

**FIRST AMENDMENT TO
THE NEW ENGLAND NATIONAL BANK BUILDING
TAX INCREMENT FINANCING PLAN
KANSAS CITY, MISSOURI**

October 1, 2003

TIF Commission approval:
October 8th, 2003 10-13-03
Date: **Resolution No.**

City Council approval:
November 13, 2003 031224
Date: **Ordinance No.**

ADDENDUM

- TAB 1** **Exhibit 3, Specific Objectives of Redevelopment Plan**
- TAB 2** **Exhibit 4, Construction and Employment Information**
- TAB 3** **Exhibit 5, Summary of Estimated Plan Costs**
- TAB 4** **Exhibit 6, Estimated Annual Increase in Assessed Value and Resulting Payments in Lieu of Taxes and Projected Economic Activity Taxes**
- TAB 5** **Exhibit 7, Sources and Uses of Funds**
- TAB 6** **Exhibit 9, Evidence of "But For"**

FIRST AMENDMENT
TO THE
NEW ENGLAND NATIONAL BANK BUILDING
TAX INCREMENT FINANCING PLAN

I. Introduction

This First Amendment to the New England National Bank Building Tax Increment Financing Plan (the "First Amendment") is intended to amend the New England National Bank Building Tax Increment Financing Plan as approved by Ordinance No. 001459 on November 21, 2000 (referred to herein as the "Plan"). The First Amendment would provide for the change in land use from commercial use to mixed-use commercial and residential and revise the relevant estimated project costs, revenues and "but for" analysis to reflect the change in the land use. To the extent the Plan varies with the First Amendment, said Plan shall be amended and superseded thereby. Except for those specific amendments set forth herein, the Plan remains unchanged and shall remain in full force and effect.

II. Plan Text Amendments

Amendment No. 1 Section III.A. The Redevelopment Plan

Delete the last sentence of Section III.A. in its entirety and insert in lieu thereof as follows:

The proposed improvements include the renovation of the Building to provide for commercial use on the first three floors, and approximately 59 residential units on Floors 4 through 16.

Amendment No. 2 Section III.C. Project Improvements

Delete the last sentence of Section III.C. in its entirety.

Amendment No. 3 Section III.E. Estimated Date of Completion

Delete the first sentence of Section III.E. and insert in lieu thereof as follows:

Rehabilitation and renovation of the Building is expected to commence upon approval of the First Amendment to the Plan and will be completed within twelve (12) months following commencement.

Amendment No.4 Section IV.A. Estimated Redevelopment Project Costs

Delete the first two sentences of Section II. and insert in lieu thereof as follows:

Estimated redevelopment project costs for the projects contemplated under the Plan are projected to be approximately \$11,842,661 over the life of the Plan. The Plan proposes that approximately \$3,116,678 in redevelopment project costs be reimbursable from the Special Allocation Plan.

Amendment No. 5 Section IV.C. Payment in Lieu of Taxes

Delete the last sentence of the first paragraph of Section IV.C. and insert in lieu thereof as follows:

The total Payments in Lieu of Taxes generated by the development over the duration of the Plan is estimated to be approximately \$2,707,842 as shown in detail on Exhibit 6.

Amendment No. 5 Section IV.D. Economic Activity Taxes

Delete the first two sentences of the first paragraph of Section IV.D. and insert in lieu thereof as follows:

Over the life of the Plan, the total Economic Activity Tax revenues are estimated to be approximately \$163,250. Fifty percent (50%) of the total local Economic Activity Taxes, or approximately \$81,630 will be made available for deposit in to the Special Allocation Fund in conformance with the TIF Act will be made available upon annual appropriation to pay eligible Redevelopment Project Costs.

Amendment No. 6 Section VII.C. General Land Use

Delete the second sentence of Section VII.C. in its entirety and insert in lieu thereof as follows:

The proposed general land use for the Redevelopment Area is envisioned to be a mix of commercial and residential uses.

Amendment No. 6 Section X. "But For TIF"

Delete the first two paragraphs of Section X and insert in lieu thereof as follows:

Acceptable returns to real estate investors depend on a large number of external factors and the nature of the specific investment, including, the property sector or land use; the life cycle of the property; local market conditions such as new development, major employers and their plans, demographics and the like; the overall risk associated with the property; inflation expectations, and numerous other factors. In today's market, especially when compared to the returns available to investors in alternative investments,

real property investments in for similar multifamily development require internal rates of return ranging from 11% to 17.5%

Without the recapture of the tax increment revenues, the proposed redevelopment does not meet this rate of return standard. The return without any TIF is approximately 4.737%. The return rises to approximately 10.195% with the revenues generated through Statutory TIF as reflected in the pro forma appearing as part of Exhibit 9, thereby putting the rate of return slightly below the range of realistic market expectations. In other word, but for the Statutory TIF contribution the Redevelopment Project would not be attractive to investors or developers with the ability to successfully carry out the project.

III. Plan Exhibit Amendments

Amendment No. 7 Exhibit 3

Delete Exhibit 3 of the Plan, Specific Objectives of the Redevelopment Plan, in its entirety and insert in lieu the new Exhibit 3 as attached hereto behind Tab 1.

Amendment No. 8 Exhibit 4

Delete Exhibit 4 of the Plan, Construction and Employment Information, in its entirety and insert in lieu the new Exhibit 4, as attached hereto behind Tab 2.

Amendment No. 9 Exhibit 5

Delete Exhibit 5 of the Plan, Summary of Estimated Plan Costs, in its entirety and insert in lieu the new Exhibit 5 as attached hereto behind Tab 3.

Amendment No. 10 Exhibit 6

Delete Exhibit 6 of the Plan, Estimated Annual Increase in Assessed Value and Resulting Payments in Lieu of Taxes and Projected Economic Activity Taxes, in its entirety and insert in lieu the new Exhibit 6 as attached hereto behind Tab 4.

Amendment No. 11 Exhibit 7

Delete Exhibit 7 of the Plan, Sources and Uses of Funds, in its entirety and insert in lieu the new Exhibit 7 as attached hereto behind Tab 5.

Amendment No. 12 Exhibit 9

Delete Exhibit 9 of the Plan, Evidence of "But For", in its entirety and insert in lieu the new Exhibit 9 as attached hereto behind Tab 6.

TAB 1

EXHIBIT 3

SPECIFIC OBJECTIVES OF REDEVELOPMENT PLAN

1. Rehabilitation of New England National Bank Building to provide 59 additional residential units and 7,000 square feet of commercial space within the Central Business District.
2. Create investment of approximately \$11.6 million.
3. Support the City's efforts to reaffirm and revitalize the urban core..
4. Enhance the tax base and economy by inducing development of the Redevelopment Area to its highest and best use, benefit taxing districts and encourage private investment in surrounding areas.
5. To promote the health, safety, order, convenience, prosperity and the general welfare, as well as efficiency and economy in the process of development.
6. To provide development and business opportunities in the Redevelopment Area and surrounding areas.
7. To stimulate construction employment opportunities and increased demand for secondary and support services for the surrounding area.

TAB 2

EXHIBIT 4

CONSTRUCTION AND EMPLOYMENT INFORMATION

A. CONSTRUCTION TOTALS

	NEW CONSTRUCTION	Existing Structures to REMAIN AS IS	Existing Structures to be REHABBED	Total	Existing Structures to be DEMOLISHED
Square feet of RESIDENTIAL Space			70,000	70,000	
Square feet of RETAIL Space or Commercial space			7,000	7,000	
Square feet of INSTITUTION AL Space					
Square feet of INDUSTRIAL Space					
Total Square Feet			77,000	77,000	
Number of DWELLING UNITS			59	59	
Number of HOTEL ROOMS					
Number of PARKING SPACES					

B. EMPLOYMENT TOTALS BY PROJECT AREA

Permanent jobs to be CREATED IN Kansas City	21
Permanent jobs to be RELOCATED TO Kansas City**	
Permanent jobs to be RETAINED IN Kansas City	
TOTAL	21
Anticipated Annual Payroll	\$650,000
Estimated number of construction workers to be hired during construction phase	50

TAB 3

EXHIBIT 5

ESTIMATED REDEVELOPMENT PROJECT COSTS

**EXHIBIT 5
SUMMARY OF ESTIMATED PLAN COSTS**

	AMOUNT	TIF REIMBURSABLE EXPENSES
TIF COMMISSION EXPENSES*		
1 Estimated Reimbursable Costs for Plan Implementation		
A. Legal	\$ 50,000	\$ 50,000
B. Agenda	2,000	2,000
C. Staff Time	40,000	40,000
D. Miscellaneous	4,000	4,000
2 Plan Administration Expenses	150,000	150,000
Subtotal	\$ 246,000	\$ 246,000
REDEVELOPER EXPENSES		
Environmental Remediation/Asbestos		
1 Abatement	165,000	165,000
2 Additional Egress	888,580	888,580
Code Compliant Elevator System &		
3 Trash Removal System	445,472	445,472
4 Window Replacement	607,475	607,475
5 Fire Suppression	197,120	197,120
6 Masonry Cleaning and Restoration	159,907	159,907
7 Roof/Moisture Protection	151,602	151,602
Electrical Service, including electrical		
entrance and transformer and		
8 concrete sidewalk of debris	66,000	66,000
Subtotal	\$ 2,681,156	\$ 2,681,156
CONSTRUCTION HARD COSTS	\$ 5,665,505	\$ -
SOFT COSTS		
1 Building Acquisition Costs	2,000,000	
2 Title and Recording	50,000	
3 Contingency	75,000	
4 Architectural & Engineering Fees	310,000	99,580
5 Construction Period Taxes, Insurance	220,000	
6 Legal & Accounting	90,000	70,669
7 Construction Management	60,000	19,273
8 Loan Fees & Servicing	70,000	
9 Prior Year Real Estate Taxes	375,000	
Subtotal	\$ 3,250,000	\$ 189,522
TOTAL	\$ 11,842,661	\$ 3,116,678

ESTIMATED REDEVELOPMENT PROJECT COSTS -- NOTES

Detailed Redeveloper costs are attached hereto.

In addition the Commission has determined that certain expenses of the Commission which are not direct project costs are nonetheless reasonable and necessary for the operation of the Commission and are incidental costs 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 Economic Activity Taxes paid annually into the fund. This amount will be figured prior to allocation of any other reimbursable costs.

The selected redeveloper 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 redeveloper shall be billed for these expenses by the Commission as needed. These expenses shall be considered reimbursable project costs to the redeveloper from the Special Allocation Fund.

TAB 4

EXHIBIT 6

ESTIMATED ANNUAL INCREASES IN ASSESSED VALUE
AND
RESULTING PAYMENTS IN LIEU OF TAXES AND ECONOMIC
ACTIVITY TAXES

**New England National Bank Building
Estimated Earnings Tax Revenue**

1	2	3	4	5	6	6
Year	Payroll	Earnings Tax (1% of col. 2)	EATS Revenues (50% of col. 4)	100% PILOTS	Total TIF Revenues (col. 4 + col. 5)	Cumulative TIF Revenues
1	-					
2	-					
3	-					
4	-					
5	650,000	6,500	3,250	63,599	66,849	66,849
6	669,500	6,695	3,348	133,139	136,487	203,336
7	689,585	6,896	3,448	136,046	139,494	342,829
8	710,273	7,103	3,551	136,046	139,597	482,427
9	731,581	7,316	3,658	139,011	142,669	625,096
10	753,528	7,535	3,768	139,011	142,779	767,874
11	776,134	7,761	3,881	142,036	145,917	913,791
12	799,418	7,994	3,997	142,036	146,033	1,059,824
13	823,401	8,234	4,117	145,121	149,238	1,209,062
14	848,103	8,481	4,241	145,121	149,362	1,358,424
15	873,546	8,735	4,368	148,268	152,636	1,511,059
16	899,752	8,998	4,499	148,268	152,767	1,663,826
17	926,745	9,267	4,634	151,478	156,112	1,819,938
18	954,547	9,545	4,773	151,478	156,251	1,976,189
19	983,183	9,832	4,916	154,752	159,668	2,135,856
20	1,012,679	10,127	5,063	154,752	159,815	2,295,672
21	1,043,059	10,431	5,215	158,091	163,306	2,458,978
22	1,074,351	10,744	5,372	158,091	163,463	2,622,441
23	1,106,581	11,066	5,533	161,498	167,031	2,789,472
Total	16,325,964	163,260	81,630	2,707,842	2,789,472	

Net Present Value
term of 23 Years

6%	\$1,581,183
8%	\$1,344,662
10%	\$1,157,347

Assumptions

21 jobs

Annual payroll \$650,000

Inflation Rate 3%

Project Approved by Ordinance Number 001505 on November 21, 2000.

Other eligible revenues will be eligible for collection

At this time, no available information to project utilities, food & beverage sales or other eligible TIF revenues.

21 Ten Condominiums - TIF Application

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A Basement Level

	\$ 482,175		
2 SITEWORK & DEMOLITION	\$ 47,012	\$ 29,850	[ER][VC][CS][ES]
3 CONCRETE	\$ 4,422	\$ 2,513	[VC][CS][ES]
4 STONE & MASONRY	\$ 5,880		
5 METALS	\$ 8,083	\$ 3,458	[VC][CS][ES]
7 THERMAL PROTECTION	\$ 1,452		
8 DOORS & WINDOWS	\$ 7,856		
9 FINISHES	\$ 9,437	\$ 1,779	[VC]
10 BUILDING SPECIALTIES	\$ -		
13 SPECIAL CONSTRUCTION	\$ 31,220		
14 CONVEYING SYSTEMS	\$ 73,440	\$ 9,210	[CS]
15 MECHANICAL	\$ 103,298	\$ 26,939	[ER][VC]
16 ELECTRICAL	\$ 202,098	\$ 127,459	[VC][CS][ES][ER]

B 1st Floor thru 3rd Floor (work for TI and MEP directly related)

	\$ 11,012		
13 SPECIAL CONSTRUCTION	\$ 11,012		
16 ELECTRICAL			

C 1st Floor thru 3rd Floor (work for exterior st 1-3, finish work for common areas and vertical stacks of MEP for floors 4-15)

	\$ 331,736		
2 SITEWORK & DEMOLITION	\$ 65,698	\$ 44,233	[ER][VC][FS]
4 STONE & MASONRY	\$ 51,416	\$ 51,162	[MR]
5 METALS	\$ -	\$ -	[VC]
6 WOOD & PLASTICS	\$ 2,249		
7 THERMAL PROTECTION	\$ 8,641		
8 DOORS & WINDOWS	\$ 18,090		
9 FINISHES	\$ 12,600	\$ 2,378	[VC]
10 BUILDING SPECIALTIES	\$ 4,393		
12 FURNISHINGS	\$ 1,891		
13 SPECIAL CONSTRUCTION	\$ 4,405	\$ 1,860	[FS]
15 MECHANICAL	\$ 79,788	\$ 20,031	[ER][VC]
16 ELECTRICAL	\$ 84,564	\$ 15,945	[VC]

D 4th Floor thru 16th Floor (including vertical transportation, balconies & exterior work above 4th floor)

	\$ 6,330,230		
2 SITEWORK & DEMOLITION	\$ 290,408	\$ 286,252	[ER][VC][CS][WR][FS]
3 CONCRETE	\$ 11,174	\$ 3,508	[VC][CS]
4 STONE & MASONRY	\$ 8,789	\$ 10,389	[WR][MR]
5 METALS	\$ 421,579	\$ 132,360	[VC][CS]
6 WOOD & PLASTICS	\$ 467,378		
7 THERMAL PROTECTION	\$ 272,598	\$ 222,248	[WR][MP]
8 DOORS & WINDOWS	\$ 889,218	\$ 162,545	[WR]
9 FINISHES	\$ 1,583,549	\$ 793,304	[VC][WR][CS]
10 BUILDING SPECIALTIES	\$ 79,776		
11 EQUIPMENT	\$ 223,930	\$ 41,875	[WR]
13 SPECIAL CONSTRUCTION	\$ 108,344	\$ 44,902	[FS]
14 CONVEYING SYSTEMS	\$ 204,755	\$ 25,877	[CS]
15 MECHANICAL	\$ 1,082,936	\$ 271,876	[ER][VC]

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16 ELECTRICAL	\$ 707,798	\$ 288,466	[VC][CS][ER]
E Rooftop Level and Elevator Machine Floors (all work except landscaping, decks, and screen walls)	\$ 159,421		
2 SITEWORK & DEMOLITION	\$ 728	\$ 48	[ER]
5 METALS	\$ 7,968		
6 WOOD & PLASTICS	\$ 844		
7 THERMAL PROTECTION	\$ 120,280	\$ 75,559	[MP]
11 EQUIPMENT	\$ 12,000		
15 MECHANICAL	\$ 17,621	\$ 1,101	[ER]
F Rooftop Level and Elevator Machine Floors (landscaping, decking & screen walls)	\$ 89,539		
2 SITEWORK & DEMOLITION	\$ 42,858	\$ 2,678	[ER]
3 CONCRETE	\$ 3,324		
5 METALS	\$ 6,497		
6 WOOD & PLASTICS	\$ 29,267		
7 THERMAL PROTECTION	\$ 7,594	\$ 4,771	[MP]
G General Conditions	\$ 471,488		
H Bond	\$ 63,600		
J Fee	\$ 397,460		
Total Hard Costs	\$ 2,041,658	\$ 381,466	

SOFT COSTS			
K Building Acquisition Costs	2,000,000		
L Title and Recording	50,000		
M Contingency	75,000		
N Architectural & Engineering Fees	310,000	\$ 99,580	
O Construction Period Taxes, Insurance & Interest	220,000	\$ 70,000	
P Legal and Accounting	90,000		
Q Construction Management	60,000	\$ 19,273	
R Loan Fees and Servicing	70,000		
S Prior Year Real Estate Taxes	375,000		
Total Soft Costs	\$ 3,040,000	\$ 188,853	
TOTAL COSTS	\$ 5,081,658	\$ 570,319	

21 Ten Condominiums - TIF Application

9/25/03

Area

Legend:

- [ER] **Environmental Remediation:** Cost for the removal and disposal of all asbestos within the building.
- [VC] **Vertical Circulation:** Cost for the construction of a new staircase within the envelop of the building. This will provide a second mean of egress out of the building. This component is critical for the building to be occupied. Construction of the stair will include; cutting concrete floor slabs, removal of concrete debris, fabrication of new steel staircase and handrails, construction of 2 hr. shaft wall around the staircase, construction of new corridors from staircase to exterior envelop of building, HVAC shaft pressurization, and painting.
- [CS] **Conveying Systems:** Cost for the refurbishment of existing elevators and the construction of a new trash removal lift at the sidewalk. The existing building has no code compliant elevator system and needs a new method of trash removal. Construction for the new elevators and trash removal lift include; demolition of side walks, removal and disposal of concrete, removal and disposal of existing elevator cabs, refurbishment of elevator machines and hoist way rails, installation of new elevator cabs and corresponding equipment, new concrete work at the sidewalk level, and the installation of new trash removal lift.
- [WR] **Window Replacement:** Cost for the replacement of all window openings in the building. The existing windows have lead base paint that has deteriorated over the years, they no longer provide an adequate thermal insulation, and a good portion of the existing windows leak. The cost for the replacement of the windows include; the demolition and disposal of all the existing windows, masonry preparation for all the existing openings, fabrication and installation for new single hung windows, sealant, and window cleaning equipment.
- [FS] **Fire Suppression System:** Cost for the installation of a new fire suppression system throughout the building. The existing fire suppression system is limited to the first floor and the basement. A new service entrance and complete fire suppression system is needed throughout the building. Construction for this system will include, minor demolition and removal of existing piping, a new fire sprinkler service entrance and pump, new standpipes in staircases, fire extinguishers in all common circulation space per code,
- [MC] **Masonry Cleaning and Restoration:** Cost for the cleaning and restoration of all masonry on the exterior envelop of the building. The costs include; scaffolding or suspension devices, routing, cleaning, tuck pointing, sealant, and caulking.
- [MP] **Moisture Protection:** Cost for the replacement of the roof system on three different roof levels. The costs include; removal and disposal of existing roof membrane, the installation of new tapered insulation, and the installation of new roof membrane and corresponding flashing.
- [ES] **New Electric Service:** Cost for the installing new electric service and transformer. The costs include; demolition of existing electrical entrance and concrete sidewalk, removal and disposal of all debris, construction for new sidewalk and steel grates, installation of new electrical transformer and service

Environmental Remediation: Cost for the removal and disposal of all asbestos within the building.

\$165,000

Vertical Circulation: Cost for the construction of a new staircase within the envelop of the building. This will provide a second mean of egress out of the building. This component is critical for the building to be occupied. Construction of the stair will include; cutting concrete floor slabs, removal of concrete debris, fabrication of new steel staircase and handrails, construction of 2 hr. shaft wall around the staircase, construction of new corridors from staircase to exterior envelop of building, HVAC shaft pressurization, and painting.

\$888,580

Conveying Systems: Cost for the refurbishment of existing elevators and the construction of a new trash removal lift at the sidewalk. The existing building has no code compliant elevator system and needs a new method of trash removal. Construction for the new elevators and trash removal lift include; demolition of side walks, removal and disposal of concrete, removal and disposal of existing elevator cabs, refurbishment of elevator machines and hoist way rails, installation of new elevator cabs and corresponding equipment, new concrete work at the sidewalk level, and the installation of new trash removal lift.

\$445,472

Window Replacement: Cost for the replacement of all window openings in the building. The existing windows have lead base paint that has deteriorated over the years, they no longer provide an adequate thermal insulation, and a good portion of the existing windows leak. The cost for the replacement of the windows include; the demolition and disposal of all the existing windows, masonry preparation for all the existing openings, fabrication and installation for new single hung windows, and sealant.

\$607,475

Fire Suppression System: Cost for the installation of a new fire suppression system throughout the building. The existing fire suppression system is limited to the first floor and the basement. A new service entrance and complete fire suppression system is needed throughout the building. Construction for this system will include, minor demolition and removal of existing piping, a new fire sprinkler service entrance and

pump, new standpipes in staircases, fire extinguishers in all common circulation space per code, and new sprinkler lines and heads on every floor per code.

\$197,120

Masonry Cleaning and Restoration: Cost for the cleaning and restoration of all masonry on the exterior envelop of the building. The costs include; scaffolding or suspension devices, routing, cleaning, tuck pointing, sealant, and caulking.

\$159,907

Moisture Protection: Cost for the replacement of the roof system on three different roof levels. The costs include; removal and disposal of existing roof membrane, the installation of new tapered insulation, and the installation of new roof membrane and corresponding flashing.

\$151,602

New Electric Service: Cost for the installing new electric service and transformer. The costs include; demolition of existing electrical entrance and concrete sidewalk, removal and disposal of all debris, construction for new sidewalk and steel grates, installation of new electrical transformer and service entrance.

\$66,000

Total Estimated Cost \$ 2,681,156

TAB 5

EXHIBIT 7

A. ANTICIPATED SOURCES OF FUNDS, PROJECT I

1.	Estimated Amount of Reimbursable Costs from TIF Revenues within proposed Redevelopment Project Area	\$3,116,678
2.	Estimated Private Investment and other Sources within proposed Redevelopment Project Area	<u>\$8,725,983</u>
	TOTAL	\$11,842,661

B. BONDS

The total estimated amount of PILOTS and Economic Activity Taxes over twenty-three years available to reimburse project costs as provided for in the Act is approximately \$2,789,472. The Commission may dedicate part or all of this amount to help support the issuance of bonds to defray the cost of the projects.

TAB 6

EXHIBIT 9

EVIDENCE OF "BUT FOR"

CONSULTING SERVICE

NEW ENGLAND BANK BUILDING

TIF PLAN

21 WEST 10TH STREET

KANSAS CITY, JACKSON COUNTY, MISSOURI 64105

PREPARED FOR:

LAURA WHITENER

ECONOMIC DEVELOPMENT CORPORATION

OF KANSAS CITY, MISSOURI

10 PETTICOAT LANE, SUITE 250

KANSAS CITY, MISSOURI 64106-2103

EFFECTIVE DATE OF THE ASSIGNMENT:

SEPTEMBER 2, 2003

INTEGRA REALTY RESOURCES - KANSAS CITY

FILE NUMBER: 19030267

September 2, 2003

Laura Whitener
Assistant Director
Economic Development Corporation
Of Kansas City, Missouri
10 Petticoat Lane, Suite 250
Kansas City, Missouri 64106-2103

RE: Consulting Service: Review of TIF Submission
New England Bank Building TIF Plan
21 West 10th Street
Kansas City, Missouri 64105
Integra Realty Resources – Kansas City File No.: 19030267

Dear Ms. Whitener:

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. The effective date of my consulting service was September 2, 2003. All pertinent exhibits to this assignment and my qualifications are included in this report.

The redevelopment plan under consideration is a renovation of an existing 16-story office building with 107,000 gross building square feet. The redevelopment will include 59 condominium units averaging 915 square feet each. There will also be 7,400 square feet of office or retail space. This Tax Increment Financing (TIF) district is located in the heart of the central business district, just south of the soon to be completed Downtown Branch of the Kansas City Public Library. The New England Bank Building has been vacant for approximately 10 years and real estate taxes for the past several years have not been paid.

The current owner is 21W10 LLC. Tom Trabon, a local developer specializing in loft apartments and condominiums, is also part of the development team. An official submission has not been provided, but I have been given some of the supporting detail typically found therein. The total project costs are \$11,642,739 which include the Applicant's basis in the building, hard and soft costs, financing costs, and back taxes. The Applicant reports net State Historic Tax Credit proceeds of \$1,926,600 and I estimate total Payments in Lieu of Taxes (PILOTs) of \$3,536,316. These total considerably less than the reimbursable costs of this project.

IRR.

Laura Whitener
Economic Development Corporation
September 3, 2003
Page 3

My financial analysis on the following pages will demonstrate that by the measure typically employed for private development, the Project does not generate adequate return to attract a private developer without the TIF and State Tax Credit funded improvements. The analysis shows that these benefits described herein are necessary to recoup the reimbursable costs and provide debt service for the public improvements. My analysis demonstrates that but for the non-realty benefits of Payments in Lieu of Taxes (PILOTs) and State Historic Tax Credits, the New England Bank Building redevelopment would not likely occur.

It is my conclusion that, with the benefits described previously, the Project generates 10.195% internal rate of return (IRR) which represents a higher risk than a private developer would undertake in a market driven redevelopment project. The IRR absent TIF is 4.737%, obviously an unfeasible result. Our experience in consulting for developers and appraising proposed condominium projects for lenders is that a return significantly above that for similar multifamily development is warranted and we have seen IRR's ranging from 11% to 17.5%. Thus the Project meets the "But For" test as described and required by the Tax Increment Financing Statute. Page 4 includes specific assumptions and limiting conditions under which my 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



Kathleen [Signature]
Senior Appraiser
State of Missouri Certified General
Real Estate Appraiser (RA 003190)
Expiration Date: June 30, 2004

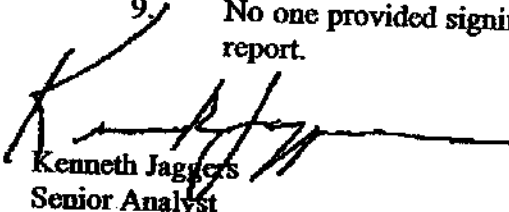
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CERTIFICATION

The analyst certifies that, to the best of his 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. The analyst has 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. The analyst's 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. The analyst's 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.
6. The analyst's 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.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. Kenneth Jagers has personally inspected the redevelopment area on several occasions over the past year, most recently on August 13, 2003.
9. No one provided significant professional assistance to the person signing this report.



Kenneth Jagers
Senior Analyst
State of Missouri Certified General
Real Estate Appraiser (RA 003190)
Expiration Date: June 30, 2004

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 development is analyzed as though 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. 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 consent.
6. I am not required to give testimony or attendance in court by reason of this appraisal, unless prior agreements have been made in writing.
7. The reporting of the valuation in this report and any distribution between land and improvements applies only to the necessity of this assignment to develop conclusions regarding the existing and expected *ad valorem* and assessed values, prospective income to the Applicant, and/or the determination of a reversion sales price. The separate valuations for land and building must not be used in conjunction with an appraisal and are invalid if so used. This report is not to be considered an appraisal.
8. The land, and particularly the soil, of the area under consultation 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. 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.
11. I have inspected, as far as possible, by observation, 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.
12. 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.
13. 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.
14. I am not considered expert 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. The Applicant shows anticipated benefits from State Historic Tax Credits which will accrue to the development upon completion of the renovation. It is further assumed that efforts to secure Federal Historic Tax Credits have been made and there is no reasonable expectation that Federal Tax Credits will be forthcoming.
3. The availability of parking is essential to the success of this redevelopment project. It is a special condition of this consulting assignment that the subject has access to adequate parking for both the condominium units, and the small amount of office space. I have been provided no evidence of this as of this writing.

GENERAL INFORMATION

PURPOSE AND EFFECTIVE DATE

The purpose of the consultation is to report to the client the reasonableness of the Applicant's request for Tax Increment Financing and to develop and report my opinion of the financial return to the Applicant, applying the "But For" test to the Project. The effective date of this consultation is September 2, 2003. Unless otherwise stated, all factors pertinent to my "But For" analysis 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 Tax Increment Financing for aforementioned 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. My most recent inspection was on August 13, 2003.
- ❖ 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 my 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.

The Plan as applied for is expected to significantly enhance the tax base with 59 condominium units and 7,400 square feet of commercial space. The project area's *ad valorem* tax value is presently \$790,000. Its assessed value as is is \$150,100. I have reviewed *ad valorem* tax values for other condominium projects in the central business district and River Market and have estimated the *ad valorem* tax value to be \$9,785,000 and its assessed value to be \$1,859,150 upon completion.

In keeping with my scope of services I have completed a financial analysis on the New England Bank Building. I have reviewed the Project cost estimates and the Applicant's financial analysis. I have conferred on several occasions with the Applicant and 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 my analysis:

PROJECT COST DETAIL

The Applicant's Exhibits providing the cost estimates and calculation of State Historic Tax Credits are included within this report. Generally, I find the development costs of the site to be within the range of experience of other urban redevelopments. The Applicant's total development budget is \$11,642,738. This includes their reported basis in the property of \$1,500,000, typical hard and soft costs, and a line item specifically for payment of prior year real estate taxes. These total approximately \$100 per square foot and are within the range of redevelopment costs for projects I have seen in the past. I expect the costs to be on the high side because of this property's small floor size.

For the "But For" analysis I use a variation of the Applicant's budgeted costs. The Applicant reports its basis in the land and building, not its 1998 purchase price. For that basis, approximately \$14.00 per square foot, to be market supported, the taxes past due must be paid. Furthermore, back taxes are not typically considered reimbursable. As such, my estimate of development costs do not include the past due taxes. Also, I am conducting this financial analysis on an all cash basis. As such, I have left the interest and loan costs out of the revised development costs for "But For" purposes. Development costs for the "But For" analysis are \$9,640,746.

Shown in the following pages are reproductions of the cost information provided by the Applicant.

HISTORIC TAX CREDIT CALCULATION

Line	Year Cost	Amount for Qualifying Plt. I.S.	State Qualified Cost Plt. I.S. Credit	Federal State and Local Plt. I.S. Credit	20% Federal Plt. I.S. Credit	20% State Plt. I.S. Credit
1	600,000	600,000	600,000	0	0	0
2	3,000,000	3,000,000	1,800,000	0	0	0
3	60,000	60,000	60,000	0	0	0
4	1,000,000	1,000,000	1,000,000	0	0	0
5	1,000,000	1,000,000	1,000,000	0	0	0
6	1,000,000	1,000,000	1,000,000	0	0	0
7	1,000,000	1,000,000	1,000,000	0	0	0
8	1,000,000	1,000,000	1,000,000	0	0	0
9	1,000,000	1,000,000	1,000,000	0	0	0
10	1,000,000	1,000,000	1,000,000	0	0	0
11	1,000,000	1,000,000	1,000,000	0	0	0
12	1,000,000	1,000,000	1,000,000	0	0	0
13	1,000,000	1,000,000	1,000,000	0	0	0
14	1,000,000	1,000,000	1,000,000	0	0	0
15	1,000,000	1,000,000	1,000,000	0	0	0
16	1,000,000	1,000,000	1,000,000	0	0	0
17	1,000,000	1,000,000	1,000,000	0	0	0
18	1,000,000	1,000,000	1,000,000	0	0	0
19	1,000,000	1,000,000	1,000,000	0	0	0
20	1,000,000	1,000,000	1,000,000	0	0	0
21	1,000,000	1,000,000	1,000,000	0	0	0
22	1,000,000	1,000,000	1,000,000	0	0	0
23	1,000,000	1,000,000	1,000,000	0	0	0
24	1,000,000	1,000,000	1,000,000	0	0	0
25	1,000,000	1,000,000	1,000,000	0	0	0
26	1,000,000	1,000,000	1,000,000	0	0	0
27	1,000,000	1,000,000	1,000,000	0	0	0
28	1,000,000	1,000,000	1,000,000	0	0	0
29	1,000,000	1,000,000	1,000,000	0	0	0
30	1,000,000	1,000,000	1,000,000	0	0	0
31	1,000,000	1,000,000	1,000,000	0	0	0
32	1,000,000	1,000,000	1,000,000	0	0	0
33	1,000,000	1,000,000	1,000,000	0	0	0
34	1,000,000	1,000,000	1,000,000	0	0	0
35	1,000,000	1,000,000	1,000,000	0	0	0
36	1,000,000	1,000,000	1,000,000	0	0	0
37	1,000,000	1,000,000	1,000,000	0	0	0
38	1,000,000	1,000,000	1,000,000	0	0	0
39	1,000,000	1,000,000	1,000,000	0	0	0
40	1,000,000	1,000,000	1,000,000	0	0	0
41	1,000,000	1,000,000	1,000,000	0	0	0
42	1,000,000	1,000,000	1,000,000	0	0	0
43	1,000,000	1,000,000	1,000,000	0	0	0
44	1,000,000	1,000,000	1,000,000	0	0	0
45	1,000,000	1,000,000	1,000,000	0	0	0
46	1,000,000	1,000,000	1,000,000	0	0	0
47	1,000,000	1,000,000	1,000,000	0	0	0
48	1,000,000	1,000,000	1,000,000	0	0	0
49	1,000,000	1,000,000	1,000,000	0	0	0
50	1,000,000	1,000,000	1,000,000	0	0	0
51	1,000,000	1,000,000	1,000,000	0	0	0
52	1,000,000	1,000,000	1,000,000	0	0	0
53	1,000,000	1,000,000	1,000,000	0	0	0
54	1,000,000	1,000,000	1,000,000	0	0	0
55	1,000,000	1,000,000	1,000,000	0	0	0
56	1,000,000	1,000,000	1,000,000	0	0	0
57	1,000,000	1,000,000	1,000,000	0	0	0
58	1,000,000	1,000,000	1,000,000	0	0	0
59	1,000,000	1,000,000	1,000,000	0	0	0
60	1,000,000	1,000,000	1,000,000	0	0	0
61	1,000,000	1,000,000	1,000,000	0	0	0
62	1,000,000	1,000,000	1,000,000	0	0	0
63	1,000,000	1,000,000	1,000,000	0	0	0
64	1,000,000	1,000,000	1,000,000	0	0	0
65	1,000,000	1,000,000	1,000,000	0	0	0
66	1,000,000	1,000,000	1,000,000	0	0	0
67	1,000,000	1,000,000	1,000,000	0	0	0
68	1,000,000	1,000,000	1,000,000	0	0	0
69	1,000,000	1,000,000	1,000,000	0	0	0
70	1,000,000	1,000,000	1,000,000	0	0	0
71	1,000,000	1,000,000	1,000,000	0	0	0
72	1,000,000	1,000,000	1,000,000	0	0	0
73	1,000,000	1,000,000	1,000,000	0	0	0
74	1,000,000	1,000,000	1,000,000	0	0	0
75	1,000,000	1,000,000	1,000,000	0	0	0
76	1,000,000	1,000,000	1,000,000	0	0	0
77	1,000,000	1,000,000	1,000,000	0	0	0
78	1,000,000	1,000,000	1,000,000	0	0	0
79	1,000,000	1,000,000	1,000,000	0	0	0
80	1,000,000	1,000,000	1,000,000	0	0	0
81	1,000,000	1,000,000	1,000,000	0	0	0
82	1,000,000	1,000,000	1,000,000	0	0	0
83	1,000,000	1,000,000	1,000,000	0	0	0
84	1,000,000	1,000,000	1,000,000	0	0	0
85	1,000,000	1,000,000	1,000,000	0	0	0
86	1,000,000	1,000,000	1,000,000	0	0	0
87	1,000,000	1,000,000	1,000,000	0	0	0
88	1,000,000	1,000,000	1,000,000	0	0	0
89	1,000,000	1,000,000	1,000,000	0	0	0
90	1,000,000	1,000,000	1,000,000	0	0	0
91	1,000,000	1,000,000	1,000,000	0	0	0
92	1,000,000	1,000,000	1,000,000	0	0	0
93	1,000,000	1,000,000	1,000,000	0	0	0
94	1,000,000	1,000,000	1,000,000	0	0	0
95	1,000,000	1,000,000	1,000,000	0	0	0
96	1,000,000	1,000,000	1,000,000	0	0	0
97	1,000,000	1,000,000	1,000,000	0	0	0
98	1,000,000	1,000,000	1,000,000	0	0	0
99	1,000,000	1,000,000	1,000,000	0	0	0
100	1,000,000	1,000,000	1,000,000	0	0	0
TOTAL TAX CREDIT			2,400,000	0	0	0
Value of Historic Credits at 10 per \$1.00 of Cost			2,400,000	0	0	0
Value of State Tax Credits at 10 per \$1.00 of Credit			2,400,000	0	0	0
TOTAL TAX CREDIT AVAILABILITY			4,800,000	0	0	0

SOURCES OF FUNDS:		Total Cost	Cost per Sq. Foot	Total Cost
		Group	Variable	Group
Real Equity Contribution Less	\$ 5,288,881			
Tax Credit Equity	1,274,000			
Developer Equity	4,429,847			
TOTAL SOURCES OF FUNDS	\$ 11,002,728			
USES OF FUNDS:				
Land				
Buildings	808,850		8.49	808,850
Site and Retention	780,000		14.38	780,000
Development Cost	40,000		0.76	40,000
Prior Building Improvements	8,011,000		165.16	8,011,000
Finish Costs	160,000		4.73	160,000
Contingency	-		-	-
Noninterest Costs	75,000		1.42	75,000
Architectural Services	300,000		3.08	300,000
Construction Profit Fees	10,000		0.19	10,000
Construction Period Insurance	25,000		0.28	25,000
Construction Period Interest	175,000		0.47	175,000
Legal and Accounting	80,000		2.30	80,000
Construction Loan Period Interest	10,000		1.10	10,000
Construction Management	90,000		0.18	90,000
Other	10,000		1.33	10,000
Environmental (See Building Costing)	-		-	-
Construction Loan Fee & Costs	80,000		1.13	80,000
Prior Year Real Estate Taxes	374,728		7.67	374,728
TOTAL USES OF FUNDS	\$ 10,766,728		200.13	\$ 10,766,728

DEVELOPMENT PROFORMA

I have reconstructed the Applicant's development proforma and include my analysis on the following page. This is a development approach which anticipates the Applicant will develop the project as previously described and sell of the condominium units to speculators and occupants. The Applicant will retain the fee ownership of the condominium interest representing the commercial space. Based on my analysis of condominium sales in the central business district and River Market areas, I have forecast the condominium units to sell for \$195 per square foot or \$178,000 in the first year of absorption. This initial and the subsequent sale price anticipate that some units will be sold to speculators at a discount. The price will increase over the absorption period to \$219 per square foot. I use the average unit size of 915 square feet rather than breaking out the various unit types. These are small units and only in the final year of absorption will the price exceed \$200,000 per unit. We have reviewed absorption of several projects and find the Applicant's expectation of absorbing the 59 units over four years, in light of supply coming on line, are supported.

We revised the Applicant's forecast for operating expenses because the individual condominium owners will pay their pro rata share of all building expenses either directly or as part of the condominium dues. My estimate of operating expenses includes the Applicant's line item for parking. I presume this to be based on an agreement or negotiations with the developers of the parking areas to serve the Downtown Branch of the Kansas City Public Library.

On a stabilized basis, I forecast operating expenses to the office portion to be \$10.70 per square foot. This is higher than general office, and justifiably so as the owner will be paying its prorata share for some expenses for the entire building. Elevators and common areas are items typically more costly to repair in multifamily properties than for a small office building considering the added traffic of the residents.

TAX INCREMENTS/OTHER NON-REALTY BENEFITS

PILOTS AND EATS ASSUMPTIONS

The applicant included forecasted PILOTS in his cash flow which did not address the increment between the existing assessment and forecasted assessment. For these projections I have completed an analysis of the property's existing assessed value and made my forecast based on the *ad valorem* tax values for recently completed condominium units. Assessment information and the PILOTS projection is included on the following pages.

Parcel ID	Address		Current - 2003		Total
			Land	Building	
New England Bank Building 29-220-40-03	21 W. 10th	Market	\$380,000	\$410,000	\$780,000
		Assessed	\$72,200	\$77,900	\$150,100
			Market	\$380,000	\$410,000
New England Bank Building			Assessed	\$72,200	\$77,900
					\$790,000
					\$150,100

Forecast Taxes Upon Completion

Parcel ID	Address		Forecast - 2005		Total
			Land	Building	
New England Bank Building 29-220-40-03	21 West 10th Condominiums	Market	\$380,000	\$8,850,000	\$9,230,000
		Assessed	\$72,200	\$1,681,500	\$1,753,700
	7,400 SF office at 19%		\$0	\$555,000	\$555,000
			\$0	\$105,450	\$105,450
			Market	\$380,000	\$9,405,000
New England Bank Building			Assessed	\$72,200	\$1,786,950
					\$9,785,000
					\$1,859,150

NEW ENGLAND BANK BUILDING

		Initial Assessed Value	Forecast Assessed Value	Assessment Increment	Pilot Land and Impr.	Pilot Total
0	Land	\$72,200	\$72,200	\$0	\$0	\$0
	Improvement	\$77,900	\$77,900	\$0	\$0	\$0
1	Land	\$72,200	\$73,844	\$1,444	\$123	\$63,599
	Improvement	\$77,900	\$893,475	\$815,575	\$63,478	-
2	Land	\$72,200	\$73,844	\$1,444	\$123	\$133,139
	Improvement	\$77,900	\$1,788,950	\$1,709,050	\$133,015	-
3	Land	\$72,200	\$75,117	\$2,917	\$249	\$136,046
	Improvement	\$77,900	\$1,822,689	\$1,744,789	\$135,797	-
4	Land	\$72,200	\$75,117	\$2,917	\$249	\$136,046
	Improvement	\$77,900	\$1,822,689	\$1,744,789	\$135,797	-
5	Land	\$72,200	\$78,819	\$4,419	\$377	\$139,011
	Improvement	\$77,900	\$1,859,143	\$1,781,243	\$138,634	-
6	Land	\$72,200	\$78,819	\$4,419	\$377	\$139,011
	Improvement	\$77,900	\$1,859,143	\$1,781,243	\$138,634	-
7	Land	\$72,200	\$78,152	\$5,952	\$508	\$142,036
	Improvement	\$77,900	\$1,898,326	\$1,818,426	\$141,528	-
8	Land	\$72,200	\$78,152	\$5,952	\$508	\$142,036
	Improvement	\$77,900	\$1,898,326	\$1,818,426	\$141,528	-
9	Land	\$72,200	\$79,715	\$7,515	\$641	\$145,121
	Improvement	\$77,900	\$1,934,252	\$1,858,352	\$144,480	-
10	Land	\$72,200	\$79,715	\$7,515	\$641	\$145,121
	Improvement	\$77,900	\$1,934,252	\$1,858,352	\$144,480	-
11	Land	\$72,200	\$81,309	\$9,109	\$777	\$148,268
	Improvement	\$77,900	\$1,972,937	\$1,896,037	\$147,491	-
12	Land	\$72,200	\$81,309	\$9,109	\$777	\$148,268
	Improvement	\$77,900	\$1,972,937	\$1,896,037	\$147,491	-
13	Land	\$72,200	\$82,935	\$10,735	\$916	\$151,478
	Improvement	\$77,900	\$2,012,396	\$1,934,496	\$150,562	-
14	Land	\$72,200	\$82,935	\$10,735	\$916	\$151,478
	Improvement	\$77,900	\$2,012,396	\$1,934,496	\$150,562	-
15	Land	\$72,200	\$84,594	\$12,394	\$1,058	\$154,752
	Improvement	\$77,900	\$2,052,644	\$1,974,744	\$153,694	-
16	Land	\$72,200	\$84,594	\$12,394	\$1,058	\$154,752
	Improvement	\$77,900	\$2,052,644	\$1,974,744	\$153,694	-
17	Land	\$72,200	\$86,286	\$14,086	\$1,202	\$158,091
	Improvement	\$77,900	\$2,093,697	\$2,016,797	\$156,889	-
18	Land	\$72,200	\$86,286	\$14,086	\$1,202	\$158,091
	Improvement	\$77,900	\$2,093,697	\$2,016,797	\$156,889	-
19	Land	\$72,200	\$88,011	\$15,811	\$1,349	\$161,498
	Improvement	\$77,900	\$2,135,571	\$2,057,671	\$160,149	-
20	Land	\$72,200	\$88,011	\$15,811	\$1,349	\$161,498
	Improvement	\$77,900	\$2,135,571	\$2,057,671	\$160,149	-
21	Land	\$72,200	\$89,772	\$17,572	\$1,499	\$164,972
	Improvement	\$77,900	\$2,178,282	\$2,100,382	\$163,473	-
22	Land	\$72,200	\$89,772	\$17,572	\$1,499	\$164,972
	Improvement	\$77,900	\$2,178,282	\$2,100,382	\$163,473	-
23	Land	\$72,200	\$91,587	\$19,387	\$1,653	\$168,516
	Improvement	\$77,900	\$2,221,848	\$2,143,948	\$166,863	-
24	Land	\$72,200	\$91,587	\$19,387	\$1,653	\$168,516
	Improvement	\$77,900	\$2,221,848	\$2,143,948	\$166,863	-
						\$3,536,316

TESTS OF REASONABLENESS

YIELD MEASUREMENT (METHODOLOGY)

Often, the best measure of yield in my 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_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 is the return to the Applicant, without consideration of private financing. I then measure that IRR against market indicators. The overall yield and IRR include consideration of the cost and availability of financing. Whether determining overall yield or internal rate of return, the entire project costs are used.

I have looked at the Project on an all cash basis to determine its overall yield and to answer the "But For" test. That is to say, I have not included any of the Applicant's current or anticipated financing in the analysis. In modeling this analysis I show the costs of development occurring in the first two years (Year 0 and Year 1). The Applicant will receive the State Historic Tax Credits, only upon completion of the exterior renovation which will not be completely done until Year 1 with payment the following year. Income from the condominium sellout occurs in Years 1 through 4 as do the condominium sales expenses. The proforma of income and expenses of the commercial component occurs throughout the 23 year analysis. In the 23rd year a reversion is considered. I include the 23 year proforma and investment analysis, indicating the all cash yield with TIF of 10.195% and the yield without TIF of 4.737%, in the following pages.

CONCLUSION

The internal rate of return for the New England Bank Building redevelopment project, with Tax Increment Financing and State Historic Tax Credits is 10.195%. It is important that the reader remembers that the all cash yield rate, in this case the IRR, is developed and reported with the recognition of the cost and availability of construction and long-term debt for a project. One expects an IRR, all cash, on a redevelopment project such as this to fall in the 11% to 17% range based on the analysis of proposed condominium redevelopments and of projects in progress. In any event, an expected yield would be above both the anticipated rate for urban apartment properties and for CBD office properties. Without the TIF, the internal rate of return falls to 4.737%, evidence of the need of Tax Increment Financing for the Project to be considered.

Thus, the Project meets the "But For" test. The Applicant's yield is below a reasonable market expectation.

**New England Bank Building
Revised Proforma**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24
Revenue of Credits		80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80	80
Interest on Deposits		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Interest on Loans		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Other Income		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Operating Expenses		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Depreciation		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Interest on Debt		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Other Expenses		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Net Operating Income		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Capital Expenditures		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Change in Working Capital		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Change in Cash		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Initial Cash		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Final Cash		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Net Operating Income	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Capital Expenditures	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Change in Working Capital	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Change in Cash	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Initial Cash	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Final Cash	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

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ADDENDUM
Analyst's Qualifications

**PROFESSIONAL QUALIFICATIONS OF
KENNETH JAGGERS**

EXPERIENCE:	<p>Mr. Jagers 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>In 1993 Mr. Jagers returned to Kansas City as a Senior Appraiser for IRR-KC. Since that time he has completed appraisals on commercial properties of all types, primarily for institutional investors and litigation support. Mr. Jagers is licensed in Missouri, Kansas, Nebraska and Iowa and has completed appraisal assignments in 24 states. Significant appraisal assignments include the State Street Tier 3 Data Center in Kansas City, Missouri, South Pointe Pavilions in Lincoln, Nebraska which was one of the area's first lifestyle centers, 2345 Grand Avenue in Kansas City's Crown Center, Sprint's former corporate headquarters in Shawnee Mission, Kansas, and Pine Ridge Business Park in Lenexa, Kansas.</p>
LITIGATION EXPERIENCE:	<p>Mr. Jagers has performed appraisal services and/or provided expert trial or deposition testimony in the following legal proceedings: Dorothy M. Moore v. United States No. 93-134 L, NT Realty v. APW CV 1986 749CC, Gailloyd Enterprises v Centertainment 98-CV-5115.</p>
EXPERIENCE WITH MUNICIPALITIES ADMINISTRATIVE BODIES:	<p>Mr. Jagers has provided expert testimony in front 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. Major project with his involvement include the 597 acre proposed Parvin Road Corridor TIF Plan for Hunt Midwest in Clay County; Parkville Commons in Parkville, Missouri; and the Performing Arts District and Kansas City Public Library Central Library Projects, both in Kansas City, Missouri.</p>
PROFESSIONAL ACTIVITIES:	<p>MAI Candidate Appraisal Institute Affiliate, Kansas City Chapter of the Appraisal Institute Westwood City Planning Commission</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>

July 25, 2003

INTEGRA REALTY RESOURCES, INC.

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Integra Realty Resources, Inc., is the largest property valuation and counseling firm in the United States, with 51 offices in 31 states. Integra was created for the purpose of combining the intimate knowledge of well-established local offices with the powerful resources and capabilities of a national company. Integra's local offices have an average of 20 years of service in the local market. A Managing Director leads each office, with an average of 25 years of local market valuation and counseling experience.

Integra Realty Resources, Inc., has 129 professionals who hold the Appraisal Institute's MAI designation, of which 27 are members of The Counselors of Real Estate Organization (CRE). In addition to having expertise in the standard commercial property types, the firm has an extensive track record in specialty property classes including regional malls, hotels, health care facilities, golf courses, and pipeline rights-of-way. Integra also has a wealth of experience in market and feasibility studies, property tax consulting, litigation support, and machinery and equipment and business valuation.

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