

**CITY OF MERRIAM
9001 W. 62ND STREET
MERRIAM, KANSAS 66202
(913) 322-5500**

APPLICATION FOR TAX INCREMENT FINANCING

A. PROJECT:

- 1. Business Name** *Merriam Grand Station, LLC*
Address *7200 W. 132nd Street, Suite 150
Overland Park, KS 66213*
Telephone # *(913) 662-2630*
Contact Person *Matthew Pennington*

2. Brief description of business.

The proposed project (the "Project") is a mixed-use commercial development containing approximately 80,000 s.f. of commercial/retail space, 180,000 s.f. of multi-family residential space and related site work, parking and infrastructure improvements.

3. Names and addresses of the principal owners, officers and directors of the firm requesting the Tax Increment Financing.

Merriam Grand Station, LLC, a Kansas limited liability company

By Drake Fund Merriam, LLC, a Kansas limited liability company

Matthew Pennington, Manager

7200 W. 132nd Street, Suite 150

Overland Park, KS 66213

4. Legal description, address, parcel ID's, and size of project site.

The Project Area is located on the southwest corner of Shawnee Mission Parkway and Antioch Road and contains an aggregate total of approximately 13 acres. The legal description and parcel identification numbers for the property located within the Project Area are identified on Exhibit C and Exhibit C-1 attached hereto and incorporated herein by this reference.

5. **Proposed Project: Description of building(s) including square footage, materials, proposed use, etc. Attach site plan if available.**

The current Site Plan for the Project Area is attached hereto as Exhibit A (the "Site Plan"). Site improvements are expected to include approximately:

- a. *Construction of +/- 40,000 s.f. retail grocery*
- b. *Construction of +/- 35,000 s.f. retail building with multiple tenants*
- c. *Construction of +/- 6,000 s.f. restaurant/retail outparcel building*
- d. *Construction of +/- 180,000 s.f. multi-family residential*
- e. *Construction of a +/- 388 space parking garage*

6. **If property is to be subdivided, describe division planned.**

The Applicant intends to submit an application to the City for the subdivision of the Property as shown on Exhibit A. It is anticipated that the Project will contain four (4) separate lots, not including two (2) additional lots that will be retained by the current property owners (Freddy's, Krispy Kreme).

7. **Estimated Project Costs: (Please enclose construction pro forma, if available)**

Total construction costs are anticipated to be approximately \$118,449,644. A preliminary construction budget is attached hereto as Exhibit D.

8. **Source of Financing.**

a.	Equity/Bank Financing	\$92,372,563
b.	Tax Increment/Other Incentives	\$26,077,081
	TOTAL	\$118,449,644

9. **Form of tax increment financing requested:**

Fixed 10-year payment schedule from I-35 TIF proceeds

B. TAX INCREMENT FINANCING REQUEST

1. Describe the amount and purpose for which tax increment financing is required.

Pursuant to K.S.A. 12-1770 et seq., as amended (the "TIF Act") and to provide certain tax increment financing to assist with redevelopment within the City of Merriam, the City has established a redevelopment district known as the I-35 Redevelopment District (the "District"). As more fully set forth below, the Applicant is requesting the following: (i) that the Project Area be added to the District; (ii) reimbursement of TIF Eligible Expenses in an amount not to exceed the total amount of \$35.2 million (the "TIF Cap") which has a net present value of \$26,077,081; (iii) sales tax exemption on construction materials and (iv) waiver of an amount not less than \$400,000 in application and other development fees associated with the Project. The present value of the TIF Cap is approximately 22% of the anticipated total development cost of the Project.

a) Addition of Project Area to District. *The Applicant requests that the District boundaries be amended to include the Project Area, to be identified as "Project M." The addition of the Project Area to the District allows for the reimbursement to the Applicant for TIF Eligible Expenses (as hereafter defined) from the revenues generated by the District. The term of the I-35 Redevelopment District Plan shall remain unchanged and will terminate in 2032. "TIF Eligible Expenses" shall mean expenses related to the acquisition, development and construction of the Project, including expenses of the City, to the extent such expenses are "redevelopment project costs" as defined in the TIF Act, including the reimbursement of the Applicant's interest expense.*

b) Reimbursement of TIF Eligible Expenses. *The Applicant is requesting reimbursement of TIF Eligible Expenses in the following amounts (each, a "Disbursement"):*

2022	2,000,000
2023	2,700,000
2024	3,600,000
2025	3,600,000
2026	4,450,000
2027	4,450,000
2028	3,600,000
2029	3,600,000
2030	3,600,000
2031	<u>3,600,000</u>
Total	35,200,000
NPV (5.5%)	26,077,081

The above Disbursements by the City to the Applicant would be made twice a year within 30 days following receipt by the City of Johnson County's distribution of timely paid ad valorem taxes (which currently occurs in January and June) (the "Distribution Date") and ending on the date the City has distributed the TIF Cap to the Applicant (the "TIF Termination Date"); provided, however, that if the TIF Termination Date is not a Distribution Date, the final Disbursement will occur on the TIF Termination Date. The initial Disbursement shall not be made by the City until the Project Area has been acquired by the Applicant, the existing retail structure has been demolished, and all necessary associated environmental remediation has been completed.

Because the Applicant's right to receive each Disbursement will be an integral and vital element to the ability of the Applicant to obtain construction financing, the Applicant requests, for the benefit of the Applicant and Applicant's lender, that the City take commercially reasonable action (in a form reasonably acceptable to the Applicant and Applicant's lender) to secure the City's obligation to make the above Disbursements. Further, the Applicant requests that the City specifically consent to the collateral assignment of each Disbursement to the Applicant's lender.

c) Sales Tax Exemption & Waiver of Application/Development Fees. The Applicant requests a sales tax exemption on construction materials and the waiver

by the City of application and other development fees in an amount no less than \$400,000.

2. Statement of necessity for use of tax increment financing for project.

Currently, the majority of the Property is vacant and the existing structures are deteriorated, resulting in economic obsolescence. In order to develop the Project Area in a quality way, thereby causing it to generate both sales and increased property tax income for the benefit of the City, there are substantial development challenges that must be overcome. Each of these extraordinary items must be completed before the Project Area can be developed into a quality, income generating development.

The Project Area, in its current condition, is not subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the use of Tax Increment Financing. The current 108,247 s.f. building located in the Project Area has remained vacant since 2013 and has been listed for sale since that time by the current owner. The demolition of this existing structure will require environmental remediation due to the presence of asbestos. In addition, the Project Area poses significant development challenges due to its current elevation. The Applicant believes that in order to successfully develop the Project Area into a quality, income producing property, it will be necessary to import significant amounts of fill material and construct a substantial retaining wall to raise the site elevation and increase the Project Area visibility. These existing development challenges make any development of the Project Area unviable if fully borne by the Applicant. Finally, in addition to deteriorated structures and site improvements, the current traffic conditions and subdivision will need to be revised and updated to allow for development.

Providing the requested TIF assistance for this Project allows the Applicant to remediate these factors and eliminate the obvious site constraints, thereby allowing the Project Area to produce significant property, sales and other tax and fee

income. Attached hereto as Exhibit B is a stabilized return on investment analysis showing the return on investment with and without the requested tax increment financing.

3. Specify below any other data or information you deem pertinent for the City's consideration in this application:

Applicant submits that the development of the Property will benefit the public good by remediating blighting conditions, enhancing the property and sales tax base of the City and other taxing jurisdictions. In addition, it will provide construction and other employment opportunities in the City and surrounding areas.

EXHIBIT B
Projected Return on Investment

DEVELOPMENT COST ITEM			DEVELOPMENT COST
Acquisition Costs			\$ 12,376,470
Parking Structure			\$ 10,076,782
Building Construction			\$ 70,260,376
Site Work and Infrastructure (excl Bldg/Park Struct.)			\$ 8,844,228
Engineer / Architect / Legal / Consulting / PM / Other			\$ 4,157,106
General Conditions / Impact Fees / Other Fees			\$ 1,439,471
Financing Fees & Carry Costs			\$ 7,960,652
Marketing & Commissions			\$ 1,619,542
Development Fees			\$ 2,115,017
Sales Tax			\$ 3,469,011
Less Sales Tax Savings on Construction Materials			\$ (3,469,011)
Less City Fee Waivers			\$ (400,000)
TOTAL DEVELOPMENT COST			\$ 118,449,644
Less Costs by Others			\$ (13,098,800)
TOTAL DEVELOPMENT COST - DEVELOPER			\$ 105,350,844

PUBLIC FINANCE			AMOUNT
Tax Increment Financing			\$ 26,077,081
TOTAL PUBLIC FINANCE		22%	\$ 26,077,081

NET DEVELOPMENT COST			\$ 79,273,763
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ANNUAL INCOME			AMOUNT
Summary of Income			\$ 4,189,026
TOTAL ANNUAL INCOME			\$ 4,189,026

RETURN ON INVESTMENT - Including Public Finance	5.28%
RETURN ON INVESTMENT - No Public Finance	3.98%

EXHIBIT C
Legal Description

A PART OF THE NORTHEAST ¼ OF SECTION 13, TOWNSHIP 12, RANGE 24, JOHNSON COUNTY, KANSAS, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF THE NORTHEAST ¼ OF SAID SECTION 13, SAID POINT BEING 0.2 FEET NORTH OF THE CENTERLINE OF U.S. HIGHWAY #50 (63RD STREET) AS NOW LOCATED; THENCE SOUTH ALONG THE EAST LINE OF THE NORTHEAST ¼ OF SAID SECTION 13, A DISTANCE OF 775.21 FEET; THENCE WEST, ALONG A LINE PERPENDICULAR TO THE EAST LINE OF THE NORTHEAST ¼ OF SAID SECTION 13, A DISTANCE OF 30 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING WEST ALONG A LINE PERPENDICULAR TO THE EAST LINE OF THE NORTHEAST ¼ OF SAID SECTION 13, A DISTANCE OF 841 FEET; THENCE NORTH, A DISTANCE OF 458.79 FEET; TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF SAID U. S. HIGHWAY #50, AS NOW LOCATED; THENCE NORTH 89° 31' 04" EAST ALONG THE SOUTHERLY RIGHT-OF-WAY LINE OF SAID U. S. HIGHWAY #50, A DISTANCE OF 62.98 FEET; THENCE NORTH 0° 08' 20" WEST ALONG SAID HIGHWAY RIGHT-OF-WAY, A DISTANCE OF 62.75 FEET, TO THE SOUTHWEST CORNER OF THE SOCONY-VACUUM OIL COMPANY PROPERTY, AS NOW LOCATED; THENCE NORTH 89° 31' 04" EAST, ALONG THE SOUTH LINE OF SAID SOCONY-VACUUM OIL COMPANY PROPERTY, A DISTANCE OF 200 FEET; THENCE NORTH 0° 08' 20" WEST ALONG THE EAST LINE OF SAID SOCONY-VACUUM OIL COMPANY PROPERTY, A DISTANCE OF 175 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE OF SAID U. S. HIGHWAY #50; THENCE NORTH 89° 31' 04" EAST ALONG THE SOUTH RIGHT-OF-WAY LINE OF SAID U. S. HIGHWAY #50, A DISTANCE OF 134.11 FEET; THENCE NORTH 89° 58' 35" EAST ALONG THE SOUTH RIGHT-OF-WAY LINE OF SAID U. S. HIGHWAY #50, A DISTANCE OF 294.50 FEET; THENCE SOUTH AND PARALLEL TO THE EAST LINE OF THE NORTHEAST ¼ OF SAID SECTION 13; A DISTANCE OF 150 FEET; THENCE NORTH 89° 58' 35" EAST A DISTANCE OF 150 FEET TO A POINT IN THE WEST RIGHT-OF-WAY LINE OF ANTIOCH ROAD; THENCE SOUTH AND PARALLEL TO THE EAST LINE OF THE NORTHEAST ¼ OF SAID SECTION 13 A DISTANCE OF 550 FEET TO THE TRUE POINT OF BEGINNING, SUBJECT TO ANY PART THEREOF IN ROADS.

EXCEPTING THEREFROM

A PARCEL OF LAND IN THE NORTHEAST 1/4 OF SECTION 13, TOWNSHIP 12 SOUTH, RANGE 24 EAST, IN THE CITY OF MERRIAM, JOHNSON COUNTY, KANSAS, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF THE NORTHEAST 1/4 OF SAID SECTION 13, SAID POINT BEING 0.2 FEET NORTH OF THE CENTERLINE OF U.S. HIGHWAY #50; THENCE SOUTH 89 DEGREES 35 MINUTES 07 SECONDS WEST, ALONG THE NORTH LINE OF THE NORTHEAST 1/4 OF SAID SECTION 476.69 FEET; THENCE SOUTH 00 DEGREES 08 MINUTES 20 SECONDS EAST, 71.96 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE OF U.S. HIGHWAY #50 SAID POINT ALSO BEING THE POINT OF BEGINNING; THENCE SOUTH 00 DEGREES 08 MINUTES 20 SECONDS EAST, 200.00 FEET; THENCE SOUTH 89 DEGREES 31 MINUTES 04 SECONDS WEST, 132.00 FEET; THENCE NORTH 00 DEGREES 08 MINUTES 20 SECONDS WEST 200.00 FEET TO A POINT ON THE SOUTH RIGHT-OF-WAY LINE OF U.S. HIGHWAY #50; THENCE NORTH 89 DEGREES 31 MINUTES 04 SECONDS EAST ALONG THE SOUTH RIGHT-OF-WAY LINE OF U.S. HIGHWAY #50, 132.00 FEET TO THE POINT OF BEGINNING.

AND

LOTS 2, 3 AND 4, PINEGATE, A SUBDIVISION IN THE CITY OF MERRIAM, JOHNSON COUNTY, KANSAS.

AND

THAT PART OF THE NORTHEAST 1/4 OF SECTION 13, TOWNSHIP 12, RANGE 24, NOW IN THE CITY OF MERRIAM, JOHNSON COUNTY, KANSAS, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT THE NORTHEAST CORNER OF THE NORTHEAST 1/4 OF SAID SECTION 13, SAID POINT BEING 0.2 FEET NORTH OF THE CENTERLINE OF U. S. HIGHWAY 50 (63RD STREET) AS NOW LOCATED; THENCE SOUTH ALONG THE EAST LINE OF THE NORTHEAST 1/4 OF SAID SECTION 13, A DISTANCE OF 775.21 FEET; THENCE WEST ALONG A LINE PERPENDICULAR TO THE EAST LINE OF THE NORTHEAST 1/4 OF SAID SECTION 13, A DISTANCE OF 30 FEET TO A POINT FOR BEGINNING; THENCE NORTH 550 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH A DISTANCE OF 150 FEET TO A POINT FOR CORNER; THENCE SOUTH 89 DEGREES 58 MINUTES 35 SECONDS WEST A DISTANCE OF 150 FEET TO A POINT FOR CORNER; THENCE SOUTH A DISTANCE OF 150 FEET TO A POINT FOR CORNER; THENCE NORTH 89 DEGREES 57 MINUTES 35 SECONDS EAST A DISTANCE OF 150 FEET TO THE TRUE POINT OF BEGINNING, EXCEPT ANY PART USED OR DEDICATED FOR STREETS, ROADS OR PUBLIC RIGHTS OF WAY.

EXHIBIT C-1
Merriam Grand Station – Affected Parcels

Parcel ID	Current Owner Name
JF241213-3028	Block Properties XXXII
JP63700 000 0002	Kannari Sports LLC
JP63700 000 0003	Kannari Sports LLC
JP63700 000 0004	Kannari Sports LLC
JF241213-3029	Three Trails Two, LLC; Merriam Corner, LLC; 119 Metcalf Windsor, as tenants in common

EXHIBIT D
Construction Pro Forma

	Budget	TIF Eligible
Acquisition Costs	\$ 12,376,470	\$ 12,376,470
Parking Structure	10,076,782	10,076,782
Building Construction	70,260,376	-
Site Work and Infrastructure (excl Bldg / Park Struct.)	8,844,228	8,844,228
Engineer / Architect / Legal / Consulting / PM / Other	4,157,106	1,281,111
General Conditions / Impact Fees / Other Fees	1,439,471	-
Financing Fees & Carry Costs	7,960,652	5,060,591
Marketing & Commissions	1,619,542	-
Development Fees	2,115,017	-
Sales Tax	3,469,011	-
Less: IRB Savings	(3,469,011)	-
Less: Fee Waivers	(400,000)	-
TOTAL	\$ 118,449,644	\$ 37,639,183
	TIF CAP NPV	\$ 26,077,081
	NPV TIF %	22.0%