RESOLUTION No. 17-001

A RESOLUTION ADOPTING AND APPROVING A FINANCING PLAN AS REQUIRED BY THE MASTER DEVELOPMENT AGREEMENT BETWEEN THE CITY OF NORTH KANSAS CITY, MISSOURI AND NORTH KANSAS CITY DESTINATION DEVELOPERS, LLC

WHEREAS, the City of North Kansas City, Missouri (the "City") is a third class city and political subdivision duly organized and validly existing under the Constitution and laws of the State of Missouri; and

WHEREAS, the City and North Kansas City Destination Developers, LLC (the "Developer") entered into a certain Master Development Agreement dated May 17, 2017 (the "MDA") regarding the City's Armour Road Redevelopment Area (the "ARRA"); and

WHEREAS, the Developer, City staff, the City's outside legal counsel, Bryan Cave, and the City's financial adviser, Ameritas Investment Corp. ("Ameritas") have worked together to draft and formulate a Financing Plan as required by Section 5.02 of the MDA, a copy of which Financing Plan is attached hereto, marked Attachment "1" and is incorporated herein by reference; and

WHEREAS, the City, acting through its Governing Body, does hereby consider the Financing Plan presented and attached to this Resolution; and

WHEREAS, the parties now desire to consider and approve the joint Financing Plan, which will allow for the project to move forward.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of North Kansas City, Missouri, as follows:

Section 1. Authorization and Approval of Financing Plan. After review and due consideration of the Financing Plat and pursuant to Section 5.02 of the MDA, the City Council hereby approves the Financing Plan, which Financing Plan shall be in substantially the form of Attachment "1", attached hereto and incorporated herein by reference. The provisions of the Financing Plan are hereby approved and adopted by the City Council of the City of North Kansas City, Missouri.

Section 2. Further Authority. The City shall, and the mayor, city clerk, city officials and employees of the City are hereby authorized and directed to take such further action, and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

Section 3. Severability. The sections, paragraphs, sentences, clauses and phrases of this Resolution shall be severable. In the event that any such section, paragraph, sentence, clause or phrase of this Resolution is found by a court of competent jurisdiction to be invalid, the remaining portions of this Resolution are valid, unless the court finds the valid portions of this Resolution are so essential to and inseparably connected with and dependent upon the void portion that it cannot be presumed that the City has enacted the valid portions without the void ones, or unless the court finds that the valid portions, standing alone, are incomplete and are incapable of being executed in accordance with the legislative intent.

Section 4. Governing Law. This Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

Section 5. Effective Date. This Resolution shall be in full force and effect from and after its passage by the City Council and approval by the Mayor.

DONE this 3rd day of January, 2017.

Donald Stielow, *Mayor*

ATTEST:

Crystal Doss, *City Clerk*

ATTACHMENT "1"

CITY OF NORTH KANSAS CITY, MISSOURI

FINANCING PLAN

SUBMITTED TO THE GOVERNING BODY
OF THE CITY OF NORTH KANSAS CITY, MISSOURI

January 3, 2017

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LIST OF EXHIBITS

I. Introduction

The City of North Kansas City, Missouri (the "**City**") and North Kansas City Destination Developers, LLC (the "**Developer**") entered into that certain Master Development Agreement dated May 17, 2016 (the "**MDA**"). Pursuant to Section 5.02 of the MDA, the Developer, staff of the City ("**City Staff**"), and Ameritas Investment Corp. ("**Ameritas**") respectfully submit this financing plan (the "**Financing Plan**") to the City for consideration by the City's governing body (the "**City Council**").

The City owns or intends to acquire certain real property comprised of approximately 58 acres of real property generally located in the southeast corner of U.S. Highway 35 and Armour Road in the City of North Kansas City, Clay County, Missouri (the "**Property**"). The MDA contemplates that the Property will be developed as a mixed use development comprised of the following uses: retail, restaurant, grocery, recreational, hotel, office, conference center, multi-family residential, or other commercial, recreational, or residential uses, but excluding single family residential (the "**Project**").

The MDA contemplated a total Project budget of approximately $157,000,000 with private investment estimated to be approximately $105,000,000 and public incentives ("**Incentive Revenues**") estimated to finance approximately $52,000,000, for an approximate expenditure ratio of 67% private to 33% public. The total budget amount assumed development of approximately 56 acres. Certain site characteristics including onsite storm water detention and water quality requirements have reduced the size of developable land from 56 to slightly less than 45 acres. The current estimated budget for the Project (the "**Budget**") is attached as Exhibit A and identifies total investment of approximately $133,600,000 permitting Incentive Revenues expenditures of no more than $44,088,000.

II. Component Development Requirements

The Developer desires to enter into long-term leases and/or sale contracts (each a "**Component Lease**") and development agreements (each a "**Component Development Agreement**") with third-party developers (each a "**Component Developer**"), each of whom will develop one or more Project components (each a "**Project Component**"), and to acquire from the City the portions of the Property applicable to each respective Project Component upon execution of each such Component Development Agreement and Component Lease.

Each Component Lease or Component Development Agreement will require that the Component Developer, before commencing construction, provide to Developer, and Developer will provide to the City, all documents and materials required pursuant to Section 3.06(c) of the MDA, including evidence of the following:

1. A guaranteed maximum price construction contract ("**GMP**") for the Project Component;
2. A construction loan that has closed and is immediately available to fund, Component Developer equity, and all other applicable sources of financing the provider of which is obligated to provide, each in amounts that in the aggregate meet or exceed the GMP;
3. A payment and performance bond in an amount equal to the GMP;
4. Liability, casualty, workers compensation, and other insurance in types and amounts obtained on similar projects in the North Kansas City metropolitan area;

5. Component Developer will further advise the City as to the identity of the members, partners, officers and principal executives or other key personnel or investors of such Component Developer and any transfers of interests among such parties;

6. Component Developer will cooperate with the City and its advisors on any requested financial due diligence contemplated under the MDA and the City shall have the right to have its outside financial consultant confidentially conduct full due diligence relating to Component Developer for the purpose of reviewing the Component Financing Documents; provided such outside financial consultant executes a confidentiality agreement in form and substance reasonably acceptable to Component Developer;

7. Complete sources and uses allocation with updated budget that corresponds to such Project Component; and

8. Detailed construction and development schedule.

Each Component Development Agreement will then provide that if the Component Developer constructs its specific Project Component, Developer will allocate a certain amount of Incentive Revenues to the Component Developer to reimburse eligible costs. Each development incentive (the "**Incentive**") allows for the reimbursement of certain eligible costs.

III. Incentives

This Financing Plan contemplates the use of the following Incentives: tax increment financing ("**TIF**"), a community improvement district ("**CID**"), and the hotel/motel transient guest tax (the "**Hotel Tax**") generated on the Property. This Financing Plan also discusses the use of a transportation development district ("**TDD**"), but at this time Developer has not determined if a TDD is appropriate for the Project.

A. Tax Increment Financing

TIF under the Real Property Tax Allocation Redevelopment Act, Sections 99.800 to 99.865, RSMo., ("**TIF Act**") is a mechanism to capture incremental tax revenues ("**TIF Revenues**") resulting from the Project and apply those revenues to pay eligible redevelopment project costs. TIF can be in place for up to 23 years from the date of approval of a redevelopment project. Incremental taxes are measured by comparing the current tax revenue to the revenues generated in the year prior to adoption of TIF. TIF revenues may be used to fund:

1. Costs of studies, surveys, and plans;
2. Professional service costs, such as finance advisory fees, bond counsel fees, and planning expenses;
3. Land acquisition and demolition costs;
4. Costs of rehabilitating and repairing existing buildings;
5. Initial costs for an economic development area;
6. Costs of constructing public works or improvements;
7. Financing costs, including bond issuance costs, capitalized interest, and reasonable reserves;
8. Capital costs incurred by any taxing jurisdiction as a direct result of the project;
9. Relocation costs; and
10. Payments in lieu of taxes.

In order to adopt TIF, the following activities of the City's TIF Commission ("**TIF Commission**") must occur:

1. Prepare a redevelopment plan and cost-benefit analysis describing the economic impact on the various taxing districts if the project is built and is not built;
2. The TIF Commission holds a public hearing regarding the proposed redevelopment plan and project and makes a recommendation to the City Council; and
3. The City Council makes the required findings, approves the redevelopment plan and project, designates the redevelopment area, and adopts TIF.

TIF Revenues are expected to constitute the majority of the Incentive Revenues used for the Project. TIF Revenues will reimburse Component Developer costs related to infrastructure, hard construction of vertical and other improvements, architectural and engineering, third party professionals, and miscellaneous soft costs as are permitted by the TIF Act. TIF Revenues are expected to be pledged by the TIF Commission to secure financing of Project Costs.

B. Community Improvement District

A CID may be created pursuant to Sections 67.1401 to 67.1571, RSMo., ("**CID Act**") to finance a wide range of public facilities, improvements, and services. The CID will be a separate political subdivision with the power to impose a sales tax, a special assessment, and a real property tax. Under this Financing Plan, the CID would only impose a one percent (1%) sales tax on all eligible sales within the Property. CID revenues ("**CID Revenues**") may fund public facilities and improvements within the boundaries of the CID including:

1. Pedestrian or shopping malls and plazas;
2. Parks, lawns, trees, and other landscape;
3. Convention centers, arenas, aquariums, aviaries, and meeting facilities;
4. Sidewalks, streets, alleys, bridges, ramps, tunnels, overpasses and underpasses, traffic signs and signals, utilities, drainage, water, storm and sewer systems, and other site improvements;
5. Parking lots, garages, or other facilities;
6. Lakes, dams, and waterways;
7. Streetscape, lighting, benches or other seating furniture, trash receptacles, marquees, awnings, canopies, walls, and barriers;
8. Telephone and information booths, bus stop and other shelters, rest rooms, and kiosks;
9. Paintings, murals, display cases, sculptures, and fountains;
10. Music, news, and child-care facilities; and
11. Any other useful, necessary, or desired improvements.

In order to create the CID and impose the one percent (1%) sales tax, the following must occur:

1. Prepare a petition that sets forth the one percent (1%) sales tax and a five-year plan that describes the purposes of the CID, the services the CID will provide, the improvements the CID will make, and an estimate of the costs of the project;
2. Obtain signatures on the petition of the property owners that (1) collectively own at least 50% of the assessed value of the real property within the district, and (2) are more than 50% per capita of all owners of real property within the district;
3. The City Council holds a public hearing to consider the petition, and then approves the petition by ordinance; and

4. The CID holds an election to obtain voter approval for the one percent (1%) sales tax. Eligible voters will be the owners of the Property.

CID Revenues will be used to reimburse costs to construct the conference center (the "**Conference Center**") connected or adjacent to the two (2) hotels on the Property. It is expected that all or substantially all of the CID Revenues will be pledged by the CID to secure financing of the Conference Center. The Developer anticipates that a single Component Developer will develop both hotels. The conference center will either (1) be owned by the CID or the City and be managed by the Component Developer of the hotels pursuant to a management agreement, or (2) owned and operated by the Component Developer of the hotels.

C. Hotel/Motel Transient Guest Tax

The City imposes the Hotel Tax on the charges for all sleeping rooms paid by the transient guests of hotels or motels at a rate not to exceed five percent (5%) per occupied room per night for the purpose of funding tourism and infrastructure improvements. Under this Financing Plan, it is anticipated the City would pledge all or substantially all of the Hotel Tax revenues (the "**Hotel Tax Revenues**") from the Property to secure financing of eligible Project costs.

The Hotel Tax Revenues will be used to remediate blight on the Property, a valid public purpose, and be used to secure financing of costs related to infrastructure, and for costs of the Conference Center, a tourism improvement, related to hard construction of vertical and other improvements, architectural and engineering, third party professionals, and miscellaneous soft costs. The City would approve by ordinance applying the Hotel Tax Revenues to pay eligible Project costs.

D. Transportation Development District

A TDD may be created pursuant to Sections 238.200 to 238.280, RSMo., ("**TDD Act**") to finance a wide range of transportation-related projects. The TDD is a separate political subdivision with the power to impose a sales tax, a special assessment, and a real property tax. Under this Financing Plan, the TDD would only impose a one percent (1%) sales tax on all eligible sales within the Property. TDD revenues ("**TDD Revenues**") may fund any bridge, street, road, highway, access road, interchange, intersection, signing, signalization, parking lot, bus stop, station, garage, terminal, hangar, shelter, rest area, dock, wharf, lake or river port, airport, railroad, light rail, or public mass transportation system and any similar or related improvement or infrastructure.

In order to create the TDD and impose the one percent (1%) sales tax, the following must occur:

1. Prepare a petition that sets forth, among other things, a specific description and depiction of the district boundaries, a general description of each project, the estimated project costs and revenues, the members of the TDD board of directors, the proposed funding methods, and a budget;
2. Obtain signatures on the petition of all property owners within the TDD, and file same with the Circuit Court of Clay County, Missouri;
3. The Missouri Highways and Transportation Commission responds to the petition;
4. The Circuit Court hears the case, enters judgment certifying a question regarding district creation and the sales tax approval for voter approval, and calls an election; and
5. All owners of property within the TDD file with the Circuit Court a unanimous petition creating the TDD and approving the sales tax.

If Developer determines it is appropriate to use a TDD, TDD Revenues will reimburse Component Developer costs related to parking lots and related costs as permitted by the TDD Act. It is expected that all or substantially all of the TDD Revenues will be pledged by the TDD to secure financing of Project Costs.

IV. Budget and Proforma

The Budget includes costs related to infrastructure, hard construction costs of vertical and other improvements, architectural and engineering, third party professionals, and miscellaneous soft costs. The Budget also sets forth what costs are eligible for reimbursement under each Incentive. The Budget was prepared based on input from the Developer, Component Developers, Renaissance Infrastructure Consulting (the civil engineer hired by the City to prepare plans for the public north-south spine road through the Property (the "**Spine Road**")), and Clarkson Construction Co. (the contractor that Developer anticipates hiring to construct the Spine Road).

A proforma for the Project (the "**Proforma**") is attached as **Exhibit B** and includes assumptions for each Project Component, estimated Incentive Revenues, and the debt service that the Incentive Revenues will support. The Proforma was prepared based on current market data and input from the Developer and the Clay County Assessor's Office.

Prior to the execution of each Component Development Agreement, the Budget and Proforma shall be updated by the Developer and submitted to the City for review.

V. Bond Financing

This Financing Plan contemplates that the City will create an Industrial Development Authority ("**IDA**") organized under Ch. 349, R.S.Mo. (the "**IDA Act**"). It is anticipated that the IDA will issue Revenue Bonds ("**Bonds**") payable solely from (i) a pledge of the TIF Revenues, (ii) a pledge of the CID Revenues, (iii) a pledge of the Hotel Tax Revenue, and (iv) if a TDD is created, a pledge of the TDD Revenues. The Bonds will be further secured by a Debt Service Reserve Fund ("**Reserve Fund**") and will be marketed by an investment banking firm selected by the City, which may be Ameritas ("**Investment Banking Firm**"). The Bonds are estimated by Developer to provide proceeds of approximately $32,300,000 for expenditure on Project Costs.

Unless the Bonds are rated equal to or higher than "A" by Standard and Poor's Corporation or "A2" by Moody's Investors, the Bonds will be sold only in minimum denominations of $100,000 sold to one or more of the following (with the precise number to be determined in the Developer's sole discretion): (i) Qualified Institutional Buyers, and/or (ii) the Developer and/or entities related to or affiliated with the Developer. The restrictions on transfer of such privately placed Bonds shall be reasonably acceptable to the City and the Developer. Any purchaser of privately placed Bonds shall sign a standard investor letter acknowledging the risks associated with the Bonds, and the Bonds and such letters shall state that any future transfer of the Bonds shall be made only to other Qualified Institutional Buyer who also sign such a letter.

Developer and City agree the Bonds shall not constitute general obligations of the City and shall not be backed by the full faith and credit or general revenues of the City. All costs of issuance of the Bonds shall be paid from bond proceeds.

The City and its advisors will work on a structure of the Bond financing including amortization, redemptions terms, minimum anticipated debt service coverage requirements, premiums or discounts relative to sale of the Bonds and interest rates such that the structure of the Bond financing shall be acceptable to and approved by each of the City and the Developer.

Upon the issuance of any Bonds, a project fund (the "**Project Fund**") shall be created and administered by the City or its designee. The Project Fund will be utilized solely to disburse the Bond proceeds to fund Project Costs. The specifics of the issuance and repayment of the Bonds shall be in accordance with the Bond issuance documents, to be approved by City ordinance, and in accordance with the MDA.

Prior to the disbursement of any proceeds of the Bonds, the Developer or Component Developer shall certify any costs for which it seeks reimbursement in accordance with the following:

A. The Developer or Component Developer shall submit to the City a Certification of Expenditures in the form attached as Exhibit E to the MDA setting forth the amount for which reimbursement is sought and an itemized listing of the related costs.

B. Each Certification of Expenditures shall be accompanied by such bills, contracts, invoices, and other evidence as the City shall reasonably request to evidence costs actually incurred.

The City shall have thirty (30) days after receipt of any Certification of Expenditures to review and respond by written notice to the Developer or Component Developer and to follow the procedures set out in Section 5.07 of the MDA for reimbursement or payment of Project Costs from Bond Proceeds.

VI. Conclusion

Based on the foregoing, Developer, City Staff, and Ameritas hereby submit this Financing Plan for due consideration.

EXHIBIT A

Budget

North Kansas City - Cost Summary

Cost Category	Units/Sq. Ft.	Cost Per Unit/SF	Total	TIF Eligible	CID Eligible	TGT Eligible
Land Acquisition and Closing						
Apartments - market rate	400,926	$ 5.00	$ 2,004,631	$ -	$ -	$ -
DRIV - golf entertainment	522,720	$ 5.00	$ 2,613,600	$ -	$ -	$ -
Grocery Store	222,156	$ 5.00	$ 1,110,780	$ -	$ -	$ -
Hotel	276,852	$ 5.00	$ 1,384,260	$ -	$ -	$ -
Conference Center	15,000	$ 5.00	$ 75,000	$ -	$ -	$ -
Hotel Restaurant & Pool	0	$ 5.00	$ -	$ -	$ -	$ -
Restaurant No. 1	69,696	$ 5.00	$ 348,480	$ -	$ -	$ -
Retail Building	165,528	$ 5.00	$ 827,640	$ -	$ -	$ -
Sunterra	156,816	$ 5.00	$ 784,080	$ -	$ -	$ -
Flowhouse	87,120	$ 5.00	$ 435,600	$ -	$ -	$ -
Restaurant No. 2	43,560	$ 5.00	$ 217,800	$ -	$ -	$ -
Subtotal:	1,960,374		$ 9,801,871	$ -	$ -	$ -
Infrastructure						
Apartments - market rate	400,926	$ 6.25	$ 2,505,789	$ 2,505,789	$ 2,505,789	$ 2,505,789
DRIV - golf entertainment	522,720	$ 6.25	$ 3,267,000	$ 3,267,000	$ 3,267,000	$ 3,267,000
Grocery Store	222,156	$ 6.25	$ 1,388,475	$ 1,388,475	$ 1,388,475	$ 1,388,475
Hotel	276,852	$ 6.25	$ 1,730,325	$ 1,730,325	$ 1,730,325	$ 1,730,325
Conference Center	15,000	$ 6.25	$ 93,750	$ 93,750	$ 93,750	$ 93,750
Hotel Restaurant & Pool	0	$ 6.25	$ -	$ -	$ -	$ -
Restaurant No. 1	69,696	$ 6.25	$ 435,600	$ 435,600	$ 435,600	$ 435,600
Retail Building	165,528	$ 6.25	$ 1,034,550	$ 1,034,550	$ 1,034,550	$ 1,034,550
Sunterra	156,816	$ 6.25	$ 980,100	$ 980,100	$ 980,100	$ 980,100
Flowhouse	87,120	$ 6.25	$ 544,500	$ 544,500	$ 544,500	$ 544,500
Restaurant No. 2	43,560	$ 6.25	$ 272,250	$ 272,250	$ 272,250	$ 272,250
Subtotal:	1,960,374		$ 12,252,339	$ 12,252,339	$ 12,252,339	$ 12,252,339
Hard Construction Costs						
Apartments - market rate	200	$ 83,698	$ 16,739,580	$ 16,739,580	$ -	$ -
DRIV - golf entertainment	60,000	$ 270	$ 16,219,400	$ 16,219,400	$ -	$ -
Grocery Store	35,000	$ 117	$ 4,088,245	$ 4,088,245	$ -	$ -
Hotel	200	$ 90,677	$ 18,135,415	$ 18,135,415	$ -	$ -
Conference Center	15,000	$ 201	$ 3,018,750	$ 3,018,750	$ 3,018,750	$ 3,018,750
Hotel Restaurant & Pool	6,500	$ 425	$ 2,762,500	$ 2,762,500	$ -	$ -
Restaurant No. 1	5,000	$ 141	$ 703,420	$ 703,420	$ -	$ -
Retail Building	31,600	$ 49	$ 1,537,810	$ 1,537,810	$ -	$ -
Sunterra	100	$ 50,358	$ 5,035,820	$ 5,035,820	$ -	$ -
Flowhouse	5,000	$ 484	$ 2,419,900	$ 2,419,900	$ -	$ -
Restaurant No. 2	5,000	$ 199	$ 997,450	$ 997,450	$ -	$ -
Subtotal:			$ 71,658,290	$ 71,658,290	$ 3,018,750	$ 3,018,750
Architecture & Engineering	% of component					
Apartments - market rate	costs:	8%	$ 2,000,000	$ 2,000,000	$ -	$ -
DRIV - golf entertainment			$ 2,080,000	$ 2,080,000	$ -	$ -
Grocery Store			$ 620,000	$ 620,000	$ -	$ -
Hotel			$ 2,000,000	$ 2,000,000	$ -	$ -
Conference Center			$ 300,000	$ 300,000	$ 300,000	$ 300,000
Hotel Restaurant & Pool			$ 260,000	$ 260,000	$ -	$ -
Restaurant No. 1			$ 140,000	$ 140,000	$ -	$ -
Retail Building			$ 320,000	$ 320,000	$ -	$ -
Sunterra			$ 640,000	$ 640,000	$ -	$ -
Flowhouse			$ 320,000	$ 320,000	$ -	$ -
Restaurant No. 2			$ 140,000	$ 140,000	$ -	$ -
Subtotal:			$ 8,820,000	$ 8,820,000	$ 300,000	$ 300,000
Third Party Professional Costs	% of component					
Apartments - market rate	costs:	7%	$ 1,750,000	$ 1,750,000	$ -	$ -
DRIV - golf entertainment			$ 1,820,000	$ 1,820,000	$ -	$ -
Grocery Store			$ 542,500	$ 542,500	$ -	$ -
Hotel			$ 1,750,000	$ 1,750,000	$ -	$ -
Conference Center			$ 262,500	$ 262,500	$ 262,500	$ 262,500
Hotel Restaurant & Pool			$ 227,500	$ 227,500	$ -	$ -
Restaurant No. 1			$ 122,500	$ 122,500	$ -	$ -
Retail Building			$ 280,000	$ 280,000	$ -	$ -
Sunterra			$ 560,000	$ 560,000	$ -	$ -
Flowhouse			$ 280,000	$ 280,000	$ -	$ -
Restaurant No. 2			$ 122,500	$ 122,500	$ -	$ -
Subtotal:			$ 7,717,500	$ 7,717,500	$ 262,500	$ 262,500

Miscellaneous Soft Costs	% of component costs:									
Admin Overhead		2%	$	2,205,000	$	2,205,000	$	60,375	$	60,375
Development Fees		5%	$	5,512,500	$	5,512,500	$	150,938	$	150,938
Developer Fee		4%	$	4,410,000	$	4,410,000	$	-	$	-
Subtotal:			$	12,127,500	$	12,127,500	$	211,313	$	211,313

Hard Costs				**TOTAL**		**TIF Eligible**		**CID Eligible**		**TGT Eligible**
Land Acquisition			$	9,801,871	$	-	$	-	$	-
Infrastructure			$	12,252,339	$	12,252,339	$	12,252,339	$	12,252,339
Hard Construction			$	71,658,290	$	71,658,290	$	3,018,750	$	3,018,750
Architecture & Engineering			$	8,820,000	$	8,820,000	$	300,000	$	300,000
Subtotal			$	102,532,500	$	92,730,629	$	15,571,089	$	15,571,089
Contingency	% of Subtotal:	10%	$	10,253,250	$	9,273,063	$	1,557,109	$	1,557,109
Hard Costs Total			$	112,785,750	$	102,003,692	$	17,128,198	$	17,128,198

Soft Costs										
Third Party Professional Costs			$	7,717,500	$	7,717,500	$	262,500	$	262,500
Miscellaneous Soft Costs			$	12,127,500	$	12,127,500	$	211,313	$	211,313
Subtotal			$	19,845,000	$	19,845,000	$	473,813	$	473,813
Soft Cost Contingency	% of Subtotal:	5%	$	992,250	$	992,250	$	23,691	$	23,691
Soft Costs Total			$	20,837,250	$	20,837,250	$	497,503	$	497,503

TOTAL HARD COSTS	**$**	**112,785,750**	**$**	**102,003,692**	**$**	**17,128,198**	**$**	**17,128,198**
TOTAL SOFT COSTS	**$**	**20,837,250**	**$**	**20,837,250**	**$**	**497,503**	**$**	**497,503**
TOTAL PROJECT COSTS	**$**	**133,623,000**	**$**	**122,840,942**	**$**	**17,625,701**	**$**	**17,625,701**

<u>**EXHIBIT B**</u>

Proforma

NORTH KANSAS CITY - ASSUMPTIONS

Project Component	Total Investment Cost	Land, Infrastructure & Hard Costs	Soft Costs	Projected Annual Sales	Acreage	Sq. Ft. (Building)
Apartments - market rate	$ 25,000,000	$ 21,250,000	$ 3,750,000	$ -	9.2	200,000
DRIV - golf entertainment	$ 26,000,000	$ 22,100,000	$ 3,900,000	$ 18,000,000	12.0	60,000
Grocery Store	$ 7,750,000	$ 6,587,500	$ 1,162,500	$ 13,500,000	5.1	35,000
Hotel	$ 25,000,000	$ 21,250,000	$ 3,750,000	$ 6,132,000	6.7	100,000
Conference Center	$ 3,750,000	$ 3,187,500	$ 562,500	$ 500,000	-	15,000
Hotel Restaurant & Pool	$ 3,250,000	$ 2,762,500	$ 487,500	$ 3,000,000	-	6,500
Restaurant No. 1	$ 1,750,000	$ 1,487,500	$ 262,500	$ 4,000,000	1.6	5,000
Retail Building	$ 4,000,000	$ 3,400,000	$ 600,000	$ 6,000,000	3.8	31,600
Sunterra	$ 8,000,000	$ 6,800,000	$ 1,200,000	$ -	3.6	50,000
Flowhouse	$ 4,000,000	$ 3,400,000	$ 600,000	$ 4,000,000	2.0	5,000
Restaurant No. 2	$ 1,750,000	$ 1,487,500	$ 262,500	$ 3,000,000	1.0	5,000
Burger King	$ -	$ -	$ -	$ 2,000,000	0.8	5,000
TOTAL	**$ 110,250,000**	**$ 93,712,500**	**$ 16,537,500**	**$ 60,132,000**	**45.8**	**518,100**

Base Values: Parcel ID Number	Commercial Appraised	Commercial Assessed
17-611-00-06-008.00	$ 76,480	$ 24,474
17-611-00-06-009.00	$ 15,200	$ 4,864
17-611-00-06-008.01	$ 120,900	$ 38,688
17-611-00-06-007.00	$ 655,600	$ 209,792
17-611-00-06-006.00	$ 17,400	$ 5,568
17-611-00-06-005.00	$ 3,600	$ 1,152
17-611-00-06-004.00	$ 119,800	$ 38,336
17-611-00-06-003.00	$ 213,400	$ 68,288
17-611-00-06-002.00	$ 81,700	$ 26,144
17-611-00-06-001.00	$ 777,500	$ 248,800
17-611-00-06-011.00	$ 92,600	$ 29,632
17-612-00-01-002.00	$ 847,000	$ 271,040
	TOTAL	**$ 966,778**

Assumptions	Projected Occupancy	Ave. Daily Rate	Projected Annual Sales
Element by Westin - 100 Rooms	70%	$ 100	$ 2,555,000
Aloft by Westin - 100 Rooms	70%	$ 140	$ 3,577,000

Component	Sq. Ft. per Key
Apartments:	1,000
Hotels:	500
Sunterra:	500

Assessed (% of appraised)	
Commercial	32%
Residential	19%
Agricultural	12%

COMPARABLE PROPERTIES						
Properties	Key, Sq. Ft. (Building)	Appraised per Key	Appraised per Sq. Ft. (Building)	Appraised Value	Assessed Value	Annual Ad Valorem Taxes
Apartments - market rate	200	$ 70,000	-	$ 14,000,000	$ 4,480,000	$ 374,362
DRIV - golf entertainment	60,000	-	$ 200	$ 12,000,000	$ 3,840,000	$ 320,882
Grocery Store	35,000	-	$ 176	$ 6,160,000	$ 1,971,200	$ 164,719
Hotel	200	$ 60,000	-	$ 12,000,000	$ 3,840,000	$ 320,882
Conference Center	15,000	-	$ 200	$ 3,000,000	$ 960,000	$ 80,220
Hotel Restaurant & Pool	6,500	-	$ 200	$ 1,300,000	$ 416,000	$ 34,762
Restaurant No. 1	5,000	-	$ 200	$ 1,000,000	$ 320,000	$ 26,740
Retail Building	31,600	-	$ 150	$ 4,740,000	$ 1,516,800	$ 126,748
Sunterra	100	$ 76,982	-	$ 7,698,200	$ 2,463,424	$ 205,851
Flowhouse	5,000	-	$ 200	$ 1,000,000	$ 320,000	$ 26,740
Restaurant No. 2	5,000	-	$ 200	$ 1,000,000	$ 320,000	$ 26,740
Burger King	5,000		$ 200	$ 1,000,000	$ 320,000	$ 26,740
			TOTAL	**$ 64,898,200**	**$ 20,767,424**	**$ 1,735,388**

Taxing Jurisdiction	Ad Valorem Tax Rate	AV Rate Captured
County Services	0.2130	0.2130
Handicap	0.1144	0.1144
Health	0.0985	0.0985
KCJC	0.2343	0.2343
Mental Health	0.0969	0.0969
NKC	1.1659	1.1659
NKC Schools	6.4333	6.4333
State	0.0300	0.0000
TOTAL	**8.3863**	**8.3563**

Taxing Jurisdiction	Sales Tax Rate	Captured as TIF EATs
State	4.225%	0.000%
NKC - general revenue	1.000%	0.500%
NKC - transportation	0.500%	0.250%
Clay County	0.875%	0.438%
Kansas City Zoo	0.125%	0.063%
TOTAL	**6.725%**	**1.250%**

NORTH KANSAS CITY - PROFORMA

Year	Project Costs	Base Assessed Value	Projected Assessed Value	Base Sales	Projected Sales		Total PILOTs - 100% of Increment	Total EATs - 50% of Increment	CID Sales Tax - 1%	Transient Guest Tax	Total Revenue
1	$ -	$ 966,778	$ -	$ 5,000,000	$ -		$ -	$ -	$ -	$ -	$ -
2	$ 27,562,500	$ 966,778	$ 5,191,856	$ 5,000,000	$ 15,033,000		$ 353,060	$ 125,413	$ 150,330	$ 31,938	$ 660,740
3	$ 55,125,000	$ 966,778	$ 10,383,712	$ 5,000,000	$ 30,066,000		$ 786,907	$ 313,325	$ 300,660	$ 63,875	$ 1,464,767
4	$ 110,250,000	$ 966,778	$ 20,767,424	$ 5,000,000	$ 60,132,000		$ 1,654,601	$ 689,150	$ 601,320	$ 127,750	$ 3,072,821
5	$ 110,250,000	$ 966,778	$ 20,975,098	$ 5,000,000	$ 60,733,320		$ 1,671,955	$ 696,667	$ 607,333	$ 134,138	$ 3,110,092
6	$ 110,250,000	$ 966,778	$ 21,184,849	$ 5,000,000	$ 61,340,653		$ 1,689,483	$ 704,258	$ 613,407	$ 140,844	$ 3,147,992
7	$ 110,250,000	$ 966,778	$ 21,396,698	$ 5,000,000	$ 61,954,060		$ 1,707,185	$ 711,926	$ 619,541	$ 147,887	$ 3,186,538
8	$ 110,250,000	$ 966,778	$ 21,610,665	$ 5,000,000	$ 62,573,600		$ 1,725,065	$ 719,670	$ 625,736	$ 155,281	$ 3,225,752
9	$ 110,250,000	$ 966,778	$ 21,826,771	$ 5,000,000	$ 63,199,336		$ 1,743,124	$ 727,492	$ 631,993	$ 163,045	$ 3,265,654
10	$ 110,250,000	$ 966,778	$ 22,045,039	$ 5,000,000	$ 63,831,330		$ 1,761,363	$ 735,392	$ 638,313	$ 171,197	$ 3,306,265
11	$ 110,250,000	$ 966,778	$ 22,265,489	$ 5,000,000	$ 64,469,643		$ 1,779,784	$ 743,371	$ 644,696	$ 179,757	$ 3,347,608
12	$ 110,250,000	$ 966,778	$ 22,488,144	$ 5,000,000	$ 65,114,339		$ 1,798,390	$ 751,429	$ 651,143	$ 188,745	$ 3,389,708
13	$ 110,250,000	$ 966,778	$ 22,713,026	$ 5,000,000	$ 65,765,483		$ 1,817,182	$ 759,569	$ 657,655	$ 198,182	$ 3,432,587
14	$ 110,250,000	$ 966,778	$ 22,940,156	$ 5,000,000	$ 66,423,138		$ 1,836,161	$ 767,789	$ 664,231	$ 208,091	$ 3,476,273
15	$ 110,250,000	$ 966,778	$ 23,169,558	$ 5,000,000	$ 67,087,369		$ 1,855,331	$ 776,092	$ 670,874	$ 218,496	$ 3,520,793
16	$ 110,250,000	$ 966,778	$ 23,401,253	$ 5,000,000	$ 67,758,243		$ 1,874,692	$ 784,478	$ 677,582	$ 229,421	$ 3,566,173
17	$ 110,250,000	$ 966,778	$ 23,635,266	$ 5,000,000	$ 68,435,825		$ 1,894,247	$ 792,948	$ 684,358	$ 240,892	$ 3,612,445
18	$ 110,250,000	$ 966,778	$ 23,871,618	$ 5,000,000	$ 69,120,183		$ 1,913,997	$ 801,502	$ 691,202	$ 252,936	$ 3,659,638
19	$ 110,250,000	$ 966,778	$ 24,110,335	$ 5,000,000	$ 69,811,385		$ 1,933,945	$ 810,142	$ 698,114	$ 265,583	$ 3,707,784
20	$ 110,250,000	$ 966,778	$ 24,351,438	$ 5,000,000	$ 70,509,499		$ 1,954,092	$ 818,869	$ 705,095	$ 278,862	$ 3,756,918
21	$ 110,250,000	$ 966,778	$ 24,594,952	$ 5,000,000	$ 71,214,594		$ 1,974,441	$ 827,682	$ 712,146	$ 292,805	$ 3,807,075
22	$ 110,250,000	$ 966,778	$ 24,840,902	$ 5,000,000	$ 71,926,740		$ 1,994,993	$ 836,584	$ 719,267	$ 307,446	$ 3,858,291
23	$ 110,250,000	$ 966,778	$ 25,089,311	$ 5,000,000	$ 72,646,007		$ 2,015,751	$ 845,575	$ 726,460	$ 322,818	$ 3,910,604
	TOTALS						**$ 37,735,752**	**$ 15,739,322**	**$ 13,691,457**	**$ 4,319,988**	**$ 71,486,519**
	NET PRESENT VALUE					4.25%	**$ 22,185,650**	**$ 9,236,913**	**$ 8,066,359**	**$ 2,403,336**	**$ 41,892,259**
	Par Bond Value (NPV Divided by DSCR)					110%	**$ 20,168,773**	**$ 8,397,194**	**$ 7,333,054**	**$ 2,184,851**	**$ 38,083,871**
	Less: Bond Issuance					14%	**$ (2,823,628)**	**$ (1,175,607)**	**$ (1,026,627)**	**$ (305,879)**	**$ (5,331,742)**
	Net Bond Proceeds						**$ 17,345,145**	**$ 7,221,587**	**$ 6,306,426**	**$ 1,878,972**	**$ 32,752,129**

Notes:	
Sales tax rate captured by TIF EATs	1.25%
Ad valorem property tax mills captured by TIF PILOTs	8.3563
NKC Transient Guest Sales Tax Rate	5.0%
CID Sales Tax Rate	1.0%
Assumed annual ad valorem percentage increase:	1.0%
Assumed annual sales percentage increase:	1.0%
Percentage Online Year 1	0%
Percentage Online Year 2	25%
Percentage Online Year 3	50%
Percentage Online Year 4	100%

BOND PAYOFF SCHEDULE

Net Proceeds Requested:	32,292,136	
Principal*	40,876,122	*Includes DSRF/COI/Cap. Int.
Rate	4.25%	
Term	20	
Annual Payment	(3,074,695)	

Year	Required Payment	Principal	Interest	Total Bond Revenue	Additional Principal	Bond Balance
1	$3,074,695	$0	$1,737,235	$0	$0	$40,876,122
2	$3,074,695	$0	$1,737,235	$660,740	$0	$40,876,122
3	$3,074,695	$1,337,460	$1,737,235	$1,464,767	$0	$39,538,662
4	$3,074,695	$1,394,302	$1,680,393	$3,072,821	$0	$38,144,360
5	$3,074,695	$1,453,560	$1,621,135	$3,110,092	$0	$36,690,800
6	$3,074,695	$1,515,336	$1,559,359	$3,147,992	$73,297	$35,102,167
7	$3,074,695	$1,582,853	$1,491,842	$3,186,538	$111,843	$33,407,471
8	$3,074,695	$1,654,878	$1,419,818	$3,225,752	$151,057	$31,601,536
9	$3,074,695	$1,731,630	$1,343,065	$3,265,654	$190,959	$29,678,948
10	$3,074,695	$1,813,340	$1,261,355	$3,306,265	$231,570	$27,634,038
11	$3,074,695	$1,900,248	$1,174,447	$3,347,608	$272,913	$25,460,876
12	$3,074,695	$1,992,608	$1,082,087	$3,389,708	$315,012	$23,153,256
13	$3,074,695	$2,090,682	$984,013	$3,432,587	$357,892	$20,704,682
14	$3,074,695	$2,194,746	$879,949	$3,476,273	$401,578	$18,108,358
15	$3,074,695	$2,305,090	$769,605	$3,520,793	$446,097	$15,357,171
16	$3,074,695	$2,422,015	$652,680	$3,566,173	$491,478	$12,443,677
17	$3,074,695	$2,545,839	$528,856	$3,612,445	$537,750	$9,360,089
18	$3,074,695	$2,676,891	$397,804	$3,659,638	$584,942	$6,098,255
19	$3,074,695	$2,815,519	$259,176	$3,707,784	$633,089	$2,649,647
20	$3,074,695	$2,962,085	$112,610	$3,756,918	$682,223	($994,662)

NOTES:

Cost of Issuance	$1,226,284	3.00% of principal
Debt Service Reserve Fund	$3,065,709	7.50% of principal
Capitalized Interest	$4,291,993	10.50% of principal

Ameritas Investment Corp.
800 West 47th Street, Suite 600
Kansas City, MO 64112

Member FINRA/SIPC

Ameritas
fulfilling life

MEMORANDUM

December 29, 2016

FROM: Matthew Webster

TO: Mayor, City Council and Staff

RE: **Armour Road Redevelopment Area – Council Approval of Finance Plan**

The City Council approved the Master Development Agreement (the "MDA") related to the Armour Road Redevelopment Area (the "ARRA Property") on May 17, 2016 and the MDA with the Developer was executed shortly thereafter. As part of the MDA the Developer agreed to work with City staff and consultants to formulate a financing plan for presentation to the Council. Attached to this memo is the Finance Plan submitted for approval by the City Council.

The ARRA site includes approximately 58 acres generally located at the southeast corner of U.S. Highway 35 and Armour Road, to be developed as a mixed use development comprised of retail, restaurant, grocery, recreational, hotel, office, conference center, multi-family residential, or other commercial or non-single family residential uses.

During the term of the MDA the Developer will have the exclusive right to acquire and develop the ARRA Property in accordance with the MDA. The ARRA Property is adjacent to and does not include the Meierotto Jewelers development site.

Phase I of the project will include the following items:

- Demolition by City of existing structures and clearing of the Phase 1 Property
- Construction by Developer of the Spine Road and all required utility improvements, including adding a storm sewer branch and upgrading or replacing the existing sanitary sewer, public utilities in the public right of way, detention areas, and related mass grading
- Development of a hotel with at least 150 rooms and a conference center
- Development of a grocery store comprised of at least 35,000 square feet
- Development of an apartment complex with at least 200 market rate units

Public incentives are a necessary part of the financing plan for the Project. The plan for the Project currently contemplates approximately $101,000,000 in private investment and $33,000,000 of public incentives, for a total investment of $134,000,000, with an approximate expenditure ratio of 75% private funding to 25% public. The City will bear additional costs of constructing the Spine Road (which is required to be done under the development agreement with Meierotto Jewelers). The cost of the Spine Road is not included in the attached developer budget. The project also contemplates that the ARRA Property be transferred to the Developer at no cost; with conveyance to occur in phases as the Developer brings the desired development to the site and provides the City with evidence of financing and construction contracts for each development component. Such property transfers are anticipated to occur shortly before the construction of each of the development components detailed above. The Developer will identify separate "Component Developers" who will be responsible for financing and developing each of the separate development components. Full details of each component will be provided to the City prior to any land transfer.

Incentive Financing

The Financing Plan contemplates the use of the following Incentives: tax increment financing ("TIF"), a community improvement district ("CID"), and the hotel/motel transient guest tax (the "Hotel Tax") generated on the Property. The Financing Plan also discusses the use of a transportation development district ("TDD"), but at this time Developer has not determined if a TDD is appropriate for the Project.

Each of these incentives will have to be implemented by the City and the Developer working cooperatively over the coming year. The attached budget shows how incentive financing might be spent by the Developer. The details of the incentive financing will be delivered as part of the approval process for each Component of the development plan.

TIF Financing. The largest single source of incentives is expected to be tax increment financing. TIF redirects the incremental property and sales taxes generated on the site back to the Developer who will then use the funds to pay for eligible costs. TIF is a commonly used incentive program and the City has an existing TIF Commission that will work to implement the ARRA TIF. Further action by the City Council will be required as part of the approval of any TIF Plan.

Hotel/Motel Transient Guest Tax. The City imposes the Hotel Tax on charges for all sleeping rooms paid by the transient guests of hotels or motels at a rate not to exceed 5% per occupied room per night for the purpose of funding tourism and infrastructure improvements. Under this Financing Plan it is anticipated the City would pledge all or substantially all of the Hotel Tax revenues from the Property to secure financing of eligible Project costs. The Hotel Tax Revenues will be used to remediate blight on the Property and costs related to infrastructure, and for costs of the Conference Center. The City would approve a separate ordinance applying the Hotel Tax Revenues to pay eligible Project costs.

CID Sales Tax. A CID Sales Tax is an additional sales tax on retail sales within the ARRA Property. The developer is proposing a 1% CID Sales Tax. The revenue from the CID Sales Tax would be used to pay for eligible Project costs. The City Council will have to consent to the creation of the CID by adopting a separate ordinance.

Transportation Development District Sales Tax. A TDD may be created to finance a wide range of transportation-related projects. The TDD is a separate political subdivision with the power to impose a sales tax, a special assessment, and a real property tax. Under this Financing Plan, the TDD would only impose a 1% sales tax on all eligible sales within the Property. TDD revenues ("TDD Revenues") may fund any bridge, street, road, highway, access road, interchange, intersection, etc. In order to create the TDD the Developer would work with the City. If Developer determines it is appropriate to use a TDD, TDD Revenues will reimburse Component Developer costs related to parking lots and related costs as permitted by the TDD Act. It is expected that all or substantially all of the TDD Revenues will be pledged by the TDD to secure financing of Project Costs.

Bond Financing

The incentives detailed above would be used by the Developer to repay one or more municipal bond issues that would be sold to provide funding for the Project. The total projected principal amount of such bonds is approximately $41 million. The issuance of such bonds is anticipated to require the City to create a separate Missouri Industrial Development Authority ("IDA"). The IDA would in turn issue the bonds on behalf of the City. Additional action by the City Council will be required to form an IDA.

City Safeguards. The most significant element of any bond issuance is the responsibility for repayment of the debt. The Financing Plan does not contemplate that the City would have any responsibility to repay bonds issued to finance the Project. The only obligation is for the City to annually turn over the various revenues (TIF, CID, hotel tax, etc.) to the IDA. The bonds anticipated to be issued would not be guaranteed by the City, would not be payable from the City's general funds, nor would such bonds be a debt obligation of the City. This is a significant safeguard for the City.

The details of the bond financing will be presented to the Council with each Component Development Agreement.

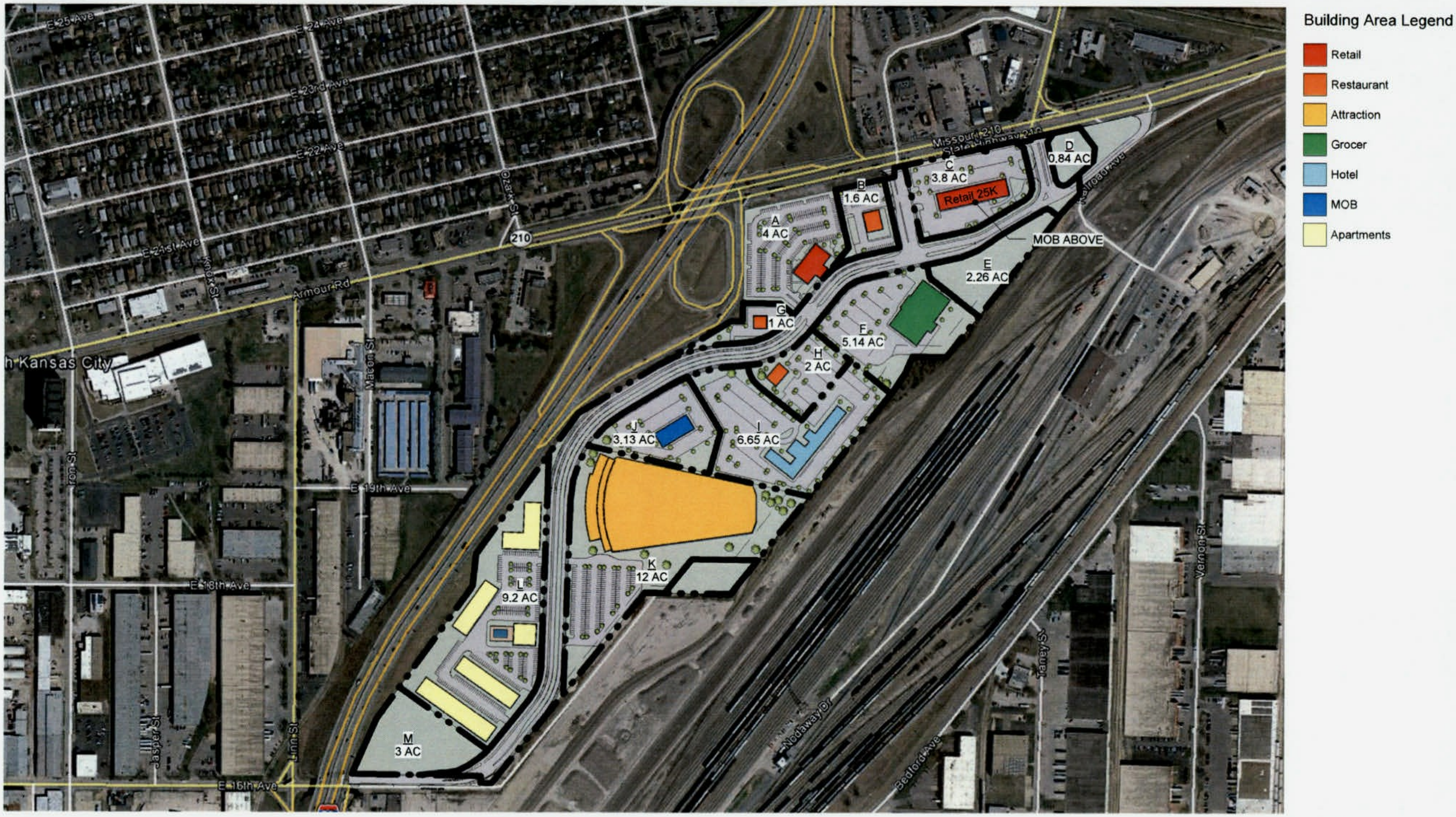
North Kansas City - Cost Summary

Cost Category	Units/Sq. Ft.	Cost Per Unit/SF	Total	Eligible for Reimbursement From Incentive Financing: TIF Bonds	CID Bonds	Lodging Tax Bonds
Land Acquisition and Closing	1,960,374	$ 5.00	$ 9,801,871	$ -	$ -	$ -
Developer Site Infrastructure	1,960,374	$ 6.25	$ 12,252,339	$ 12,252,339	$ 12,252,339	$ 12,252,339
Hard Construction Costs						
Apartments - market rate	200	$ 83,698	$ 16,739,580	$ 16,739,580	$ -	$ -
Golf entertainment	60,000	$ 270	$ 16,219,400	$ 16,219,400	$ -	$ -
Grocery Store	35,000	$ 117	$ 4,088,245	$ 4,088,245	$ -	$ -
Hotel	200	$ 90,677	$ 18,135,415	$ 18,135,415	$ -	$ -
Conference Center	15,000	$ 201	$ 3,018,750	$ 3,018,750	$ 3,018,750	$ 3,018,750
Hotel Restaurant & Pool	6,500	$ 425	$ 2,762,500	$ 2,762,500	$ -	$ -
Restaurant No. 1	5,000	$ 141	$ 703,420	$ 703,420	$ -	$ -
Retail Building	31,600	$ 49	$ 1,537,810	$ 1,537,810	$ -	$ -
Sunterra	100	$ 50,358	$ 5,035,820	$ 5,035,820	$ -	$ -
Flowhouse	5,000	$ 484	$ 2,419,900	$ 2,419,900	$ -	$ -
Restaurant No. 2	5,000	$ 199	$ 997,450	$ 997,450	$ -	$ -
Subtotal:			$ 71,658,290	$ 71,658,290	$ 3,018,750	$ 3,018,750
Architecture & Engineering		8%	$ 8,820,000	$ 8,820,000	$ 300,000	$ 300,000
Third Party Professional Costs		7%	$ 7,717,500	$ 7,717,500	$ 262,500	$ 262,500
Miscellaneous Soft Costs		7%	$ 7,717,500	$ 7,717,500	$ 211,313	$ 211,313
Developer Fee		4%	$ 4,410,000	$ 4,410,000	$ -	$ -
Contingency		15%	$ 11,245,500	$ 10,265,313	$ 1,580,800	$ 1,580,800
TOTAL PROJECT COSTS			**$ 133,623,000**	**$ 122,840,942**	**$ 17,625,701**	**$ 17,625,701**

Projected Bond Proceeds From TIF / CID / Lodging Tax, Etc.	**$ 32,762,000**	25% of total Project Cost
Projected Private Debt & Equity Required	**$ 100,861,000**	75% of total Project Cost

Note: **The cost of the Spine Road is not included in this budget. The Spine Road cost will be paid from City funds outside of this budget**

Dev. Budget 12/27/2016



NORTH KANSAS CITY - I-35 & Armour Rd

09.19.2016 ■ ■ MASTERPLAN

YAEGER ARCHITECTURE

OVERLAND PARK, KS 913-742-8000