursable project costs incurred by the Developer.

-Community Improvement District (CID) Sales Tax – A Community Improvement District imposing a 1% Community Improvement Sales Tax has already been created. The CID area is a larger area and includes existing established businesses within the CID area, the CID incorporates only a portion of the Redevelopment Area, For the CID sales tax, within the Redevelopment Area, the first 50% of the receipts under this sales tax will be captured as TIF revenue and redirected to reimburse TIF eligible improvements. The remaining 50% of the CID sales tax revenue will be used to reimburse the CID budget costs.

2. Executive summary

Determining if a project would occur without subsidy requires the testing of various assumptions which have a material effect on a project's feasibility. We have tested the sensitivity of the return without assistance by varying the cost and the revenue assumptions, each independently and then collectively. The reason for testing sensitivity is to illustrate the magnitude with which project assumptions would have to change in order for the project to be considered feasible without assistance. Table A, below, details the significant findings of the sensitivity analysis:

Table A

Without Assistance Sensitivity Analysis	Change Necessary to be Feasible	Rate of Return without Assistance
Decreased Costs	37% Decrease	8.51%
Increased Revenue	62% Increase	8.35%
Combined Cost and Revenue Changes	23% Decreased Costs 23% Increase Rev	8.35%

The table above indicates the magnitude at which project assumptions would have to change for the project to have a feasible rate of return without assistance. Based on the *RealtyRates.com Investor Survey 3rd Quarter 2020* the current range of unleveraged market returns for a project of this nature is 3.84% to 12.86%, with an average of 8.79% which we used as our feasibility benchmark. Absent the changes outlined above, the projects would not attract a return sufficient to exceed the Developer's threshold for investment and would not likely be completed through private enterprise alone.

Table B, below, illustrates the Developer's projected rates of return with and without assistance:

Table B

Pro Forma	With TIF & CID Assistance	Without Assistance
Unleveraged	8.24%	(0.66%)

3. The project

The Developer is proposing the redevelopment of the Redevelopment Area into a mixed-used development, containing retail shopping, office, multi-family, and hospitality uses. The Redevelopment Area is an approximately 78.51-acre area of land generally located south of E. 42nd Street, east of S. Range Ling Boulevard and west of the Kansas City Southern Rail line. The Development of the project is Woodsonia Joplin, LLC who anticipates commencing construction in 2020.

The development will be undertaken in part by the Developer and in part by third-parties. The Developer is anticipated to own and operated the proposed movie theater complex, the multi-family development, and the redevelopment of the office space. Third-parties are anticipated to develop the remaining portions of the development, including the owning and operating of a 213,000 sf home improvement store and detached 49,430 sf warehouse.

4. Redevelopment Costs

The total cost of the project is detailed in Table C below. The costs reflected below are after the savings provided by the requested sales tax exemption on construction materials.

Table C

Total Development Costs	Total Cost	% of Total	Developer Cost	Third-Party Costs	TIF Reimbursable Costs	CID Non-Captured	CID EATS
Acquisition	$14,040,000	7.43%	$1,250,000	-	$8,722,959	$4,067,041	-
Building Construction	103,361,250	54.73%	47,762,000	44,774,217	5,187,859	4,619,976	$1,017,198
General Conditions	1,415,401	0.75%	255,465	596,086	353,850	210,000	-
Site Construction	32,348,796	17.13%	5,875,386	11,475,056	7,485,461	7,512,893	-
Professional Services	7,633,936	4.04%	3,238,866	2,872,202	381,697	763,394	377,778
Commissions & Marketing	2,692,003	1.43%	2,692,003	-	-	-	-
Financing Costs (Interest/Other)	21,324,465	11.29%	9,304,706	5,010,227	5,500,000	1,509,532	-
Development Fee	3,700,396	1.96%	1,549,820	834,518	746,058	570,000	-
Contingency & Misc.	2,350,000	1.24%	835,898	450,099	360,079	703,924	-
Total Project Costs	**$188,866,247**	**100%**	**$72,764,144**	**$66,012,405**	**$28,737,963**	**$19,956,760**	**$1,394,976**
% of Total	**100%**		**38.53%**	**34.95%**	**15.22%**	**10.57%**	**0.74%**

Acquisition

The Developer has the property under control for an identified price of $14,040,000. The acquisition cost equates to an approximate price of $229,824 per acre or 7.43% of the total project cost. The Developer is seeking reimbursement for a portion of these project

costs, in an amount of $12,790,000 from TIF and CID revenues. The Developer will need to provide documentation of the land acquisition price in order to receive reimbursement for these expenses. The City may wish to consider limiting the ability to shift reimbursable costs from the land acquisition category, in the event that acquisition costs end up at a lessor amount.

Hard Costs

The total cost grouped together as hard costs are detailed in Table D below.

Table D

Total Development Costs	Total Cost	% of Total	Developer Cost	Third-Party Costs	TIF Reimbursable Costs	CID Non-Captured	CID EATS
Building Construction	$103,361,217	54.73%	$47,762,000	$44,774,217	$5,187,859	$4,619,976	$1,017,198
General Conditions	1,415,401	0.75%	255,465	596,086	353,850	210,000	-
Clearing & Grading	2,744,044	1.45%	-	-	2,507,434	236,610	-
Demo Buildings/Existing Hammons Blvd	553,715	0.28%	-	-	435,675	98,040	-
Mining Remediation	1,725,000	0.91%	-	-	1,581,000	144,000	-
Hammons Blvd (North)	3,010,301	1.59%	-	-	-	3,010,301	-
Hammons Blvd (South)	1,025,361	0.54%	-	-	-	1,025,361	-
Private Road from 32nd to North side of Menards	690,000	0.37%	-	345,000	345,000	-	-
Private Road west side of Sam's Club	575,000	0.30%	-	287,500	287,500	-	-
Hardscape, Parking, Landscape, Irrigation	18,200,475	9.64%	5,700,000	10,725,632	1,638,043	136,800	-
Sanitary Sewer	517,500	0.27%	-	-	206,649	310,851	-

Storm Sewer	1,342,500	0.71%	-	-	180,000	1,162,500	-
Waterline	662,400	0.35%	140,886	93,924	234,810	192,780	-
Power/Gas	287,500	0.15%	34,500	23,000	69,350	160,650	-
32nd Street Improvements & Signalization	1,035,000	0.55%	-	-	-	1,035,000	-
Total Hard Costs	**$137,125,447**	**72.60%**	**$53,898,530**	**$56,845,359**	**$13,027,170**	**$12,342,869**	**$1,017,198**

The Developer provided an estimate for the line-items grouped under the hard cost heading of $137,125,447, which equates to 72.60% of the total project cost After reimbursement from TIF and CID sources, the Developer will responsible for $53,898,350 in expenses related to their portion of the development. In addition to the amount the Developer will be undertaking privately, they will also be responsible for initially funding the hard costs of $14,044,368 that will be reimbursed from TIF and non-bond captured CID revenues.

The largest of the hard cost categories is for expenses related to construction of vertical building improvements, with a total of $103,361,217. This is the single largest category of expenses at 54.73% of the project costs. A significant portion of this cost category will be incurred by third-party developers of individual pad sites, with an estimate of $44,774,217 of this line-item incurred by third parties. Included within the building construction cost estimate is a 7.5% contingency allowance.

The Developer is proposing to undertake the construction of the movie theatre and its proposed expansion, the two-phases of multi-family apartment building, and the redevelopment a vacant building into a new office building. The Developer's cost incurred to related to these expenses is projected to be $47,762,000. Additionally, The Developer will be responsible for initially funding a projected $6,205,057 in expenses that will be reimbursed by TIF and non-bond captured CID revenues on a pay-as-you go basis.

The construction cost estimate for the initial phase of the movie theater is $10,512,000, which equates to a cost estimate of $300 per square foot. The Developer is also projecting an expansion to the theater at a later date of 15,000 sf with an estimated cost of $4,500,000, which is also based on a cost estimate of $300 psf.

To provide a comparison, we utilized cost estimates from the Marshall and Swift Swiftestimator to provide an estimate of the potential cost of constructing a movie theater within the City of Joplin. The Swiftestimator provided an average cost estimate of $218 psf, with a range from $157 to $288 depending on construction material type and quality. The cost estimate of $218 as well as the upper range estimate of $288 identified above are both lower than the Developer's estimate of $300; however, the Swiftestimator amounts are based on the construction of the shell building and a limited portion of the interior improvements. Specifically cited by as not included within their cost estimate are expenses related to seating, projection equipment, snack bar equipment/improvements, and any licensing/franchising expenses. Given the Developer's cost assumption is based on the total building cost for the movie theater their estimate appears reasonable in comparison to the Swiftestimator range.

The other major building component the Developer will be undertaking is the development of a proposed 300 multi-family units over the course of two-phases. These units are proposed to be constructed 10 individual 3-story buildings with 30 units each, and approximately 36,000 sf in size. Additionally, the Developer has included within this category the construction of a 7,500 sf leasing office for the apartment community. The total cost for undertaking the construction of these apartment buildings, and the leasing office, is $31,500,000. On a per building basis this equates to a cost of $3,150,000 or $87.50 psf.

The Swiftestimator was again used to provide a comparison for the multi-family building cost estimate. The Swiftestimator identified an average construction cost of $88.27, with an expense range of $63.88 to $116.35 depending on building construction type and materials used. The Developer's estimate of $87.50 is just slightly below the identified average cost assumption, and as such we found it to be a reasonable assumption.

The final component the Developer is proposed to undertake is the redevelopment of an existing 8,600 sf building for the future remodel of an office building being relocated within the TIF District. The cost estimate for this is $1,200,00 and equates a cost estimate of $139.53. Given this is a remodel of a building it is difficult to draw comparisons, however this amount does appear reasonable and is also a very small percentage of the overall project cost at less than 1% of the total cost, and only 1.6% of the total development cost incurred specifically by the Developer.

Of the remaining hard cost line-items the largest individual category is for expenses related to Hardscape, parking, landscaping, and irrigation with a total cost of $18,200,475 which equates to approximately 9.64% of the total project cost. Of this amount the Developer is anticipating incurring $5,700,000 directly. They will also be responsible for initially funding $1,638,043 in costs that will eventually be repaid by TIF funds on a pay-as-you-go basis. The Developer's estimate for total hard costs directly incurred is $53,892,851, of which $47,7620,000 is directly related to vertical building improvements. The remaining portion of expenses, which would be attributable to site improvement costs is equivalent to 11.4% of the total hard costs which is a reasonable percentage.

The construction cost category is the largest segment of the development costs, accounting for 72.60% of the total project costs. Consequently, this is a segment where project costs savings could have a positive effect on the rate of return realized by the Developer, while higher than estimated costs would have the converse effect. In the return analysis section of the report, we discuss the sensitivity of the rate of return to changes in the project costs, and the effect on the return without assistance of a decrease in project costs.

Soft Costs

For purposes of this review we have grouped the cost categories in Table E below as Soft Costs:

Table E

Total Development Costs	Total Cost	% of Total	Developer Cost	Third-Party Costs	TIF Reimbursable Costs	CID Non-Captured	CID EATS
Professional Services	7,633,936	4.04%	3,238,866	2,872,202	381,697	763,394	377,778
Commissions & Marketing	2,692,003	1.43%	2,692,003	-	-	-	-
Financing Costs (Interest/Other)	21,324,465	11.29%	9,304,706	5,010,227	5,500,000	1,509,532	-
Development Fee	3,700,396	1.96%	1,549,820	834,518	746,058	570,000	-
Contingency & Misc.	2,350,000	1.24%	835,898	450,099	360,079	703,924	-
Total Soft Costs	**$37,700,800**	**19.96%**	**$17,621,293**	**$9,167,046**	**$6,987,834**	**$3,546,850**	**$377,778**

The total amount of the cost categories grouped under the soft cost heading is $37,700,800 which equates to approximately 19.96% of the total development costs.

Reviewing the soft cost categories for largest percentage of the total project costs to smallest, the largest portion of the soft costs is the Financing Costs category of $21,324,465 which is 11.29% of the overall development cost. This cost estimate was calculated based on an estimate of carrying the total development cost (net of interest expenses) for a period of 30 months at a 5% interest rate, plus a small allowance for loan origination fees and closing costs/title/escrow. These are reasonable assumptions for the calculation of this line-item.

Of the financing costs the Developer is projecting to incur $9,304,706 directly and will also be responsible for incurring the carrying costs on expenses to be reimbursed by TIF on a pay-as-you-go basis. Importantly, the amount of TIF reimbursable interest expense is capped at the reimbursable amount of $5,500,000. Considering the total amount of TIF reimbursable expenses, net of interest, is 23,237,963, the interest cap of $5,500,000 is roughly equivalent of 4 to 5 years of interest carrying expense depending on the interest rate.

The next largest of the soft-cost line-items is the professional services category of $7,633,936, which equates to 4.04% of the total project cost. This category is comprised of costs related to architecture/engineering, site design, construction management, entitlement process administrative expenses, and a variety of other small expenses. The

Developer is projecting they will incur $3,238,866 of these costs directly, and will also be responsible for incurring $759,475 of soft costs that will ultimately be repaid by TIF and non-bond captured CID revenue on a pay-as-you-go-basis. The professional services category equates to 4.04% of the estimate total hard cost amount, which is a reasonable estimate for professional services.

The next largest of the line-items is the Development fee expense of $3,700,396, which equates to 1.96% of the total project cost. A portion of this line-item is attributable to third-parties, leaving $1,549,820 in the Developer column and $745,058 to be reimbursed from TIF and $570,000 to be paid from the proceeds of the bonded CID revenue. At less than 2% of the total project cost this is a reasonable line-item.

The commissions & marketing line-item is the next largest soft-cost expense at $2,692,003 or 1.43% of the total project. This expense will be incurred entirely by the Developer and represents approximately 3.6% of their total privately incurred project costs. Given the amount of pad sales and leases that they will be entering into, this is a reasonable amount.

The final soft-cost category is for contingency & miscellaneous expenses of $2,350,000, which is 1.24% of total project cost. The Developer is anticipating that they will directly incur $835,898 of these costs directly, an amount equivalent to approximately 1.1% of their total project cost or 4.6% of their total soft costs. As a contingency allowance this is a reasonable estimate.

In the “Return Analysis” section of the report we discuss the sensitivity of the rate of return to changes in the project costs, and the effect on the return of a decrease in project costs.

5. Assistance request

The Developer is requesting assistance from the following sources related to the completion of the development:

-Statutory TIF – One Hundred percent of the incremental increase in ad valorem property tax revenues ("PILOTS") along with 50% of the incremental increase in economic activity tax revenues ("EATS") which will be captured and re-directed to pay for the new eligible reimbursable project costs incurred by the Developer.

-Community Improvement District (CID) Sales Tax – A Community Improvement District imposing a 1% Community Improvement Sales Tax has already been created. The CID area is a larger area and includes existing established businesses within the CID area, the CID incorporates only a portion of the Redevelopment Area, For the CID sales tax, within the Redevelopment Area, the first 50% of the receipts under this sales tax will be captured as TIF revenue and redirected to reimburse TIF eligible improvements. The remaining 50% of the CID sales tax revenue will be used to reimburse the CID budget costs.

The requested TIF assistance will be on a pay-as-you-go basis with the Developer initially funding all TIF redevelopment project costs and receiving reimbursement for eligible redevelopment project costs as the TIF are captured and re-directed. The Developer is eligible to receive reimbursement for interest expense on their carrying cost of the TIF reimbursable expenses up to a maximum interest amount of $5,500,000.

The requested CID assistance will be provided through a bond issuance which will provide an upfront funding source for a portion of the CID reimbursable expenses. Repayment of debt-service on the bond will be from collected CID revenues only and with no additional credit support provided for the bonds. The Developer's budget identifies a budget for CID project costs of $19,956,760. The Developer is projecting that the anticipated CID revenue will be used to support the issuance of a CID revenue bond providing funding for $13,000,000 in CID project costs. The remaining $6,956,760 in CID reimbursable expenditures will be reimbursed from available CID revenue following the retirement of the bond issuance.

The Developer will be funding their portion of the Project costs through a mix of Developer equity and private debt. The Developer's pro forma did not identify the split between debt and equity. The Developer will be responsible for initially privately financing the $28,737,962 in TIF reimbursable expenses and $1,394,976 in project costs funded by non-Bond captured CID revenues. Additionally, the Developer will be responsible for privately financing any portion of the CID expenditures not funded by the bond issuance.

Table F provides the anticipated sources that will be utilized to fund the redevelopment project.

Table F

Sources:	
Developer Equity and Private Debt	$93,340,465
CID Bond Proceeds	$13,000,000
Pad Sale Proceeds	$16,513,378
Third Party Project Costs	$66,012,404
Total Sources	**$188,866,247**

6. Return analysis

Utilizing the operating pro forma prepared by the Developer we evaluated the need for assistance for the proposed development by comparing the potential return with and without assistance. The Developer provided a 10-year operating pro forma for the development based on a based on a multi-year build-out and lease up of the project, along with projected operating revenue and expense assumptions. The Developer's pro forma calculated an unleveraged internal rate of return (IRR) calculation after the 10-years of the pro forma. We utilized this IRR analysis to illustrate the potential return with and without the requested abatement assistance. The return realized by the Developer is a result of the assumptions used in the creation of the operating pro forma, therefore a number of steps must be performed to analyze the reasonableness of the assumptions used.

Step One – Evaluate Project Costs:

The first step in analyzing the return to the Developer is to determine if the costs presented are reasonable. We have discussed a portion of the costs above and have commented on the mechanics whereby cost savings on the private side could occur. If cost savings for the Developer's share occur absent any other changes, the Developer would realize a greater return than projected.

Step Two – Evaluate Operating Pro Forma Assumptions

The second step in calculating the return to the Developer is to determine if the operating revenues and expenses of the proposed development are reasonable. The Developer projected average lease rates for the components they will be owning and leasing and projected prices for the pads that will be sold.

- The Developer projected the following lease rates:
  - $24.50 psf – Movie Theater on a triple-net basis
  - $9.33 psf – Office space on a triple-net basis
  - $1.15 monthly rent PSF – Apartment
- Additionally, the Developer has projected pad-sale prices for 7 pad sites totaling $16,513,378.
- For the apartments the Developer has projected annual operating expenses which are equivalent to 30% of annual revenues.
- The Developer has assumed a 7.5% vacancy factor upon stabilization.
- The Developer has assumed a management cost of 3%.
- Operating revenues and expenses are proposed to inflate at 1% annually upon stabilization.

We reviewed third-party market information to evaluate the projected lease rate, operating expense, vacancy and inflations assumptions prepared by the Developer and found them to be in accordance with current market conditions. Based on this information the Developer's operating assumptions outlined above appear reasonable.

Step Three – Evaluate Hypothetical Sale Assumptions:

The third step in analyzing the return to the Developer is to determine if the assumptions for the hypothetical sale of the assets are reasonable. The calculation of an internal rate of return requires the assumption of a hypothetical sale of the asset in the final year of the operating pro forma. The inclusion of this hypothetical sale is used purely for

purposes of evaluating the return on the Developer's investment. The determination of the potential market value of the project, through a hypothetical sale, is necessary as it allows for the inclusion of the value of the asset into the rate of return calculation. The calculation of an IRR without the hypothetical sale would result in an understated return, as the return would not be taking into account the value of the real estate asset. The use of a hypothetical sale assumption is not indicative of the Developer's intention to sell the development in the final year.

The critical assumption when valuing the asset at the time of the hypothetical sale is the capitalization rate. The available net operating income divided by the capitalization rate results in the assumed fair market value of the asset. The Developer used a capitalization rate of 7.0%, and a 3.5% cost of sale, to calculate the hypothetical sale value. In reviewing historical cap rate trends for office developments, we feel 7.0% is consistent with historical trends.

Developer – Unleveraged Return Analysis

Table G below, shows the Developer's pro forma rate of return with and without the requested assistance.

Table G

Developer IRR Analysis	Unleveraged IRR
Without assistance	(0.66%)
With TIF & CID Assistance	8.24%

Market Return Benchmark:

An Unleveraged IRR calculation is used in order to compare the potential return to the Developer to a third-party market source. For evaluating this development proposal we used the *RealtyRates.com Investor Survey 3rd Quarter 2020*. This survey provides a resource for comparing the Developer's rate of return to a market benchmark to help determine feasibility.

The proposed project contemplates the development of two distinct components, a retail shopping center and a multi-family development. The *RealtyRates.com* survey identifies a return range of 4.55% to 12.86%, with an average of 9.64% for anchored retail developments, and a return range of $3.84% to 12.76%, with an average of 7.94% for new apartment developments. The blended average for these two cost categories is 8.79%.

Sensitivity analysis

In order to answer the question "is the development likely to occur without public assistance" we analyzed the without incentive scenarios, using the Unleveraged Return Analysis Pro Forma without assistance as the basis for the sensitivity analysis. The sensitivity analysis is performed in order to understand the magnitude at which project costs would have to decrease, or conversely project revenues would have to increase, for the project to be considered feasible. For this sensitivity analysis we used the Developer's projected return of 8.24% with the requested assistance, as the sensitivity

benchmark. We used the Developer's with assistance return projection as it was lower than the *RealtyRates.com* averages.

To understand the impact of the project cost assumptions, we performed a cost sensitivity analysis to determine the rate at which project costs would have to be reduced for the projected rate of return to be in excess of our feasibility benchmark without assistance. Table H illustrates the development would need to realize a 37% reduction in project costs in order to be feasible without assistance. Given a 37% reduction in costs the project would have a rate of return of 8.51%.

Table H

Project Costs Sensitivity	Reduction in Project Costs	Rate of Return without assistance
	37%	8.51%

To understand the impact of increased revenues, we have performed a sensitivity analysis to determine the rate at which project net operating income, would have to increase for the projected rate of return to be in excess of our feasibility benchmark without assistance. Table I illustrates the development would need to realize a 62% increase in project revenues for the project to be feasible without assistance. Given a 92% increase in project revenues, the project would have a rate of return of 8.35% which falls into the reasonable range.

Table I

Project Revenue Sensitivity	Increase in Project Revenue	Rate of Return without assistance
	62%	8.35%

As a final step in the sensitivity analysis, and to understand the impact of a combined change in project costs and project revenues, we have performed a sensitivity analysis to determine the rate at which these areas would have to change for the projected rate of return to be in excess of our feasibility benchmark without assistance. Table J illustrates the development would need to realize a combined 23% decrease in project costs and a 23% increase in project revenues for the project to be feasible without assistance. Given these changes in assumptions the project would have a rate of return of 8.35%.

Table J

Combined Sensitivity	Reduction in Project Costs	Increased Project Revenues	Rate of Return without assistance
	23%	23%	8.35%

The three tables above (Tables H, I, and J) indicate the magnitude at which project assumptions would have to change for the project as a whole to have a rate of return in excess of the 8.24% feasibility benchmark used in the sensitivity analysis. Absent changes of the magnitude outlined above, the project would not have a sufficient return to draw market investment. Only by assuming either increases in project revenues, decreases in project costs, or a combination of the two does the return increase to a feasible level without public assistance. However, we project changes of the magnitude outlined above are unlikely to be realized, which indicates the proposed project, when viewed as a whole, would not likely be completed through private enterprise alone.

7. “But-For” conclusion

The proposed development contemplates the construction of a mixed-use development. In addition, the Developer will undertake necessary site construction costs to redevelop the site. The Developer will bear all the risk until project completion and permanent financing is in place and continued operating risk thereafter. This level of risk typically demands a positive return with a range between 3.84% and 12.86%, with an average return of 8.79% based on the *RealtyRates.com Investor Survey 3rd Quarter 2020.* The unleveraged rate of return with assistance is 8.24% and without is (0.66%). As detailed above, the projected IRR to the Developer without assistance falls outside of this low-end of the range expected within the marketplace and significantly below the average return. In comparison, the return with assistance is consistent with the average return used in our analysis.

A blight study prepared by Sterrett Urban LLC, dated June 24, 2020, and an affidavit signed by the Developer dated September 25, 2020 state that the redevelopment area is a blighted area and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without adoption of the tax increment financing. Based upon the Blight Study, Developer Affidavit, and upon our analysis, Baker Tilly Municipal Advisors concludes that the proposed project, without assistance, would not likely be undertaken at this time without the requested assistance.