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MEMORANDUM

TO: Diane Stoddard, Assistant City Manager
Britt Crum-Cano, Economic Development Coordinator

FROM: Tony Schertler, Senior Vice-President
Tom Denaway, Analyst

DATE: September 26, 2012

SUBJECT: 900 New Hampshire Project – Addendum to Project Feasibility Analysis

At the request of the City, Springsted reviewed updated TIF and TDD projections for the 900 New Hampshire project in order to verify that the project continues to satisfy the Financial Feasibility requirement. The Developer of the project has provided an updated project plan with a number of revisions to the proposed composition of the building. Originally, the proposed development was to include 81 hotel rooms, 11 apartment buildings, first floor retail space and lobby, and a rooftop restaurant and pool area. The revised build-out of the project does not contemplate a change to the project footprint or scope, but assumes a slightly different composition of building components.

The proposed project changes:

- Elimination of rooftop restaurant and pool area; replaced with three condominium units on top floor
- Elimination of projected rental apartments; replaced with 11 additional hotel rooms bringing total project to 92-hotel rooms
- Conversion of approximately 350 square feet of first floor lobby space to retail use, and the inclusion of a first floor pool area

The change in the project composition will result in differing TIF and TDD revenues from those originally published in the Redevelopment Project Feasibility Study dated June 27, 2012. The Financial Feasibility Study must show that a) the Project's benefits, tax increment revenue, and other available revenues under K.S.A. 12-1774(a)(1) are expected to exceed or be sufficient to pay for all Project costs as defined by K.S.A. 12-1773, including the payment of principal and interest of debt used to finance the redevelopment project; and b) the effect, if any, the redevelopment project costs will have on any outstanding special obligation bonds payable from the revenues described in K.S.A. 12-1774(a)(1)(D).

In reviewing the updated projections prepared by the Developer, Springsted has determined that the project changes will likely have a minimal impact on the overall feasibility of the project.

Based on the Developer's projections, the revised project should result in increased property tax increment of \$4,906 annually, offset by decreased annual sales tax increment of \$15,713 and \$6,162 in annual TDD revenue. Overall, the adjusted project is expected to result in an annual decrease in total TIF and TDD revenue of \$16,969. This is an approximately 5% decrease from the stabilized annual revenue projected in the original Feasibility Study.

Overall, the projected TIF and TDD revenue will be reduced by the project alterations largely due to the decrease in taxable sales due to the elimination of the restaurant. In the event that actual project revenues are lower than the actual project costs funded, the difference will be made up by the Developer either through: the contribution of additional funds to fill the gap, or a reduction in the amount of interest reimbursement paid on the Developer's pay as you go note. Therefore, in consultation with the City's Bond Counsel, it is our belief that the revised project scope will not adversely affect project feasibility due to scale of the decrease in revenues and the additional remedies outlined above.

Additionally, as a result of the changes, an increase in non-TIF captured Transient Guest Tax (TGT) will be generated by the project, in comparison to the original projections. However, this is a non-TIF captured revenue source and therefore does not impact project feasibility.