

**FIRST AMENDMENT
BALTIMORE PLACE
TAX INCREMENT FINANCING PLAN
KANSAS CITY, MISSOURI**

TIF Commission Approval:

<u>September 12, 2007</u>	<u>9-12-07</u>
Date	Resolution No.

City Council Approval:

<u>January 17, 2008</u>	<u>071344</u>
Date	Ordinance No.

Attached herewith is a true and correct copy of the Baltimore Place TIF Plan 1st Amendment that was approved by the Tax Increment Financing Commission of Kansas City, Missouri by Resolution No. 9-12-07.on September 12, 2007.


Chairman

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EXHIBITS

- Exhibit 5: A. Estimated Redevelopment Costs
- Exhibit 7: Sources and Uses of Funds
- Exhibit 9: Evidence of “But For”
- Exhibit 14: Redeveloper Affidavit and Application

I. INTRODUCTION

This First Amendment to the Baltimore Properties Place Tax Increment Financing Plan (the “First Amendment”) shall change the Baltimore Properties Place Tax Increment Financing Plan (the “Plan”) as approved by the Ordinance No on (referred to herein as the “Plan”). This First Amendment would change the Redevelopment Project Costs for Project 1 (LaRue Building) from an estimated \$3,243,285 to an estimated \$4,773, 335 and change the Total Reimbursable Costs for Project 1 from \$496,780 to \$1,005,888 and change the Redevelopment Project Costs for Project 2 (Union Carbide Building) from an estimated \$9,679,498 to an estimated \$11,026,830 and change the Total Reimbursable Costs for Project 2 from \$757,126 to \$1,399,911. The intent and substance of the Baltimore Properties Place Tax Increment Financing Plan remains unchanged other than those revisions specifically mentioned herein.

II. SPECIFIC PLAN TEXT AMENDMENTS

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

Amendment No. 1: Section IV.A., Estimated Redevelopment Project Costs.

Delete all paragraphs within Section IV.A. of the Plan and replace with the following :

“Estimated Redevelopment Project Costs.

Estimated Redevelopment Project Costs for the Projects 1 are to be approximately **\$4,773,335** over the life of the Plan. The Plan proposes approximately **\$1,005,888** in Reimbursable Project Costs be reimbursed from Statutory TIF Special Allocation Fund.

Estimated Redevelopment Project Costs for Project 2 are to be approximately **\$11,474,830** over the life of the Plan. The Plan proposes approximately **\$1,399,911** in Reimbursable Project costs be reimbursed from Statutory TIF Special Allocation Fund, City Annual Appropriation of EATS, and State TIF Special Allocation Fund.

Estimated Redevelopment Project Costs for 3 are to be approximately **\$5,885,592** over the life of the Plan. The Plan proposes approximately **\$2,515,513** in Reimbursable Project Cost be reimbursed from Statutory TIF Special Allocation Fund, City Annual Appropriation of EATS.

Estimated Redevelopment Project Costs for 4 are to be approximately **\$3,150,637** over the life of the Plan. The Plan proposes approximately **\$562,328** in Reimbursable Project Costs be reimbursed from Statutory TIF Special Allocation Fund, City Annual Appropriation of EATS, and State TIF Special Allocation Fund.

Estimated Redevelopment Project Costs for Project 5 contemplated under the Plan are approximately **\$2,703,147** over the life of the Plan. The Plan proposes that

approximately \$2,703,147 in Redevelopment Project Costs be reimbursable from the Statutory TIF Special Allocation Plan. It is anticipated 50% of all PILOTS and EATS from Project 1, 2 and 4 will be used for reimbursement of Redevelopment Project Costs in Project 5. All of Project Area 6 PILOTS will be used for reimbursable expenses for Project 5.

Estimated Redevelopment Project Costs for Project 6 contemplated under the Plan are approximately \$976,738 over the life of the Plan. Redevelopment Project cost of Project 6 will not be reimbursable from the Statutory TIF Special Allocation Plan. No EATS will be captured from Project 6. However, the PILOTS collected from Project 6 will be used for Redevelopment Project Costs associated with Project 5. Any PILOTS from Project Area 6 remaining after full reimbursement of the eligible costs of construction of Project 5 shall be made available for neighborhood improvements, such as façade improvements, streetscape, utilities, ect. to the buildings within the Redevelopment Plan area.

Redevelopment Project 7 is a Neighborhood Improvement Fund An amount equal to 5% total eligible Statutory TIF Special Allocation Funds (PILOTS and EATS) from the Redevelopment Area will be set aside in a improvement fund to assist the Redeveloper with façade, streetscape and other neighborhood improvements within the Redevelopment Area.

The Estimated Redevelopment Project Cost and Reimbursable Project Costs include those shown as set forth in Exhibit No 5 A.

The Commission has determined that certain planning and special services expense of the Commission, which are not direct Redevelopment Project costs, are nonetheless reasonable and necessary for the operation of the Commission and are incidental costs to the Redevelopment Project. These incidental costs will be recovered by Commission from the Special Allocation Fund in an amount not to exceed five percent (5%) of the Payments in Lieu of Taxes and Economic Activity Taxes paid annually into the fund.

III. PLAN EXHIBIT AMENDMENTS

Amendment No. 2: Delete “Estimated Redevelopment Project Costs”, Exhibit 5 of the Plan and add the attached “Estimated Redevelopment Project Costs” to the Plan.

Amendment No. 3: Delete “ Sources and Uses of Funds”, Exhibit 7 and replace with the attached “Sources and Uses of Funds”, Exhibit 7 to the Plan.

Amendment No. 4: Supplement “But For TIF”, Exhibit 9 of the Plan with the attached “But For TIF” report.

Amendment No. 5: Supplement “Developers Application”, Exhibit 14 of the Plan with the attached documents.

EXHIBIT 5

Estimated Redevelopment Costs and Schedule

Estimated Redevelopment Costs

EXHIBIT 5 A
Baltimore Place Properties TIF Plan-1st Amendment
Estimated Redevelopment Project Costs

Project 1 -6/Neighborhood Fund

	1st Amendment Estimated Total Project Costs	1st Amendment Statutory Reimbursable From TIF Revenue		1st Amendment Developer, Equity Other Financing
TIF Commission Expenses ¹				
1. Estimated Reimbursable Costs for Plan Implementation				
A. Legal	\$ 200,000	\$ 200,000	\$	-
B. Agenda	2,000	2,000		0
C. Staff Time	100,000	100,000		0
D. Miscellaneous	30,000	30,000		0
2. Plan Administration Expenses	200,000	200,000		0
Subtotal	\$ 532,000	\$ 532,000	\$	-
<u>PROJECT 1 (LaRue) ²</u>				
Building Acquisition Costs	\$ 600,000	0	\$	600,000
Remediation Abatement	205,966	205,966	\$	-
Demolition	260,042	260,042	\$	-
Shell Building Improvements	2,334,010	\$ 539,880	\$	1,794,130
Tenant Finish Improvements	417,462	0	\$	417,462
Constructions Bond/Insurance	45,305	0	\$	45,305
Construction Management	45,000	0	\$	45,000
Construction Contingency	310,406	0	\$	310,406
AE & Legal Services	191,890	0	\$	191,890
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	193,202	0	\$	193,202
Interest Expense	116,152	0	\$	116,152
FF&E	53,900	0	\$	53,900
Total Costs	\$ 4,773,335	1,005,887.85	\$	3,767,447
<u>PROJECT 2 (UNION CARBIDE-Office) ³</u>				
Building Acquisition Costs	\$ 448,000	0	\$	448,000
Remediation Abatement	\$ 149,264	\$ 149,264	\$	-
Demolition	\$ 401,886	\$ 401,886	\$	-
Shell Building Improvements	\$ 2,334,010	\$ 539,880	\$	1,794,130
Tenant Finish Improvements	\$ 435,482	0	\$	435,482
Constructions Bond/Insurance	\$ 28,397	0	\$	28,397
Construction Management	\$ 45,000	0	\$	45,000
Construction Contingency	\$ 266,072	0	\$	266,072
AE & Legal Services	\$ 168,767	0	\$	168,767
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$ 177,186	0	\$	177,186
Interest Expense	\$ 102,381	0	\$	102,381
FF&E	\$ 54,500	0	\$	54,500
Total Costs	\$ 4,610,945	1,091,030.00	\$	3,519,915
<u>PROJECT 2 (B) (Union Carbide Loft) ³</u>				
Building Acquisition Costs	\$ 952,000	0	\$	952,000
Remediation Abatement	\$ 126,267	\$ 126,267	\$	-
Demolition	\$ 182,614	\$ 182,614	\$	-
Shell Building Improvements	\$ 2,370,867	-	\$	2,370,867
Tenant Finish Improvements	\$ 1,016,086	0	\$	1,016,086
Constructions Bond/Insurance	\$ 67,056	0	\$	67,056
Construction Management	\$ 60,000	0	\$	60,000
Construction Contingency	\$ 620,735	0	\$	620,735
AE & Legal Services	\$ 295,000	0	\$	295,000
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$ 692,260	0	\$	692,260
Interest Expense	\$ 355,000	0	\$	355,000
FF&E	\$ 126,000	0	\$	126,000
Total Costs	\$ 6,863,885	308,881.00	\$	6,555,004

	Estimated Total Project Costs	Reimbursable From TIF Revenue	Project 1 -6/Neighborhood Fund Developer, Equity Other Financing
PROJECT 3 (Nelkin)			
Building Acquisition Costs	\$ 900,000	0 \$	900,000
Remediation Abatement	\$ 87,146	\$ 87,146 \$	-
Demolition	\$ 143,850	\$ 143,850 \$	-
Shell Building Improvements	\$ 2,463,403	\$ 2,284,517 \$	178,886
Tenant Finish Improvements	\$ 600,665	0 \$	600,665
Constructions Bond/Insurance	\$ 84,706	0 \$	84,706
Construction Management	\$ 70,000	0 \$	70,000
Construction Contingency	\$ 565,470	0 \$	565,470
AE & Legal Services	\$ 324,914	0 \$	324,914
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$ 345,638	0 \$	345,638
Interest Expense	\$ 219,800	0 \$	219,800
FF&E	\$ 80,000	0 \$	80,000
Total Costs	\$ 5,885,592	2,515,513.00 \$	3,370,079
PROJECT 4 (Cosby) ³			
Building Acquisition Costs	\$ 350,000	\$ - \$	350,000
Remediation Abatement	\$ 3,055	\$ 3,055 \$	-
Demolition	\$ 131,829	\$ 131,829 \$	-
Shell Building Improvements	\$ 1,342,588	\$ 427,444 \$	915,144
Tenant Finish Improvements	\$ 352,981	0 \$	352,981
Constructions Bond/Insurance	\$ 46,674	0 \$	46,674
Construction Management	\$ 50,000	0 \$	50,000
Construction Contingency	\$ 296,015	0 \$	296,015
AE & Legal Services	\$ 184,383	0 \$	184,383
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$ 206,152	0 \$	206,152
Interest Expense	\$ 120,210	0 \$	120,210
FF&E	\$ 66,750	0 \$	66,750
Total Costs	\$ 3,150,637	\$ 562,328.00 \$	2,588,309
PROJECT 5 (Garage) ³			
Building Acquisition Costs	\$ 906,000	\$ 906,000 \$	-
Demolition	\$ 159,968	\$ 159,968 \$	-
Shell Building Improvements	\$ 899,273	\$ 899,273 \$	-
Constructions Bond/Insurance	\$ 47,736	\$ 47,736 \$	-
Construction Management	\$ 55,000	\$ 55,000 \$	-
Inflation & Construction Contingency	\$ 268,837	\$ 268,837 \$	-
AE & Legal Services	\$ 108,473	\$ 108,473 \$	-
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$ 133,682	\$ 133,682 \$	-
Interest Expense	\$ 84,178	\$ 84,178 \$	-
FF&E	\$ 40,000	\$ 40,000 \$	-
Total Costs	\$ 2,703,147	2703147.00	0

PROJECT 6

Project 1 -6/Neighborhood Fund

Shell Building Improvements	\$	725,312	\$	-	\$	725,312
Constructions Bond/Insurance	\$	29,035		0	\$	29,035
Construction Management	\$	15,000		0	\$	15,000
Construction Contingency	\$	100,015		0	\$	100,015
AE & Legal Services	\$	40,000		0	\$	40,000
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$	34,774		0	\$	34,774
Interest Expense	\$	32,601		0	\$	32,601
Total Costs	\$	976,737	\$	-	\$	976,737

Estimated Total Project Costs	Reimbursable From TIF Revenue	Developer, Equity Other Financing
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PROJECT 7 Neighborhood Improvement Fund ²

\$	404,002.00	\$	404,002.00	\$	-
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Grand TOTAL

\$	29,900,280.00	\$	9,122,788.85	\$	20,777,491.15
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¹ The selected developer shall pay all fees and expenses of the TIF Commission for Plan preparation, approval and implementation including, but not limited to, staff time, agenda costs, legal fees, printing and publication of notices. The selected developer shall be billed for these expenses by the Commission as needed. These expenses shall be considered reimbursable project costs to the developer from the Special Allocation Fund.

In addition, the Commission has determined that those planning and special services expenses of the Commission which cannot be directly attributable to a particular project are nonetheless reasonable and necessary for the operation of the Commission and are incidental to the project. These incidental costs will be recovered by the Commission from the Special Allocation Fund in an amount not to exceed five percent (5%) of the PILOTS and Economic Activity Taxes paid annually into the fund.

² An amount equal to 5% of the PILOTS & EATS from each Redevelopment Project Area will be set aside in a neighborhood improvement program to assist with façade enhancements, streetscaping and necessary infrastructure within the Redevelopment Area.

³ 50% of all PILOTS and EATS for Redevelopment Project Area 1,2,4, and 6 will be used for reimbursement of Project 5 construction cost.

⁴ The Commission may assess a completion certificate fee for each project. The fee is \$.05 per square foot for non-residential space and \$100 per residential unit.

EXHIBIT 7

Sources and Uses of Funds

EXHIBIT 7

PROJECT 1

A. SOURCES OF FUNDS FOR ESTIMATED REDEVELOPMENT PROJECT COSTS

Amount of Reimbursable Costs from PILOTS And Economic Activity Taxes	\$ 1,005,888
Developer	<u>\$ 3,767,447</u>
TOTAL	\$ 4,773,335

BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over the twenty-three years of reimbursable project cost in this Plan from Statutory TIF from Project 1 as provided in the Act is approximately \$1,103,956. The Commission may dedicate part or this entire amount to help support the issuance of bonds.

EXHIBIT 7

PROJECT 2

SOURCES OF FUNDS FOR ESTIMATED REDEVELOPMENT PROJECT COSTS

Amount of Reimbursable Costs from PILOTS And Economic Activity Taxes	\$ 1,399,911
Developer	<u>\$ 10,074,919</u>
TOTAL	\$11,474,830

BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over the twenty-three years of reimbursable project cost in this Plan from Statutory TIF from Project 2 as provided in the Act is approximately \$1,682,502. The Commission may dedicate part or this entire amount to help support the issuance of bonds.

EXHIBIT 7

PROJECT 3

SOURCES OF FUNDS FOR ESTIMATED REDEVELOPMENT PROJECT COSTS

Amount of Reimbursable Costs from PILOTS And Economic Activity Taxes	\$ 2,515,513
Developer	<u>\$ 3,370,079</u>
TOTAL	\$ 5,885,592

BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over the twenty-three years of reimbursable project cost in this Plan from Statutory TIF from Project 3 as provided in the Act is approximately \$2,647,964. The Commission may dedicate part or this entire amount to help support the issuance of bonds.

EXHIBIT 7

PROJECT 4

SOURCES OF FUNDS FOR ESTIMATED REDEVELOPMENT PROJECT COSTS

Amount of Reimbursable Costs from PILOTS And Economic Activity Taxes	\$ 562,928
Developer	<u>\$ 2,588,309</u>
TOTAL	\$3,150,637

BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over the twenty-three years of reimbursable project cost in this Plan from Statutory TIF from Project 4 as provided in the Act is approximately \$1,249,617. The Commission may dedicate part or this entire amount to help support the issuance of bonds.

EXHIBIT 7

PROJECT 5

SOURCES OF FUNDS FOR ESTIMATED REDEVELOPMENT PROJECT COSTS

Amount of Reimbursable Costs from PILOTS And Economic Activity Taxes	\$ 2,703,147
Developer	<u> 0</u>
TOTAL	\$ 2,703,147

BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over the twenty-three years of reimbursable project cost in this Plan from Statutory TIF from Project 5 as provided in the Act is approximately \$160,146. The Commission may dedicate part or this entire amount to help support the issuance of bonds.

EXHIBIT 7

PROJECT 6

SOURCES OF FUNDS FOR ESTIMATED REDEVELOPMENT PROJECT COSTS

Amount of Reimbursable Costs from PILOTS And Economic Activity Taxes	\$ 0
Developer	<u>\$ 976,737</u>
TOTAL	\$ 976,737

BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over the twenty-three years of reimbursable project cost in this Plan from Statutory TIF from Project 6 as provided in the Act is approximately \$645,125. The Commission may dedicate part or this entire amount to help support the issuance of bonds.

EXHIBIT 9

Evidence of “But For”

CONSULTING SERVICE
8TH AND BALTIMORE TAX INCREMENT
FINANCING PLAN
BUT FOR ANALYSIS
KANSAS CITY, MISSOURI 64105

PREPARED FOR:
MISSY WILSON
ECONOMIC DEVELOPMENT CORPORATION
OF KANSAS CITY, MISSOURI
1100 WALNUT, SUITE 1700
KANSAS CITY, MISSOURI 64106

EFFECTIVE DATE OF THE ASSIGNMENT:
AUGUST 29, 2007

INTEGRA REALTY RESOURCES KANSAS CITY
FILE NUMBER: 119-2007-0433

August 29, 2007

Missy Wilson
Economic Development Corporation
Of Kansas City, Missouri
1100 Walnut, Suite 1700
Kansas City, Missouri 64106

RE: Consulting Service: Review of TIF Submission
8th and Baltimore
Tax Increment Financing Plan
Kansas City, Missouri 64105
Integra Realty Resources – Kansas City File No. 119-2007-0433

Dear Ms. Wilson:

Pursuant to your authorization, I have completed a consulting service relating to the above-captioned redevelopment project. This consulting service has been completed in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Standards of Professional Practice of the Appraisal Institute. This is neither an appraisal nor a feasibility study. It is a limiting condition of this consulting assignment that it be used only by the EDC, and only to assist the EDC in evaluating the aforementioned redevelopment project. The effective date of my consulting service is August 28, 2007. All pertinent exhibits to this assignment and our qualifications are included in the report.

The subject of this report is the redevelopment of the property generally located at 8th and Baltimore in downtown Kansas City, Missouri. The subject consists of occupied and vacant office buildings constructed in the early 1900's, as well as a parking structure. It has been proposed that several of the buildings be renovated into a combination of office, retail, and condominium uses. In addition, the proposal plans to expand the existing parking deck. The developer of the subject is seeking TIF and Historic Tax Credits in order to improve their return on the project.

The developer is seeking \$8,813,908 in TIF reimbursement which exceeds slightly, the TIF monies expected to be generated by the project. In addition, the developer is seeking Historic Tax Credits in the amount of \$5,865,064. The development budget for all six project areas is \$29,591,399.

IRR.

Missy Wilson
Economic Development Corporation
Of Kansas City, Missouri
August 29, 2007
Page 2

Our financial analysis in the following pages will demonstrate that certainly by the measure typically employed for private redevelopment, the project does not generate adequate cash flow. However, even with the anticipated TIF revenues that the project is expected to generate, the yield to the investor is still below what would typically be anticipated by market participants. However, without the availability of TIF, the project is less likely to be undertaken. The resulting internal rates of return (IRR) both with and without TIF are shown below.


Project WITHOUT TIF	4.67%
Project WITH TIF	8.04%

Given the unique nature of the entire Redevelopment Plan, I state on Page 5 several special assumptions and limiting conditions under which our conclusions herein have been reached.

If you have any questions or comments regarding our analysis or this report, please contact the undersigned. Thanking you for the opportunity to be of service, I remain,

Very truly yours,

INTEGRA REALTY RESOURCES - KANSAS CITY


Kenneth Jaggers, M.A.
Managing Director
State of Missouri Certified General
Real Estate Appraiser (RA 003190)

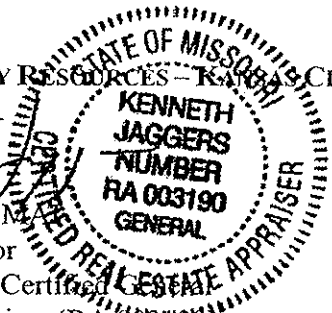


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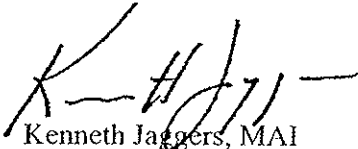
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CERTIFICATION

The analysts certify that, to the best of their knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are the analyst's personal, unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest or bias with respect to the parties involved. The services performed herein are intended to result in an analysis, opinion or conclusion of a disinterested third party. This analysis has been conducted on an arms-length basis subject to the Standards of Professional Practice (USPAP) and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
4. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. Receipt of the assignment was not based upon a requested minimum value, a specific value or result or approval of a loan.
6. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP). The analyst has not relied upon any departure provision of USPAP.
7. My analyses, opinions and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. The context of the consulting service and the scope of the assignment do not require an inspection of the improvements currently existing on the subject site. Kenneth Jagers, MAI has inspected the project areas from the street on several recent occasions.
10. No one provided significant professional assistance to the persons signing this report.

11. As of the date of this report, Kenneth Jagers, MAI, has completed the continuing education program of the Appraisal Institute.



Kenneth Jagers, MAI
Managing Director
State of Missouri Certified General
Real Estate Appraiser (RA 003190)

ASSUMPTIONS AND LIMITING CONDITIONS

This consulting report is subject to the following general assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. All sketches in this report are intended to be visual aids and should not be construed as surveys or engineering reports.
4. All information in this report has been obtained from reliable sources. I cannot, however, guarantee or be responsible for the accuracy of information furnished by others.
5. This opinion of rates of return applies to land and improvements only. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.
6. Possession of this report or a copy thereof does not imply the right of publication or use for any purpose by any other than the addressee without my written consent.
7. I am not required to give testimony or attendance in court by reason of this appraisal, unless prior agreements have been made in writing.
8. The land, and particularly the soil, of the area under appraisement appears firm and solid. Subsidence in the area is unknown or uncommon, but I do not warrant against this condition or occurrence.
9. Subsurface rights (minerals and oil) were not considered in making this appraisal.
10. I did not inspect the building involved in this assignment and damage, if any, by termites, dry rot or other infestations was reported as a matter of information and no guarantee of the amount or degree of damage, if any, is implied.

11. The market data relied upon in this assignment is believed to be from reliable sources; however, it was not possible to inspect the comparables completely, and it was necessary to rely on information furnished by others as to said data, therefore, the cash flow and yield conclusions are subject to the correctness and verification of said data.
12. I have inspected, as far as possible, by observation from the street, the land and the improvements thereon; however it was not possible to personally observe conditions beneath the soil or hidden structural components within the improvements, therefore, no representations are made herein as to these matters and unless specifically considered in the report, the value estimate is subject to any such conditions that could cause a loss in value. Condition of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated.
13. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of me or this firm with which they are connected or any reference to the Appraisal Institute.
14. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did I become aware of such during inspection. I have no knowledge of the existence of such materials on or in the property unless otherwise stated. We, however, are not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde, foam insulation or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.
15. I am not considered experts with regard to compliance with the Americans with Disabilities Act (ADA) of 1991. Unless otherwise stated, no responsibility is assumed for any non-compliance with the provision of the ADA. The client is urged to retain an expert in the field of ADA assessment impacts upon real estate if so desired. As the improvements will be new construction, I presume them to be ADA compliant upon completion.

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

The following assumptions and limiting conditions have been specifically established for this consulting report:

1. It is assumed that any reader of this consulting report is familiar with the applicant's TIF submission and the redevelopment project.
2. It is a special condition of this service that the owner receives the State and Federal Historic Tax credits as applied for, and that the estimated values of these that are included in the applicant's plan are accurate and reasonable.
3. This report has been prepared using the information available in the Tax Increment Financing Plan Application for 8th and Baltimore, dated August 19, 2005 and updated by EDC Staff August 28, 2007. Any other revisions or amendments to this TIF plan have not been considered.
4. This is neither an appraisal nor a feasibility study. It is a limiting condition of this consulting assignment that it be used only by the EDC, and used only to assist the EDC in evaluating the aforementioned planned redevelopment.

GENERAL INFORMATION

PURPOSE AND EFFECTIVE DATE

The purpose of the consultation is report to the client the reasonableness of the Applicant's request for Tax Increment Financing and to develop and report our opinion of the Applicant's internal rate of return, applying the "but for" test to the Project. The effective date of this consultation is August 29, 2007. Unless otherwise stated, all factors pertinent to a determination of value have been considered as of this date.

INTENDED USE AND INTENDED USER

This report has been prepared for the Economic Development Corporation of Kansas City Missouri for use in the client's consideration of the aforementioned redevelopment project.

SCOPE OF ASSIGNMENT

As part of this consulting assignment, I have taken the following steps to gather, confirm, and analyze relevant data.

- ❖ Although a physical inspection of the property is not a requirement of this type of report, I have, on several occasions since receiving this assignment inspected the subject property from the street and the surrounding neighborhood. Kenneth Jagers, MAI, has inspected the project areas from the street on several recent occasions.
- ❖ Collected factual information about the redevelopment area and reviewed the Applicant's submission.
- ❖ Collected, confirmed and analyzed market information.
- ❖ Prepared a consulting report setting forth the conclusions developed in this analysis as well as the information upon which the conclusions are based.

This is a consulting assignment reported in a summary report that conforms to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

REVIEW OF THE APPLICANT'S ANALYSIS

The first step in performing our duties as outlined in the scope of services above is to review the Plan submitted by the Applicant and comment on its relation to the Commission's objectives as outlined to us.

The 8th and Baltimore redevelopment plan should increase employment opportunities in the area, enhance the tax base, encourage private development, and reduce urban blight in downtown Kansas City, through the rehabilitation and renovation of currently dilapidated structures.

In keeping with our scope of services I have completed a financial analysis on the 8th and Baltimore redevelopment project. I have reviewed the project cost estimates and the applicant's operating projections. I have retained all aspects of the applicant's forecast that are market-supported and reasonable. If necessary, I have amended or supplemented unreasonable assumptions with reasonable, market-oriented assumptions. The following is a summary of our analysis:

PROJECT COST DETAIL

I have shown below the total cost detail provided by the Applicant. The revised line item costs, according to the Client, are highlighted.

EXHIBIT 5 A
Baltimore Place Properties TIF Plan
Estimated Redevelopment Project Costs

	Estimated Total Project Costs		Statutory Reimbursable From TIF Revenue
TIF Commission Expenses			
1. Estimated Reimbursable Costs for Plan Implementation			
A. Legal	\$200,000		\$200,000
B. Agenda	\$2,000		\$2,000
C. Staff Time	\$100,000		\$100,000
D. Miscellaneous	\$30,000		\$30,000
2. Plan Administration Expenses	\$200,000		\$200,000
Subtotal	\$532,000		\$532,000
PROJECT 1 (LaRue)		21,223 SF	
Building Acquisition Costs	\$600,000	\$28.27	\$0
Remediation Abatement	\$205,966	\$9.70	\$205,966
Demolition	\$260,042	\$12.25	\$260,042
Shell Building Improvements	\$2,334,010	\$109.97	\$539,880
Tenant Finish Improvements	\$417,462	\$19.67	\$0
Constructions Bond/Insurance	\$45,305	\$2.13	\$0
Construction Management	\$45,000	\$2.12	\$0
Construction Contingency	\$310,406	\$14.63	\$0
AE & Legal Services	\$191,890	\$9.04	\$0
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$193,202	\$9.10	\$0
Interest Expense	\$116,152	\$5.47	\$0
FF&E	\$53,900	\$2.54	\$0
Total Costs	\$4,773,335	\$224.91	\$1,005,888
PROJECT 2 (UNION CARBIDE-Office)		17,668 SF	
Building Acquisition Costs	\$448,000	\$25.36	\$0
Remediation Abatement	\$47,182	\$2.67	\$47,182
Demolition	\$127,036	\$7.19	\$127,036
Shell Building Improvements	\$2,334,010	\$132.10	\$539,880
Tenant Finish Improvements	\$435,482	\$24.65	\$0
Constructions Bond/Insurance	\$28,397	\$1.61	\$0
Construction Management	\$45,000	\$2.55	\$0
Construction Contingency	\$266,072	\$15.06	\$0
AE & Legal Services	\$168,767	\$9.55	\$0
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$177,186	\$10.03	\$0
Interest Expense	\$102,381	\$5.79	\$0
FF&E	\$54,500	\$3.08	\$0
Total Costs	\$4,234,014	\$239.64	\$714,099
PROJECT 2 (B) (Union Carbide Loft)		36,988	
Building Acquisition Costs	\$952,000	\$25.74	\$0
Remediation Abatement	\$102,082	\$2.76	\$102,082
Demolition	\$274,850	\$7.43	\$274,850
Shell Building Improvements	\$2,370,867	\$64.10	\$0
Tenant Finish Improvements	\$1,016,086	\$27.47	\$0
Constructions Bond/Insurance	\$67,056	\$1.81	\$0
Construction Management	\$60,000	\$1.62	\$0
Construction Contingency	\$620,735	\$16.78	\$0
AE & Legal Services	\$295,000	\$7.98	\$0
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$692,260	\$18.72	\$0
Interest Expense	\$355,000	\$9.60	\$0
FF&E	\$126,000	\$3.41	\$0
Total Costs	\$6,931,935	\$187.41	\$376,931

EXHIBIT 5 A
Baltimore Place Properties TIF Plan
Estimated Redevelopment Project Costs

	Estimated Total Project Costs	Reimbursable From TIF Revenue
PROJECT 3 (Nelkin)	30,500	
Building Acquisition Costs	\$900,000	\$29.51
Remediation Abatement	\$87,146	\$2.86
Demolition	\$143,850	\$4.72
Shell Building Improvements	\$2,463,403	\$80.77
Tenant Finish Improvements	\$600,665	\$19.69
Constructions Bond/Insurance	\$84,706	\$2.78
Construction Management	\$70,000	\$2.30
Construction Contingency	\$565,470	\$18.54
AE & Legal Services	\$324,914	\$10.65
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$345,638	\$11.33
Interest Expense	\$219,800	\$7.21
FF&E	\$80,000	\$2.62
Total Costs	\$5,885,592	\$192.97
		\$2,515,513
PROJECT 4 (Cosby)	15,690	
Building Acquisition Costs	\$350,000	\$22.31
Remediation Abatement	\$3,055	\$0.19
Demolition	\$131,829	\$8.40
Shell Building Improvements	\$1,342,588	\$85.57
Tenant Finish Improvements	\$352,981	\$22.50
Constructions Bond/Insurance	\$46,674	\$2.97
Construction Management	\$50,000	\$3.19
Construction Contingency	\$296,015	\$18.87
AE & Legal Services	\$184,383	\$11.75
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$206,152	\$13.14
Interest Expense	\$120,210	\$7.66
FF&E	\$66,750	\$4.25
Total Costs	\$3,150,637	\$200.81
		\$562,328
PROJECT 5 (Garage)		
Building Acquisition Costs	\$906,000	\$906,000
Demolition	\$159,968	\$159,968
Shell Building Improvements	\$899,273	\$899,273
Constructions Bond/Insurance	\$47,736	\$47,736
Construction Management	\$55,000	\$55,000
Inflation & Construction Contingency	\$268,837	\$268,837
AE & Legal Services	\$108,473	\$108,473
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$133,682	\$133,682
Interest Expense	\$84,178	\$84,178
FF&E	\$40,000	\$40,000
Total Costs	\$2,703,147	\$2,703,147
PROJECT 6		
Shell Building Improvements	\$725,312	\$0
Constructions Bond/Insurance	\$29,035	\$0
Construction Management	\$15,000	\$0
Construction Contingency	\$100,015	\$0
AE & Legal Services	\$40,000	\$0
Survey, Soil, Inspection Real Estate Commissions, Developer Fees	\$34,774	\$0
Interest Expense	\$32,601	\$0
Total Costs	\$976,737	\$0
	Estimated Total Project Costs	Reimbursable From TIF Revenue
PROJECT 7 Neighborhood Improvement Fund	\$404,002	\$404,002
Grand TOTAL	\$29,591,399	\$8,813,908

The budget for redevelopment of all six project areas of the 8th and Baltimore TIF Plan is \$29,591,399 overall, and equates to nearly \$205 per gross building square feet including costs from the parking garage (but not the square footage). These costs are provided by the Applicant's contractor who is active in the Kansas City CBD and are in the upper part of the range of price per square foot.

OPERATING PROFORMA

I have reconstructed the Applicant's operating proforma using Argus software. Changes have been made to the Applicant's assumptions where market data shows data to the contrary of the provided assumptions. I include in this the sale of the property at the end of the TIF reimbursement period. The reversion reflects the market sale of the project in its then condition at the end of the holding period, be that the full term of the TIF or something less.

The leasing assumptions in our analysis generally mirror those in the application, as the applicant's pro forma appears reasonable and market supported. I expect the construction period to take up to three years, depending upon leasing velocity. Office space will be available for lease in September 2008 and condominiums will be delivered to the market starting in Year 2 as well. I anticipate two years to sell all of the condominiums at the lower of the price estimates provided by the Applicant.

TAX INCREMENTS/OTHER NON-REALTY BENEFITS

I have followed the applicant's forecast for PILOTs and EATs. These components of the analysis, as provided by the applicant, are shown in our cash flow forecast. I have relied on the Applicant's compilation of TIF reimbursements for the six project areas.

The primary source of EATs will be the earnings taxes on new workers in the rehabbed offices, as well as utility taxes in the offices. One half of the eligible taxes are assumed to be captured for the TIF. The assumptions from the application are considered reasonable relating to the estimated EATs that the project will generate.

SOURCES AND USES

The sources and uses statements for all six project areas in aggregate are shown in the following pages.

TESTS OF REASONABLENESS

YIELD MEASUREMENT (METHODOLOGY)

Often, the best measure of yield in our opinion is the “internal rate of return”, which takes into account both the annual income derived as cash flow as well as the potential return from a hypothetical sale of the land and building improvements at the end of the forecast period. Definitions from the third edition of *The Dictionary of Real Estate Appraisal* are included below:

Yield: A rate of return on capital, usually expressed as a compound annual percentage rate. A yield rate considers all expected property benefits including the proceeds from sale at the termination of the investment. Yield rates include the interest rate, discount rate, internal rate of return (IRR), overall yield rate (Y sub o) and equity yield rate.

Overall Yield Rate: The rate of return on the total capital invested, including both debt and equity. The overall yield takes into consideration changes in the net income over the investment period and net reversion at the end of the holding period; it is applied to cash flow before debt service.

Internal rate of return (IRR): The annualized yield rate or rate of return on capital that is generated or capable of being generated within an investment or portfolio over a period of ownership. The IRR discounts all returns from the investment, including returns from its termination, to equal the original capital outlay.

In the “but for” analysis I determine the subject’s IRR, that rate of discount that makes all returns from the investment, including its termination, equal to the original capital outlay. I then measure that IRR against the overall yield rate from the market. The overall yield rate is the rate of return used by buyers to determine the present worth or purchase price of an investment. The overall yield includes consideration of the cost and availability of permanent financing. Whether determining overall yield or internal rate of return, the entire project costs are used. Using the overall yield rate and the total project costs one can establish the level over which the public participates in the return on the project. Oversight of this methodology would seem to be less onerous than the alternative of using an equity yield.

I use an unleveraged analysis in our determination of IRR. Financing terms may vary greatly from project to project, and complex financing structures tend to cloud the analysis of project feasibility. As a result, I do not make any differentiation between returns to equity and to debt. I assume that the reader recognizes that a significant portion of the project will be funded by debt, and as a result the leveraged yield to the investor will differ from that yield indicated by our analysis. I summarize the applicant's projections as amended for reserves, etc., for the six income producing components now comprising the redevelopment.

CONCLUSION

In both the leveraged and all cash analyses I determined yield to the owner with and without the PILOTs and EATs. The internal rates of return are stated below.

Project WITHOUT TIF	4.67%
Project WITH TIF	8.04%

The subject is a mixed use development with retail, office, parking garage and loft condominium uses. These are two different types of development and the investor/developer risk thresholds will be different. Thus, there needs to be a **blended IRR** for comparison to the 8th and Baltimore TIF plan. The condominium component, which comprises approximately 25% of the entire project must be risk assessed separately. Kansas City's urban condominium market had been setting a pace that I and most others did not expect to be sustained. There is supply in the market and demand is also present, however, mortgage terms for first time buyers are comparatively restrictive and empty nesters will be reluctant to sell their homes at the bottom of the market. Thus sales volume, velocity, and price are temporarily down. In my opinion, 20% is a reasonable yield for the subject property.

For the office/retail component, comprising 75% of the project, I expect a market investor's risk threshold to be in the 10% range. The recent uncertainty in the capital markets most certainly influences my perception of risk threshold for this project. A blended IRR, unleveraged, is 12.5%. This compares with the Project's yield with TIF of 8.04%.

Without TIF, the IRR of 4.67% is below any return that would be considered reasonable for a similar investment and TIF supports the Applicant's efforts. However, even with the projected TIF revenues, the yield of 8.04% is below what would normally be expected of market participants. To certain users and investors, however, development could potentially take place with this yield. The result is that without TIF, the project would not take place, and with TIF benefits, the project could potentially be undertaken.

ADDENDUM A
ANALYST'S QUALIFICATIONS

PROFESSIONAL QUALIFICATIONS
KENNETH JAGGERS, MAI

EXPERIENCE:	<p>Mr. Jagers, Managing Director, has been with Integra Realty Resources – Kansas City, since May 1993. He started his career in commercial real estate in 1987 as an investment officer with a subsidiary of Metropolitan Life in Overland Park, Kansas then in the Washington D.C., and Boston, Massachusetts’s offices. In 1991, Mr. Jagers joined BankBoston and served as a review and field appraiser for two years. Duties included quality control over two acquired banks in Maine and Vermont.</p> <p>Since that time he has completed appraisals on commercial properties of all types, primarily for institutional investors and for litigation. Unique properties include the 1,140,000 SF IRS Processing facilities and the 600,000 SF Overland Park Trade Center and exhibition hall. Mr. Jagers appraised Corporate Woods in Overland Park Kansas. The largest single investor owned real estate asset in the Kansas City area, it has 21 buildings totaling 2.2 million SF of Class A and B office space. He has also appraised the former headquarters of H&R Block, the Sanofi Aventis (>500,000 SF) offices in Kansas City and finally, Branson Landing a destination mixed use project with over 400,000 SF of lifestyle retail, marina, boutique hotel, and 170 condominium units. The two most significant litigation assignments were approximately 280 individual tracts adjacent the Katy Trail spanning nearly the entire width of Missouri and approximately 90 tracts adjacent Grants Trail in St. Louis. Each of these assignments was completed for the U.S. Department of Justice.</p>
LITIGATION EXPERIENCE:	<p>Mr. Jagers has performed appraisal services and/or provided expert trial or deposition testimony in many legal proceedings, including the following: State of Kansas vs. Westgate, LC 04 C 214, Moore v. United States No. 93-134 L, Illig v. United States 98-934L, Colliers v. City of Oak Grove, MO 03CV223403, Gailloyd Enterprises v Centertainment 98-CV-5115.</p>
QUALIFIED BEFORE COURTS AND ADMINISTRATIVE BODIES	<p>Circuit Court of Jackson County, Missouri Kansas District Court, 7th Judicial District</p>
EXPERIENCE WITH MUNICIPALITIES/ ADMINISTRATIVE BODIES:	<p>Mr. Jagers has provided expert testimony to a number of taxing authorities, city councils, boards of planning and zoning, commissioners’ hearings, and bodies providing public finance (TIF and Tax Abatement). His expertise is sought by the administrative bodies and by the private developers.</p>
PROFESSIONAL ACTIVITIES:	<p>Member of the Appraisal Institute 2004, Director Kansas City Chapter Westwood City Planning Commission Lecturer – REATIC Forecast 2003-2007 Lecturer – Blue Springs Economic Development Corporation – Market Trends Lecturer – Employee Relocation Council 2005 – The Housing Bubble</p>
STATE LICENSES:	<p>State of Iowa Certified General Real Property Appraiser (CG02446) State of Kansas Certified General Real Property Appraiser (G-969) State of Missouri Certified General Real Estate Appraiser (RA 003190) State of Nebraska Certified General Real Estate Appraiser (CG970204)</p>
EDUCATION:	<p>Bachelor of Arts (1983) Chadron State College, Chadron, Nebraska Economics and Marketing, Minor in Business Administration</p>
APPRAISAL TRAINING:	<p>Mr. Jagers has successfully completed numerous Appraisal Institute courses and attended seminars in keeping current, the educational and professional work product requirements of the Appraisal Institute and states in which he is licensed. Completed 3rd Party Multifamily Accelerated Processing (MAP), September 18, 2002.</p>

June 6, 2007



State of Missouri

Department of Economic Development
Division of Professional Registration
Real Estate Appraisers Commission
Real Estate Appraiser

State Certified General

VALID THROUGH JUNE 30, 2008
ORIGINAL CERTIFICATE/LICENSE NO. RA003190

KENNETH JAGGERS
INTEGRA NUNNINK & ASSOCIATES
1901 WEST 47TH PLACE
WESTWOOD KS 66205
USA


Krista Klemet
EXECUTIVE DIRECTOR

Alison Craighand
DIVISION DIRECTOR

EXHIBIT 14

Developer Application



JEROME D. RIFFEL
(816) 460-5712
EMAIL: JRIFTEL@LATHROPGAGE.COM
WWW.LATHROPGAGE.COM

2345 GRAND BOULEVARD
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KANSAS CITY, MISSOURI 64108-2684
(816) 292-2000, FAX (816) 292-2001

June 22, 2007

Ms. Missy Wilson
Economic Development Corporation
1100 Walnut, Suite 1700
Kansas City, MO 64106

Re: Baltimore Place TIF Plan Budget Amendment

Dear Missy:

On behalf of the Redeveloper, Cumberland Redevelopment Corporation, we hereby request that you process the attached budget amendment for approval by the Commission at its August, 2007 meeting.

The budget amendment is requested for Project Areas 1 (LaRue) and 2 (Union Carbide) and is due to the fact that actual cost of certain line items of abatement, demolition, and shell building improvements came in substantially higher than the estimated project costs.

Should you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

LATHROP & GAGE L.C.

By: 
Jerome D. Riffel

Enclosure

cc: Mr. Richardson K. Powell
Mr. Peter Ho

CC 1911889v1

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Union Carbide Condominiums

Baltimore TIF Plan Amendment One

	Dec-05		Jun-07	
	Estimated Project Costs	Balt. Place TIF Exhibit 5A	Actual Project Costs	Projected Reimbursement
Project 1 (LaRue)				
Abatement	\$ 16,538	\$ 16,538	\$ 205,966	\$ 205,966
Demolition	\$ 115,898	\$ 115,898	\$ 260,042	\$ 260,042
Shell Building Improvements	\$ 1,147,532	\$ 364,344	\$ 2,334,010	\$ 539,880 *
Project 2 (UC – Office/Loft)				
Abatement	\$ 184,627	\$ 184,627	\$ 149,264	\$ 149,264
Demolition	\$ 296,978	\$ 296,978	\$ 401,886	\$ 401,886
Shell Building Improvements	\$ 917,104	\$ 275,521	\$ 2,334,010	\$ 539,880 *
Reimbursable From TIF Revenue		\$ 1,253,906		\$ 2,096,918

* Estimated Allocation