

**SECOND AMENDMENT
to
19th TERRACE & CENTRAL
TAX INCREMENT FINANCING PLAN**

KANSAS CITY, MISSOURI

TIF COMMISSION APPROVAL:

<u>7/14/04</u>	<u>7-07-04</u>
DATE:	RESOLUTION No.

CITY COUNCIL APPROVAL:

<u>8/05/04</u>	<u>040871</u>
DATE:	ORDINANCE No.

Attached herewith is a true and correct copy of the TIF Plan that was approved by the Tax Increment Financing Commission of Kansas City, Missouri.

**SECOND AMENDMENT
TO THE
19th TERRACE & CENTRAL
TAX INCREMENT FINANCING PLAN**

In accordance with this Second Amendment, the Plan shall be amended as follows:

Amendment No. 1: Delete Section IIIC of the Plan and insert the following language in its stead:

Project Improvements: The Project Improvements will consist of the development of approximately 29,000 square feet of residential space, 11,000 square feet of warehouse space, 173,000 square feet of office and commercial space, 47,000 square feet of retail, 540 new and rehabilitated parking spaces, together with all necessary utilities and street improvements. The Project Improvements will consist of a mix of new construction and rehabilitation of existing structures.

Amendment No. 2: Delete the first sentence of Section IVA of the Plan, "Estimated Redevelopment Project Costs," and insert the following in its stead:

Redevelopment Project Costs are estimated to be approximately \$22,276,320 of which \$7,016,262 will qualify as Reimbursable Project Costs.

Amendment No. 3: Delete the third sentence of Section IVC of the Plan, "Payments in Lieu of Taxes," and insert in its stead:

The total Payments in Lieu of Taxes generated by the development over the life of the Plan is approximately \$7,530,760, as shown in detail on Exhibit 8.

Amendment No. 4: Delete the first sentence of Section IVD of the Plan, "Economic Activity Taxes," and insert the following in its stead:

The estimated Economic Activity Taxes generated by the development over the duration of the Plan are approximately \$4,191,858.

Amendment No. 5: In Exhibit 3 of the Plan, entitled "Construction and Employment Information," delete the "Construction and Employment Information - Project 18" and insert the "Revised Construction and Employment Information - Project 18," attached hereto, in its stead.

Amendment No. 6: In Exhibit 2 of the Plan, entitled "Project Design Plan Summary," in the description of Project 18 - Property DD, delete the sentence and insert the following in its stead:

Convert the upper two floors (24,000 square feet) to commercial/office space, with the lower level to be used for commercial/retail or office uses.

Amendment No. 7: Delete Project 18 information in Exhibit 5 of the Plan, entitled "Estimated Redevelopment Project Costs," and insert Revised Project 18 of Exhibit 5, attached hereto, in its stead.

Amendment No. 8: Amend Exhibit 6 of the Plan, entitled "Sources and Uses of Funds," by attaching Revised Exhibit 6, entitled "A. Source of Funds for Project 18," attached hereto, in its stead.

Amendment No. 9: Amend Exhibit 8, entitled "Estimated Annual Increases in Assessed Value and Resulting Payments in Lieu of Taxes and Projected Economic Activity Taxes - Totals For All Projects" by adding Exhibit 8, entitled "Estimated Annual Increases in Assessed Value and Resulting Payments in Lieu of Taxes and Projected Economic Activity Taxes – Project 18," attached hereto.

Amendment No. 10: Add the attached "Evidence of 'But For' - Project 18" as a supplement to Exhibit 10 of the Plan, entitled "Evidence of 'But For.'"

Amendment No. 11: Add paragraph below to Section II:

"This Redevelopment Plan and Projects may be amended pursuant to the provisions of the Act except in the event that there are minor inaccuracies contained within this Redevelopment Plan or any Exhibit attached hereto, and such inaccuracies do not alter the substance of the Redevelopment Plan or a Redevelopment Project, the City Council of Kansas City, Missouri authorizes the Commission to approve and correct such inaccuracies and to execute any required instruments and to make and incorporate such amendment or change to this Redevelopment Plan or any Exhibit attached hereto."

Exhibit 3
Revised
CONSTRUCTION TOTALS BY PROJECT AREA* - PROJECT EIGHTEEN

Please complete the following chart for each Project Area. Reproduce this chart for each Project Area.

			24,000	24,000	
			12,000	12,000	
			36,000	36,000	
Number of DOWELING ENDS					
Number of YOKE BOLTS					
Number of SPARKING SPACES			75	75	

* - A Project Area is defined as a specific geographical area within the overall Plan Area that is developed during a specific time frame.

Exhibit 3
Revised

Employment Information – PROJECT EIGHTEEN

Please provide employment information for each Project Area. Reproduce this chart for each Project Area.

Permanent Jobs to be Retained in Kansas City	25
Permanent Jobs to be Retained in Kansas City	
Permanent Jobs to be Retained in Kansas City	48
TOTAL	73
Annual Payroll (Annual Payroll)	\$3,750,000*
Estimated number of construction workers to be hired during construction phase	50

*Assumes 48 jobs and annual payroll of \$3,000,000 in Year 1 and 25 additional jobs and \$750,000 additional annual payroll in Year 2.

Exhibit 5
Revised

**19th Terrace and Central Budge
Project 18/Properties CC/DD/EE
36,000 s.f. Commercial/Office/Retail**

	Total Cost	Reimbursable Cost by TIF
Acquisition		\$0
Parking Improvements		250,000
Lighting, Streetscape		175,000
Engr./Arch., Prof. Fees		175,000
Exterior, Environ. Rehab		250,000
Interior Rehab, Clean-Up		350,000
Commission Expenses		20,000
Interest		1,336,899
Sub-Total	\$9,437,187	\$2,556,899

REVISED EXHIBIT 6

**A. SOURCE OF FUNDS FOR PROJECT 18
ESTIMATED REDEVELOPMENT PROJECT COSTS**

1.	Amount of Reimbursable Costs from PILOTS and Operation and Activity Taxes	\$1,874,870
2.	Developer	\$7,562,317
	TOTAL	\$9,437,187

B. BONDS

The total estimated amount of PILOTS and EATS over twenty-three years to reimburse project costs in this Plan is \$1,874,870. The Commission may dedicate part or all of this amount to help support the issuance of bonds to defray the cost of the projects.

PAYMENTS IN LIEU OF TAXES ('PILOTS')

Year	Real Property FIMV	Property Assessed Value	RE Tax	Payments in lieu of Taxes	Total Taxes and Pilots Paid	ECONOMIC ACTIVITY TAXES ('EATS') (50% of Incremental Taxes)				Total Economic Activity Taxes (50% of Incremental Taxes)	Total PILOTS and EATS	Cumulative PILOTS and EATS
						Total Earnings	Incremental Earnings Taxes	Utilities 36,000 Sq. Ft.	Incremental Utilities Taxes			
1 (2001)	600,441	192,141	17,773	0	17,773	254,690	0	30,024	0	0	0	0
2 (2002)	504,966	161,589	14,986	0	14,986	0	0	0	0	0	0	0
3 (2003)	538,609	172,355	15,891	0	15,891	0	0	0	0	0	0	0
4 (2004)	538,609	172,355	15,891	0	15,891	0	0	0	0	0	0	0
5 (2005)	3,000,000	960,000	29,458	59,534	88,992	375,000	1,203	8,000	600	901	901	901
6 (2006)	3,000,000	960,000	29,458	59,534	88,992	3,000,000	27,453	72,000	6,900	17,176	76,710	77,612
7 (2007)	3,121,200	998,784	30,047	62,541	92,587	3,810,000	35,553	73,440	7,044	21,298	80,832	158,444
8 (2008)	3,121,200	998,784	30,047	62,541	92,587	3,888,200	36,315	74,909	7,191	21,753	84,294	242,737
9 (2009)	3,247,296	1,039,135	30,659	65,669	96,328	3,963,924	37,092	76,407	7,340	22,216	84,757	327,494
10 (2010)	3,247,296	1,039,135	30,659	65,669	96,328	4,043,202	37,885	77,935	7,493	22,689	88,358	415,852
11 (2011)	3,247,296	1,039,135	30,659	65,669	96,328	4,124,067	38,694	79,494	7,649	23,171	88,841	504,693
12 (2012)	3,378,487	1,081,116	31,295	68,924	100,219	4,206,548	39,519	81,084	7,808	23,663	89,332	594,028
13 (2013)	3,378,487	1,081,116	31,295	68,924	100,219	4,280,679	40,360	82,705	7,970	24,165	93,089	687,115
14 (2014)	3,514,978	1,124,793	31,958	72,310	104,268	4,376,492	41,218	84,359	8,136	24,677	93,801	780,715
15 (2015)	3,514,978	1,124,793	31,958	72,310	104,268	4,464,022	42,093	86,047	8,304	25,199	97,509	878,225
16 (2016)	3,656,983	1,170,235	32,647	75,834	108,481	4,553,303	42,986	87,768	8,477	25,731	98,042	976,266
17 (2017)	3,656,983	1,170,235	32,647	75,834	108,481	4,644,369	43,897	89,523	8,652	26,274	102,108	1,078,374
18 (2018)	3,804,725	1,217,512	33,364	79,499	112,863	4,737,256	44,826	91,313	8,831	26,828	102,662	1,181,036
19 (2019)	3,804,725	1,217,512	33,364	79,499	112,863	4,832,001	45,773	93,140	9,014	27,393	106,892	1,287,929
20 (2020)	3,958,436	1,266,700	34,110	83,313	117,423	4,928,641	46,740	95,002	9,200	27,970	107,469	1,395,398
21 (2021)	3,958,436	1,266,700	34,110	83,313	117,423	5,027,214	47,725	96,903	9,390	28,558	111,870	1,507,268
22 (2022)	4,118,357	1,317,874	34,887	87,280	122,167	5,127,758	48,731	98,841	9,584	29,157	112,470	1,619,738
23 (2023)	4,118,357	1,317,874	34,887	87,280	122,167	5,230,314	49,756	100,817	9,781	29,769	117,049	1,736,787
24 (2024)	4,284,739	1,371,116	111,865	15,238	127,102	5,334,920	50,802	102,834	9,983	30,393	117,673	1,854,460
			783,916	1,390,714	2,174,630	90,397,828	807,268	1,758,411	161,046	484,157	20,410	1,874,870

**19TH TERRACE AND CENTRAL TIF PLAN
INCREMENT PROJECTIONS FOR
PROPOSED PROJECT INCLUDING
PROPERTIES EE, DD, CC**

Assumptions:

Inflation/Growth Rates:

Inflation Rate - Real Estate Valuation	2.0000%
Inflation Rate - Earnings, Sales, Etc.	2.0000%
Inflation Rate - Utilities	2.0000%

Assessed Value Rates:

Land Assessed Rate	32.0000%
Building Assessed Rate	32.0000%

Note: Property is reassessed in odd years

Property Tax Mill Levies (2003 rates):

Kansas City, MO	1.3159%
Jackson County	0.5700%
Handicap Workshop	0.0800%
Junior College	0.2232%
Kansas City Library	0.4863%
Mental Health	0.1278%
School District	4.9500%
Tax Mill Levy - Disregarding Blind & Replacement Tax	7.7532%
Blind Pension - Not eligible for TIF	0.0300%
Replacement Tax - Not eligible for TIF	1.4370%
Tax Mill Levy - Including Blind & Replacement Tax	9.2202%

Other Tax Rates:

Earnings Tax Rate (as a percent of gross wages):	1.0000%
Utility Tax Rate	10.0000%

Assumed Earnings:

First Year (Tenant #1)*	\$3,000,000
Second Year (Tenant #2)	\$750,000

*Tenant is expected to occupy space following completion of construction (Nov. 15, 2004). Thus, earnings are pro rated for Year 2004.

Base Year:

PILOTS	2001
EATS*	2000

*Because the existing tenant began vacating the building in 2000, the amount of Earnings and Utilities are estimated at 50% of prior earnings/usage. Earnings and Utilities for Years 2001-2003 are assumed to be \$0.



Applied Real Estate Analysis, Inc.

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June 29, 2004

Mr. Robert Long
Business Development Officer
Economic Development Corporation of Kansas City
10 Petticoat Lane, Suite 250
Kansas City, Missouri 64106-2103

RE: 19th Terrace & Central TIF Plan Amendment

Dear Mr. Long:

Applied Real Estate Analysis (AREA), Inc., has reviewed the documents, including a proforma, pertaining to the Second Amendment to the 19th Terrace and Central TIF plan and we believe that the proposed development meets the "but for" test required by law. The project involves a change of use for a 35,000 square foot building in the TIF district. Originally planned for two floors of residential use over commercial space, the building will now be renovated for office use by a single tenant.

AREA reviewed all of the developer's assumptions pertaining to development costs, revenues, operating costs, and financing. As stated in the original proforma, the assumptions produced negative cash flow for more than ten years. AREA reviewed the assumptions with the developer's representative and arrived at a more realistic set of assumptions based on the proposed terms of the lease, the developer's experience in the local market and AREA's knowledge of overall market conditions in Kansas City.

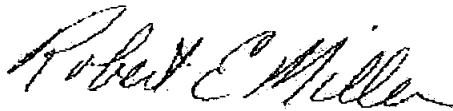
With the revised set of assumptions, it was still apparent that this is strictly a long term investment. Although the building started providing positive cash flow in the first year, it would still be carrying so much debt that a sale at the end of the 10th year would be unlikely to produce enough revenue to pay off the remaining mortgage. As is shown in the attached proforma, we attempted to calculate a ten year IRR on the property assuming a capitalization rate of 8% (extremely aggressive) on the net cash flow in year 10. Even ignoring the remaining debt, this calculation still produced a negative cash flow.

Under normal circumstances, no developer would undertake such a project. However, we understand that the developer is also the owner of a large business within the TIF district and has undertaken the redevelopment of an area around its headquarters to both solidify its original investment and to possibly attract future investment by others. Therefore, the

short term potential of the property is less important than the long term potential for revitalization of the area and future appreciation.

Under these circumstances, we have to conclude that the development not only meets the "but for" test, it is a valuable benefit to Kansas City.

Sincerely,

A handwritten signature in cursive script that reads "Robert E. Miller".

Robert E. Miller, CRE
Senior Vice President

Attachments:

Assume

Acq/Const Cost 3,000,000
 Contingency 300,000
 Bridge Financing Cost 3,300,000
 Total Cost Project 4,200,000
 Total Financed Amt 2,900,000

Payment 20yr 17.5%
 280,345

WITH TIF
 PROJECT 18
 PROPERTIES CC/DD/EE

	Year	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Total Square Feet											
Leaseable Square Feet											
Parking Spaces											
Rental Rate	\$										
Parking Rate	\$										
TIF Income		485,100	485,100	485,100	489,653	499,653	499,653	514,643	514,643	514,643	530,082
		27,000	27,000	27,000	27,810	27,810	27,810	28,644	28,644	28,644	29,504
		76,710	80,832	84,294	84,757	88,368	88,841	89,332	93,089	93,601	97,809
		588,810	592,932	596,394	612,220	618,821	616,304	632,620	636,376	636,889	657,093
RE Taxes		88,992	88,992	88,992	88,992	88,992	88,992	88,992	88,992	88,992	88,992
Insurance	\$	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Janitorial	\$	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Grounds	\$	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Utilities	\$	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
		61,250	61,250	61,250	61,250	61,250	61,250	61,250	61,250	61,250	61,250
		170,892	170,891	170,892	170,892	170,892	170,892	170,892	170,892	170,892	170,892
R/M Expenses	\$	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Commission	\$	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Mgmt. Fee	\$	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Other	\$	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
		5,250	5,303	5,356	5,408	5,463	5,518	5,573	5,629	5,685	5,742
		29,106	29,106	29,106	29,879	29,879	29,979	30,879	30,879	30,879	31,805
		14,553	14,553	14,553	14,990	14,990	14,990	15,439	15,439	15,439	15,902
		3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
		52,409	52,462	52,515	53,878	53,932	53,987	55,391	55,447	55,503	56,949
Net Operating Income		365,509	369,680	372,887	387,450	390,987	391,425	406,337	410,037	410,494	429,252
Cash on Cash		11.08%	11.20%	11.30%	11.74%	11.85%	11.86%	12.31%	12.43%	12.44%	13.01%
Debt Service		280,345	280,345	280,345	280,345	280,345	280,345	280,345	280,345	280,345	280,345

Assume

Acq/Const Cost 3,000,000
 Contingency 300,000
 Bridge Financing Cost -
 Total Cost Project 3,300,000
 Total Financed Amt 2,900,000

Payment 20yr / 7.5%
 280,346

WITHOUT TIF
 PROJECT 18
 PROPERTIES CO/DD/EE

	Year	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
Total Square Feet		35,000									
Leaseable Square Feet		30,800									
Parking Spaces		75									
Rental Rate	\$	17.50									
Parking Rate	\$	360.00									
TIF Income											
		485,100	485,100	485,100	489,653	499,653	499,653	514,643	514,643	514,643	530,082
		27,000	27,000	27,000	27,810	27,810	27,810	28,644	28,644	28,644	29,504
		512,100	512,100	512,100	527,463	527,463	527,463	543,287	543,287	543,287	559,586
RE Taxes		88,992	88,992	88,992	88,992	88,992	88,992	88,992	88,992	88,992	88,992
Insurance	\$	0.15									
Janitorial	\$	0.50									
Grounds	\$	0.30									
Utilities	\$	1.75									
		61,250	61,250	61,250	61,250	61,250	61,250	61,250	61,250	61,250	61,250
		170,892	170,892	170,892	170,892	170,892	170,892	170,892	170,892	170,892	170,892
R/M Expenses		5,250	5,303	5,356	5,409	5,463	5,518	5,573	5,629	5,685	5,742
Commission	\$	0.15									
Mgmt. Fee	\$	3.00%									
Other	\$	0.10									
		29,106	29,106	29,106	29,979	29,979	29,979	30,879	30,879	30,879	31,805
		14,553	14,553	14,553	14,990	14,990	14,990	15,439	15,439	15,439	15,902
		3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
		52,409	52,462	52,515	53,878	53,932	53,987	55,391	55,447	55,503	56,949
Net Operating Income		288,799	288,747	288,693	302,693	302,639	302,584	317,004	316,948	316,892	331,744
Cash on Cash		8.75%	8.75%	8.75%	9.17%	9.17%	9.17%	9.61%	9.60%	9.60%	10.05%
Debt Service		280,345	280,345	280,345	280,345	280,345	280,345	280,345	280,345	280,345	280,345
Net Cash Flow		8,454	8,402	8,348	22,348	22,294	22,239	36,659	36,603	36,547	51,399
IRR		-11.68%	(3,000,000)	8,348	22,348	22,294	22,239	36,659	36,603	36,547	51,399

2014 cash flow
 Cap Rate 8.0%
 Less Cost of sale 6%
 Reversion
 51,399
 642,491
 38,549
 603,942