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MUNICIPAL ADVISORS

December 6th, 2024

But-For Determination Report

Prospect Village Development

Joplin, Missouri

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Executive Summary

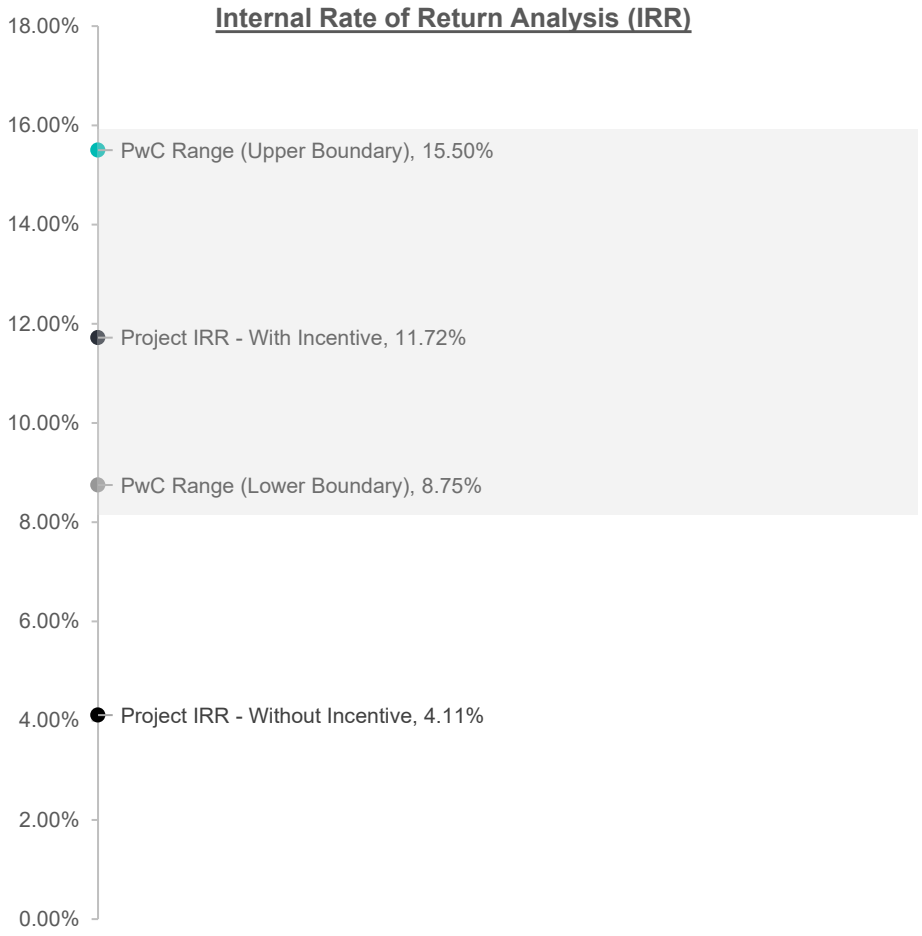
The City of Joplin, Missouri ("City") retained Baker Tilly Municipal Advisors ("BTMA") to review a request for public financial assistance from Woodsonia Real Estate Inc. ("Applicant"). The Applicant has a proposed a mixed-use development which will cover 70+ acres including a sports complex, an estimated 375 units of multi-family housing, and approximately 30 acres of retail, hospitality, and commercial uses ("Project" or "Prospect Village").

The Applicant has requested public financial assistance for the Project. Specifically, the Applicant seeks reimbursement of eligible Project costs from two 1.0% Community Improvement District ("CID") sales taxes applicable to all retail sales within the CID district as well as funding via tax increment financing ("TIF").

The City seeks to understand whether the Project would reasonably be anticipated to be undertaken in the current market without the requested public financial assistance.

The profitability measurement used to evaluate the need for assistance is the return on investment, termed the internal rate of return ("IRR" or "Return"). To determine the likelihood that the Project would be undertaken without the Incentive, the Applicant's estimated IRR without Incentive is compared to the Return sought by investors in similar projects in the current marketplace.

BTMA reviewed the Applicant's pro forma and the underlying assumptions regarding Project financing, construction costs, and operations. BTMA determined that the proposed Project without the requested Incentive has a forecasted Return that is below the national average benchmark return. The table below lists the estimated IRR compared to the market benchmark returns from the *PWC Real Estate Investor Survey, Third Quarter 2024.*


Internal Rate of Return Analysis (IRR)
18.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
PwC Range (Upper Boundary), 15.50%
Project IRR - With Incentive, 11.72%
PwC Range (Lower Boundary), 8.75%
Project IRR - Without Incentive, 4.11%

Purpose and Approach

The report that follows is pursuant to Missouri Statutes 99.800 et seq. relative to a determination that the proposed development scenarios within the proposed TIF Redevelopment Plan would not reasonably be anticipated to be developed without the adoption of the Plan. The City seeks to understand whether the Project would reasonably be anticipated to be undertaken without the requested public financial assistance.

BTMA evaluated Project information provided by the Applicant - including Project financing, timing, construction costs, and operations - to measure the Applicant's expected profit relative to Project risks. If it is assumed that the Project is owned and operated as an investment, a measure of return can be calculated considering the time value of money and an assumed sale of the property at an appropriate market price. This analysis is termed the internal rate of return ("IRR" or "Return") and estimates the profitability of an investment. To determine the likelihood that the Project would be undertaken without public assistance, the Applicant's estimated unlevered IRR, without assistance, is compared to the Return sought by investors for like projects in the current marketplace.

The unlevered Return – which assumes the Project is financed entirely with equity and without debt - is utilized to facilitate comparison of the forecasted Project Return to a national investor survey.

Disclosure & 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. When 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 result.

The Project

The Applicant is proposing a 80+ acre mixed-use redevelopment of an existing Superfund site to include: i) a multi-use sports complex, ii) a multi-family development totaling approximately 375 housing units, iii) an anchor retail store, iv) a hotel, and v) the improvement and sale of multiple pad sites. The Redevelopment Area consists of 89.37 acres of property generally located east of Geneva Avenue and south of 20th Street.

The Prospect Village development centers around the proposed multi-use sports and event center ("Sports Complex") which will host youth and amateur sports tournaments. The Sports Complex will cover approximately 22 acres and will include both indoor and outdoor facilities. The development aims to capitalize on "sports tourism" to draw an estimated 80,000 to 100,000 out-of-state visitors per year. The complex will feature a 135,000 square foot indoor building including 6 to 8 tournament sized basketball courts and 6 to 8 volleyball courts. The outdoor components feature all synthetic multi-sport turf fields, spectator seating, performance training spaces, team locker rooms and modern concession stand areas.

The multi-family housing, hotel, and anchor retail space are in the conceptual phase. Building design and construction details are currently undetermined. The proposed hotel is three stories, containing 33,000 square feet and 100 rooms. Given its proximity to the Sports Complex, it is assumed that the hotel will be a full-service lodging facility. The Applicant has indicated intent to maintain ownership of the hotel and employ a management firm to oversee day-to-day operations. The anchor retail space will be leased to a tenant on a triple net basis. The anchor retail space will sit on approximately 14.80 acres with 576 parking spaces.

The Applicant's proposal states that the multi-family housing component is designed to accommodate multiple product types for different family sizes and price points with an estimated 375 units constructed over two phases. A community layout is intentionally designed to encourage an active lifestyle, with community space that includes green spaces and walking paths. The residences would also include amenities such as fitness areas, swimming pool, dog park, and community rooms. The Applicant has conveyed to BTMA that the design and features will be similar to their other multi-family development in Joplin – The Boulevard.

The Applicant proposes to manage development of the Sports Complex, which will be owned and operated by the Joplin Sports Complex Community Improvement District. The Applicant will maintain and operate the multi-family developments, the hotel, and will lease the anchor retail space to a tenant. The remaining improved lots will be sold to third parties for commercial development. Pre-construction is expected to begin and continue throughout 2025 with public infrastructure and horizontal improvements being completed in late 2026. Private

improvements and vertical construction are expected to begin midway through 2026 with certificate of occupancy beginning in 2027 through 2032.

Assistance Request

The Applicant requests public financial assistance for the Project. Specifically, the Applicant seeks reimbursement of eligible Project costs from two separate 1.0% Community Improvement District ("CID") sales taxes imposed on retail sales within the CID districts as well as funding through tax increment financing ("TIF"). The Applicant seeks a total value of $160,135,843 in public incentives. An estimated $57,699,840 will be used to fund the acquisition of land and construction of the Sports Complex. The remaining $102,436,003 will be allocated towards other Project expenses as addressed in our evaluation of the Applicant's proposed costs.

CID Sales Tax – The Applicant has proposed two separate CIDs with differentiating boundaries. The CID's 1.0%, up to 27-year sales tax will be applicable to all taxable sales within the proposed boundaries – including the sales of the businesses preexisting to establishment of the CIDs. Proceeds from the Prospect Village CID sales tax will fund public infrastructure, site mitigation and cleanup, horizontal site work, property acquisition, demolition, and other Project costs legally permitted under the CID statute. Revenues from the Joplin Sports Complex CID sales tax will finance land acquisition and construction of the Sports Complex.

TIF Assistance – The Applicant is requesting reimbursement of eligible Project costs through redirection of 100% of the incremental increase in ad valorem property tax revenues ("PILOTS") and 50% of the incremental increase in economic activity (sales) tax revenues ("EATS") collected within a TIF district to include six redevelopment project areas. The TIF redirections will run for up to 20 years per redevelopment project.

The table on the following page shows the Project's total expected cost by category, the amount and percentage of the Applicant's expected private costs, as well as the estimated amount and use for the requested Incentive.

Cost Category	Total Cost	Private Cost	Tax Increment Financing	Prospect Village CID	Joplin Sports Facility CID
Multi-Family Development	$86,500,000	$71,375,000	$11,375,000	$3,750,000	-
Sports Complex Facility	$62,499,840	-	$4,800,000	-	$57,699,840
Softs Costs	$42,300,000	$22,850,000	$10,900,000	$8,550,000	-
Anchor Retail Store	$39,000,000	$15,200,000	$17,500,000	$6,300,000	-
Commercial Lots	$25,000,000	$18,000,000	-	$7,000,000	-
Land Acquisition	$20,000,000	$6,750,000	$1,000,000	$12,250,000	-
Hotel Development	$15,000,000	$12,000,000	$1,000,000	$2,000,000	-
Public Improvements	$14,049,903	-	-	$14,049,903	-
Environmental Cleanup	$1,961,100	-	$980,550	$980,550	-
Fletcher Parking Improvements	$1,000,000	$1,000,000	-	-	-
Total	**$307,310,843**	**$147,175,000**	**$47,555,550**	**$54,880,453**	**$57,499,840**
% of Total		**47.89%**	**15.47%**	**17.86%**	**18.78%**

Return Analysis

The Applicant provided a Project pro forma detailing timing, financing, construction costs, operating revenues and expenditures and assumptions for the requested incentives. Utilizing the baseline pro forma provided by the Applicant, BTMA calculated the return on an unlevered basis to estimate the potential Return with and without the Incentives. The Return realized by the Applicant is a result of the assumptions used in the creation of the operating pro forma. Therefore, several steps must be taken to analyze the reasonableness of the assumptions used.

Step One – Evaluate Project Costs

The first step in analyzing the Return to the Applicant is to determine if the assumed Project costs are reasonable. If the Applicant experiences cost savings, absent any other changes, the Applicant will realize a greater return. Where applicable, BTMA compared estimated project costs to third-party sources to gauge the reasonableness of the Applicant's pro forma assumptions and to consider whether alternative assumptions should be utilized. The Applicant's overall project sources and uses is detailed in the following table. Note that this represents the aggregate total costs of the entire proposed Project which includes the Sports Complex. The construction estimates include improvements to lots but does not account for additional third-party improvements or construction

Expenditures by Type	
Construction and Enhancements	$217,500,000
Total Soft Costs	42,300,000
Property Acquisition	31,499,840
Public Improvements	14,049,903
Environmental Costs	1,961,100
Total	**$307,310,843**

The following sections consider the assumptions for the major expenditure categories.

Environmental Costs

The Applicant is proposing redevelopment of a Super Fund site formerly occupied by International Paper Company. The EPA deemed the area a Super Fund cleanup site in the 1990's due to high concentrations of heavy metals from mining, milling, and smelting operations which were conducted from the 1850's through the 1970's. The International Paper Company site is located on 98 acres at 2609 South Range Line Road. In the early 20th century, the site was primarily used to mine zinc and lead. Wood treatment operations began at the facility in 1937. International Paper acquired the site in 1956 and continued operations until March of 2006.

The site was contaminated by two on-site solid waste landfills used to dispose of treated and untreated wood, as well as assorted metals. The waste products produced were discharged to 11 unlined surface impoundments. These surface

impoundments were used for long-term storage of creosote sludges, recovery of PCP-oil emulsion and tank bottom sediments. Sludges produced from the treatment of wastewater from creosote and/or PCP wood preserving processes are classified as K001 hazardous waste and are regulated under Resource Conservation and Recovery Act, or RCRA.

In addition to the environmental remediation work, the site also contains an existing regulated floodplain and floodway that covers a large portion of the property. The floodplain adds additional complexity to the Project, as storage volume will need to be excavated where possible to reduce the floodplain limit and thereby increase the useable area. The proposed buildings will need to be set sufficiently above the floodplain elevations, and the residential buildings will require additional fill to meet National Flood Insurance program requirements.

Two other significant challenges to developing the site are a 16" diameter gas main which runs through the site and 1.9 acres of wetlands containing a stream that is likely to be considered jurisdictional by the Corps of Engineers. Permits will be required for any impact to over 1/10th of an acre of wetlands or 3/100ths acres of stream.

The total estimated cost and scope of work for the environmental work is as follows:

Environmental Costs	Amount
Soil Removal and Disposal	$1,000,000
Additional Remediation	500,000
Permitting, disposal, VCP or EPA Program Inclusion	250,000
Phase II ESA	148,300
Unknown Conditions	50,000
Phase II Workplan MoDNR	12,800
Total	**$1,961,100**

These cost estimates were prepared by the Applicant's environmental consultants – Environmental Works and Cattails Environmental. The Applicant provided extensive documentation detailing the environmental remediation work necessary for the site. However, the Applicant indicated to BTMA that additional testing would be necessary for the environmental remediation which could lead to higher-than-expected costs, depending on the findings of their environmental consultants.

Acquisition of Land

The Applicant has budgeted approximately $20 million in land acquisition costs for a total of 74.77 acres. The total cost of acquisition for the unimproved land equates to approximately $6.14 per square foot in total. The average price per square foot for each individual parcel is approximately $14.42. Of the total land purchased, 22 acres will be purchased by the Sports Complex CID upon the improvement of the lot and completion of the facility. At 22 acres and an acquisition price of $11,499,840, this equates to a cost of approximately $12.00 per square foot. The Applicant provided their sales contracts to be reviewed by

BTMA to verify the stated acquisition price and budgeted amount. All stated acquisition costs have been verified. Only one parcel has not been reviewed as the Applicant is in final negotiations with the seller and awaiting the results of a traffic study.

BTMA utilized the CoStar platform to review sales of both industrial and retail properties within the Joplin market over the past two years. There are 25 sales within the Joplin market which have available price data. Among those sales in the broader Joplin market, sales per square foot of total land had a median price of $21.43 PSF.

Reviewing sale information for land-only sales along Range Line Road, comparable sales had a median price per square foot of $16.48. We also evaluated industrial and commercial property sales along Range Line Road from the past two years. These property sales include an existing structure and improvements which contribute to an overall higher price per square foot. The sale of these properties ranged between $4.62 and $72.23 per square foot of land with a median price of $21.42 PSF.

Given the expected – and potentially unexpected - environmental remediation and floodplain costs necessary to develop the Project site, as well as the improvements necessary to make the sites pad-ready, the acquisition costs appear appropriately below the current market price.

Public Improvements

BTMA requested the basis for the Applicant's assumptions related to the costs of the public improvements. The Applicant provided sitework, utility, and pavement probable cost estimates with itemized expenses totaling approximately $14,049,903 prepared by OWN Inc., the Applicant's contracted independent civil engineer. OWN Inc. is a local regional firm that operates primarily in the Missouri market but also in Arkansas and Florida. The Applicant indicated to BTMA that the public improvements costs could be significantly lower than expected, but this will depend upon the findings of their traffic study which is a work in progress.

Soft Costs

The Applicant's soft costs represent 13.76% of the Project uses. Financing costs are assumed at $20 million. The remaining softs costs are comprised of professional services ($6.5 million), the Applicant's developer fee ($5 million), commissions and marketing ($2.5 million), contingency ($8 million), and travel expenses ($300,000). The Applicant provided a detailed narrative of their soft costs which outlines the expenditure of the funds. With the exception of the developer fee, these costs represent payment to third party consultants, engineers, and other professional service providers.

The Applicant has proposed a $5 million developer fee which will be paid to the Applicant for the overseeing the Project. Generally, the developer fee will cover expenses related to overhead with some margin of profit. However, the exact amount of profit relative to cost was not disclosed to BTMA. The Applicant's Developer Fee is roughly 1.63% of the total estimated Project cost. The Applicant's proposed developer fee is below the typical industry range of 2% to

5%. While we recognize that this fee is paid to the Applicant for developing the Project, it is not incorporated into the return analysis.

Sports Complex

The Applicant proposes that the Sports Complex be funded entirely from Joplin Sports Complex CID sales tax revenues. Upon completion of the Sports Complex, the Joplin Sports Facility Community Improvement District will own and operate the facility. As the Applicant will not own and operate the sports complex as an investment, the sports complex is excluded from the IRR calculation. It is noted, however, that the Applicant will be compensated for managing development of the Sports Complex through a Project Management fee, which is estimated to be $2.6 million or 6.28% of the estimated construction costs. The Applicant has retained Pinnacle Indoor Sports ("Pinnacle") to help oversee and manage the technical aspects of the Project such as facility programming, layout, and furniture, fixture and equipment selection. The Project Management fee will cover the Applicant's cost to manage Complex construction and the cost of retaining Pinnacle with some margin of profit. However, the exact amount of profit relative to cost was not disclosed to BTMA.

The Applicant indicated to BTMA that the Sports Complex CID purchase price for the land would be approximately $11,499,840 or $12 per square foot – pending the results of an independent, third-party appraisal. As this will be a source of profit for the Applicant (compared to the Applicant's acquisition cost of $6.14 PSF), the land sale is the only aspect of the soccer complex which is included in the Applicant's return for the purpose of the But-For analysis.

Multi-Family Development

The Applicant's estimated cost of the multi-family development is detailed in the following table.

	Total Cost	$ Per Square Foot
Vertical Construction	$75,000,000	$165.05
Parking Lot Improvements	$5,500,000	$12.10
Amenity Package	$6,000,000	$13.20
Total	**$86,500,000**	**$190.36**

The Applicant assumed $200,000 cost per unit. The apartments are expected to have roughly 346,857 square feet available for rent. Gross square footage, which includes common areas, is estimated to be 454,406 square feet. This would equate to roughly $190.36 per square foot in total costs and $165.05 in vertical construction costs.

To provide a cost comparison, recognizing that design of the multi-family units are not yet finalized, BTMA used RSMeans Data from Gordian to estimate the cost of constructing a new multi-family development in the Joplin submarket. RSMeans data provides accurate and regularly updated construction cost estimates which can be used as a reference point to verify the reasonableness of the Applicant's estimated costs.

Given the estimated rents proposed by the Applicant, we are assuming a 4- or 5-star type building – what is typically considered a luxury building. The Applicant's other Joplin multi-family development – The Boulevard - is currently rated a 4-star building by CoStar. The Applicant indicated the new development will be similar in construction to The Boulevard.

The cost of constructing a 22,500 square foot, 1-3 story fiber cement / wood frame multi-family building in the Joplin submarket can range between $165.74 and $172.86, depending on contractor and architect fees as a percentage of Project costs. Given that the Project is in the preliminary design stage and the estimate is near the lower boundary of the reported average in the Joplin market for a multi-family building as described above, the Applicant's assumptions for the cost of vertical improvements appear to be reasonable.

Hotel Development

The Applicant's revised site plan proposes a three story, 33,000 square foot hotel with 100 rooms. The forecasted cost of the hotel is approximately $13 million for vertical construction and $2 million for parking lot improvements.

Assuming a building size of 33,000 square feet and vertical improvement cost of $13 million yields an estimated per square foot cost of $393.94. BTMA utilized the RSMeans Data to estimate the cost of constructing a hotel development in Joplin. As the specific hotel construction method and materials are not yet known, we assumed characteristics expected of a tourist destination hotel of the approximate size described by the Applicant. Our estimates are based on a building constructed with either E.I.F.S and reinforced concrete or brick veneer and reinforced concrete. We also assumed two 3,500-pound capacity elevators. These materials are assumed for the purpose of providing an illustrative lower and upper boundary for the construction cost of the development.

Per the estimates provided by RSMeans, as of the third quarter of 2024 and utilizing the assumptions described above, the cost per square foot to construct the hotel range between $242.05 and $418.65. The Applicant's estimate of $393.94 falls within the RSMeans range and is, therefore, considered reasonable.

Anchor Retail Store

The Applicant's budget for construction of the to be leased anchor retail store is as follows. Note that the costs are broken down to reflect the per square foot price of constructing the commercial space (125,000 square feet) and the total square feet of the lot (519,688).

	Total Cost	$ Per Square Foot
Vertical Improvements	$25,000,000	$200.00
Furniture, Fixtures & Equipment	$6,000,000	$48.00
Total	**$31,000,000**	**$248.00**
	Total Cost	**$ Per Square Foot**
Parking Lot Improvements	$4,000,000	$7.70
Purchase of Parking Lot Area	$4,000,000	$7.70
Total	**$8,000,000**	**$15.39**

While the tenant of the anchor retail space is not yet known, a grocery store is used as the assumed tenant for illustrative purposes only. Per the estimates provided by RSMeans as of the third quarter of 2024, the cost per square foot to construct a 125,000 square foot supermarket ranges between $155 and $197, depending on whether a basement is included. Building additives such as the number of lanes, scanners, and refrigeration can have a significant impact on the overall cost. Our estimates are based on a building of 125,000 square feet in size with brick veneer and reinforced concrete. Based on the information available at this stage in the Project, $200 per square foot in vertical costs would be near the range estimated by RSMeans and is therefore considered reasonable.

Commercial Development

The final component of the Project will be the sale of what the Applicant has described as "improved lots" to third parties. These will be pad ready sites with utilities and parking improvements which will then be sold to third parties. The Applicant indicated that the assumptions for the improved lots were based on the probable cost estimates of their contracted engineering firm. The total budget for these lots is detailed below. The estimates for lots 3 and 4 as well as 12 and 13 were grouped together in the Applicant's budget. It is assumed that the costs will be distributed evenly across the two lots.

	Site Preparation	Parking Lot Improvements
Lot 3 & 4	$2,500,000	$500,000
Lot 7	$3,000,000	$500,000
Lots 12 & 13	$12,000,000	$3,000,000
Red Hot Blue Improvements	$3,000,000	$500,000
Total	**$20,500,000**	**$4,500,000**

Step Two – Evaluate Project Revenues

The second step in calculating the Return to the Applicant is to determine if the assumed Project operating revenues are reasonable. The Project will generate revenue from multi-family rentals, hotel operations, anchor retail building leasing, and improved lot sales. The Applicant forecasts that the multi-family units will generate annual net operating income of $4,884,000 after stabilization. The hotel development is estimated to generate $2,628,000 in annual net income. The Applicant estimates anchor retail store lease payments of $3,125,000 annually, or $25.00 per square foot. Improved lot sale gross revenue is estimated at $8.1 million.

To evaluate whether the Applicant's revenue estimates are reasonable, BTMA used the CoStar platform to evaluate rents and land sales within the Joplin market for comparable development.

Multi-Family Rents

The Applicant assumes rental of 375 units at an average unit size of 925 square feet for approximately $1,692 per month, or $1.83 per square foot. At this level, the proposed rents would be among the highest in the Joplin market. Rents at the Applicant's other multi-family units in Joplin are approximately $1.45 per square foot. Among the 4- and 5-star multi-family buildings in Joplin, the average asking

rent per square foot is approximately $1.25 per square foot. The Applicant has assumed a 6.0% vacancy rate after stabilization, which is in line with the average historical vacancy rate among 4- and 5-star buildings in Joplin. While these rents would be high compared to the Joplin market, there is likely to be a premium which can be charged given the proximity to the anticipated Prospect Village amenities. Considering the location's proximity to planned Prospect Village amenities and the surrounding commercial area, the proposed rents as described by the Applicant are considered reasonable.

Hotel Development

The Applicant has assumed an average daily rate (ADR) of $180 per night with assumed average daily vacancy of 30%. The assumed operating expense ratio is 30%. This would equate to an estimated revenue per available room (RevPar) of $126.

To determine whether the Applicant's expectations for hotel revenues are reasonable, BTMA reviewed available data for CoStar's Missouri South hospitality market. We specifically reviewed upscale hotels given that this is expected to service the tournaments hosted at the Sports Complex.

According to the data available from CoStar for their Missouri South Region, the ADR for this market is $110 per room. Among upscale hotels, the ADR is approximately $165.90 with average occupancy of 71.9%, resulting in average revenue per available room (RevPar) of $119.24. The Applicant's assumed RevPar of $126.00 is higher than the $119.24 realized by upscale hotels in the region. It appears that the Applicant's hotel revenue assumptions are somewhat aggressive relative to the region. The Applicant may be relying on demand generated by the Sports Complex to realize greater revenues than like hotels in the region.

Anchor Retail

The Applicant has assumed that the anchor retail store can be leased at approximately $25 per square foot. To verify the Applicant's assumption, BTMA reviewed the Joplin retail market data available from CoStar. The overall year-to-date estimated market rent for retail space in Joplin is approximately $12.06 per square foot. This is a large development which is expected to add approximately 135,000 square feet of retail space. There are very few sites within the Joplin market of a similar size, which limits the comparative lease data available. Given the size and location of the building within the planned Prospect Village development, the anchor site may command a rental premium.

Improved Lot Sales

The Applicant assumes that the improved lots are sold for approximately $15.00 per square foot except for the parcel located at 2601 South Range Line Road (formerly the Red Hot & Blue restaurant) which is assumed to sell at a per square foot price of $61.06. The Applicant indicated that the $15 per square foot represents a conservative estimate for the lots not located directly on Range Line Road, which they would consider second-tier sites.

	Estimated Sale Price	$ Per Square Foot
Lot 3 (.51 acres)	$333,234	$15.00
Lot 4 (.95 acres)	$620,730	$15.00
Lot 12 (1.67 acres)	$1,091,178	$15.00
Lots 13 (1.67 acres)	$1,091,178	$15.00
Red Hot & Blue (1.88 acres)	$5,000,000	$61.06
Total	**$8,136,320**	**$249.37**

As discussed in the acquisition cost section of this analysis, comparable land sales had a median price per square foot of approximately $16.48. Among the recent industrial and commercial property sales along Range Line Road, sale prices stretched between $4.62 and $72.23 per square foot of land with a median price of $21.42. It should be noted that these industrial and commercial property sales include improved lots with vertical structures which contributes to a higher price per square foot.

While the available market data provides a limited number of comps, it appears that the per square foot prices for the remaining real estate proposed by the Applicant would be potentially below the market clearing price in the area. BTMA evaluated the sensitivity of the land sale's impact on the Applicant's return, and whether an adjustment to the Applicant's pro forma may be appropriate to better reflect their estimated return. Our analysis indicates that the land sales are a low sensitivity variable, and the Applicant would have to realize a PSF significantly above the market clearing price to have a material impact on the return; therefore, we believe that no adjustment is necessary.

Step Three – Evaluate Hypothetical Sale Assumptions:
The third step in analyzing the return to the Applicant is to determine the value of a hypothetical sale of the asset in the tenth (final) year of the operating pro forma. The determination of the potential market value of the project, through a hypothetical sale, is necessary as it allows for the inclusion of the value of the asset in the rate of return calculation. The calculation of an IRR without the hypothetical sale would result in an understated return. The assumption of a hypothetical sale should not be interpreted to convey that the Applicant intends to sell elements of the project proposed for ownership and operation at the assumed or any other date.

The critical assumption when valuing the asset at the time of the hypothetical sale is the capitalization rate. The estimated net operating income is divided by the capitalization rate, which results in the assumed fair market value of the asset. The capitalization rate is intended to represent the yield of an investment over one year and is also a useful measure of risk. The Applicant has assumed capitalization rates of 5.75% for the multi-family units, 6.00% for the hotel, and 5.50% for the anchor store.

BTMA compared the forecasted Project Returns and the proposed capitalization rates to a third-party reference, the *PwC Real Estate Investor Survey, Third*

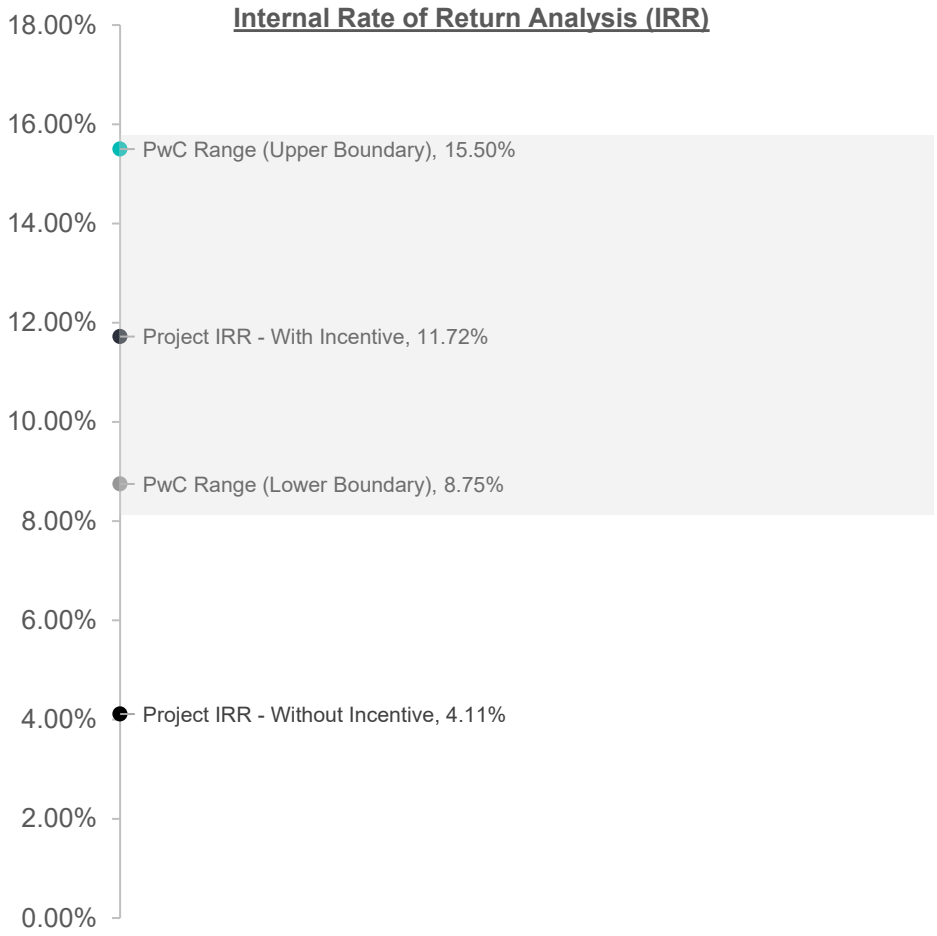
Quarter 2024, a national survey which publishes data on the commercial real estate marketplace sampled from active investors. BTMA referenced the PwC survey to assess whether the Project would proceed (on an unlevered basis) without the requested Incentive. The reported IRR and the cap rates from the PWC Survey for the corresponding type of development, as proposed in the Project description, are as follows.

	PWC Unlevered IRR			
Class	Low	Average	High	CAP Rate Range
Multi-Family	6.00%	7.25%	9.00%	4.0-7.5%
Net Lease	6.00%	8.00%	11.00%	6.25-9.0%
Hotel	9.00%	10.55%	12.00%	6.0-10.50%
Land Sales	14.00%	19.13%	30.00%	NA
Blended Return	8.75%	11.23%	15.50%	

The average national average capitalization rates from the PwC Survey were 5.38% for multi-family development, 8.65% for full-service lodging, and 7.51% for net leases[1]. The Applicant's capitalization rate assumptions fall within the ranges reported by the PWC survey and, therefore, appear reasonable.

The blended unlevered IRR calculation for the Project with and without incentives are presented in the visual below.

[1] A lease in which the landlord passes all expenses on to the tenant. As an investment, an income-producing property leased, often for 20 years or longer, to a national creditworthy tenant.



Conclusion

Our analysis indicates that without the requested public Incentive – the Project would not likely proceed in the current market but-for the requested incentive. It should be recognized that the Project includes risks associated with environmental remediation, which are in addition to the normal risks associated with commercial development, and not reflected in the *PWC Survey* range. The environmental remediation risk underscores the unlikeliness that the Project would be undertaken at the estimated IRR without incentive of 4.11%.

Appendix – Data Sources

CoStar Group www.costar.com

CoStar Group (NASDAQ: CSGP) is a leading global provider of commercial and residential real estate information, analytics, and online marketplaces. Included in the S&P 500 Index and the NASDAQ 100, CoStar has provided data and information services for over 37 years to the commercial real estate market. The platform allows access to a comprehensive inventory of over 7 million properties, twenty million lease and sale comparables, and 8.3 million commercial tenants.

PwC Investor Survey www.**pwc.com**

The PwC Investor Survey is a trusted source of research and investment criteria. For over 35 years, the PWC Investor Survey has provided data and insights for commercial real estate investors. The PwC Investor Survey includes regional and national data for investor expectations concerning commercial real estate and is published on a quarterly basis. Survey participants represent a cross-section of major institutional equity real estate investors who invest primarily in institutional-grade property. Survey results are intended to be interpreted as expectations and does not reflect actual property performance.

RS Means **www.rsmeans.com**

Gordian is a leading provider of facility and construction cost data, software and services for all phases of the building lifecycle. A pioneer of Job Order Contracting (JOC), Gordian's offerings also include proprietary RSMeans Data and facility intelligence solutions. The RS Means square foot estimator uses a predictive pricing model based on national, regional, and local data for a variety of commercial real estate developments.