

Chapter 100 Industrial Development Plan

Kindler Hotel

This Chapter 100 Industrial Development Plan (the “Plan”) provides information required by Missouri State Statute Section 100.050 and Committee Substitute for Resolution No. 041033. The Plan supports the utilization of Chapter 100 Sales Tax Exemption on Construction Materials for Cas-KC-neda, LLC, a Missouri Corporation (the “Company”), for the improvement and renovation of a 35 room Hotel (the “Project”) at 1108-1110 Grand Ave, Kansas City, Missouri (the “City”). Ordinance approval of the Chapter 100 Plan also authorizes Real Property tax relief.

A. Plan requirements per Missouri State Statute 100.050

1) Project Description

The Kindler Hotel, Kansas City, Missouri is the second in a series of hotels planned by developer Nicolas Castaneda, whose first hotel opened in Lincoln, Nebraska in Fall 2019.

The current project is a thirty-five-unit boutique hotel with twenty large suites, ten junior suites and five additional oversized hotel rooms located at 10th and Grand in Downtown Kansas City, near to the Power and Light District of downtown KC. The main floor includes a reception area, and a piano bar lounge and small plates food service with Olympic Gold Medalist and current Food Network personality Brian Boitano as the featured culinary artist. The interiors are designed by Ross Vincent whose design of the first Kindler Hotel won the best in class for boutique hotels among 350 national and international entries. The lower level features an exercise facility and corporate conference space open to a natural light shaft traveling down through all seven levels of the building appointed with a natural greenscape.

The building was listed on the National Register of Historic Places in September 2021. Its exterior front façade is clad in copper which was created metal smith artisans at A. Zahner Co of Kansas City who it is anticipated will be restoring it to its original luster. This also allows the project to utilize \$275,000 of Missouri State Historic credits (limited due to current point system) and \$3.6 MM Federal historic tax credits, along with approximately \$80,000 of Brownfield credits for environmental cleanup. These credits will be monetized and discounted to offset \$3.5 Million of costs. PACE funding will be utilized for financing the energy efficient systems in the building and adding \$4 Million to the financing package. Owner Developer Castaneda has already purchased the building and paid off its note. Total owner cash equity contribution is projected at \$2.3 Million. The owner is willing to defer all development fees until after the project has stabilized with a graduated payout over five subsequent years.

The total cost of the Project (including the deferred Developer Fee, financing costs, marketing costs, working capital, personal property and other non-real property related costs) is expected to be approximately \$24 Million. The City has offered the issuance of a maximum of \$18 million of Chapter 100 bonds (the “Bonds”) to fund the costs associated with the acquisition, construction, improvement and renovation of the real property component of the Project, but not the deferred

Developer Fee, financing costs, marketing costs, working capital, personal property and other non-real property related costs. The issuance of the Bonds is designed to provide a sales tax exemption solely on construction materials for the Project. The real property improved and renovated with the proceeds of the Bonds will be owned by the City and leased back to the Company pursuant to a Lease Agreement (the "Lease"). The Bonds will be repaid solely by the Company under the terms of the Lease, and do not create an obligation of the City and do not reflect on the City's credit rating.

The real property will receive a property tax exemption of 100% for the first 10 years followed by 5 years at 50%. The developer will provide a PILOT in the amount of \$31,817 during the first 10 years. The project will require a 24-month construction period during which time the developer will pay a PILOT in the amount of \$31,817. These PILOT payments are calculated based on assessed values from 2022. The sales tax on construction materials exemption for the Project will be for a period of 24 months for all construction materials included in the Project. EDC staff estimates total sales tax exemption to be \$243,788 during the construction period, and property tax exemption to be \$1,576,531. These are estimates and not a guarantee.

The Company will be subject to operational/performance standards commensurate with the anticipated investment for this Project, which standards will be incorporated into the Lease.

2) Cost Estimate

| COST CATEGORIES | TOTAL AMOUNT | COSTS INCLUDED IN BOND ISSUANCE |
|---|---------------------|--|
| Acquisition | \$1,363,402 | \$1,363,402 |
| Site work | \$0 | \$0 |
| Construction/Renovation (including soft costs) | \$15,677,002 | \$15,677,002 |
| Tenant Improvements | \$0 | \$0 |
| Furniture and Fixtures | \$3,144,500 | \$178,000 |
| Machinery and Equipment | \$0 | \$0 |
| Marketing | \$25,000 | \$0 |
| Operating Reserves | \$500,000 | \$0 |
| Other (including construction period interest) | \$3,156,479 | \$0 |
| TOTAL PROJECT COSTS | \$23,866,383 | \$17,218,404 |

See Attachment 1 for the annualized cost breakdown.

3) Sources of Funds

| SOURCES | AMOUNT |
|--|---------------------|
| Owner Equity | \$2,233,007 |
| Permanent Financing | \$12,325,000 |
| Pace Financing | \$4,027,026 |
| Brownfields Tax Credit | \$74,400 |
| Fed Historic Tax Credit Equity | \$2,851,200 |
| State Tax Credit Equity | \$255,750 |
| Line of Credit | \$500,000 |
| Cash Flow (for Deferred Developer Fee) | \$1,600,000 |
| TOTAL | \$23,866,383 |

4) Lease/Disposal Terms

The Company will renovate and construct improvements on the project site in accordance with the Lease. The City shall be the sole, titular owner of the real property during the term of the Lease. While the real property is owned by the City and is subject to the Lease, the Company's leasehold interest will be exempt from all real property taxes. Following completion of the Project, the Project shall be conveyed by the City to the Company, which shall be conveyed no later than the 17th anniversary of the Company's first conveyance to the City (or sooner at the Company's option in accordance with the terms of the Lease).

5) Affected Taxing Jurisdictions

The following taxing jurisdictions will be affected by the Project: the City of Kansas City, Missouri, Jackson County, Missouri, Kansas City Public Schools, Jackson County Mental Health Services, Jackson County Development Disabilities Fund, State of Missouri, State Blind Pension Fund, Kansas City Public Library, Kansas City Zoological District, and Metropolitan Community Colleges.

6) a) Equalized Assessed Valuation of Real Property in Project – Before Development

Real Property: \$411,616

Personal Property: N/A

b) Equalized Assessed Valuation of Real and Personal Property in Project – After Development

| Real Property | | | | |
|---------------|---|--------------------------|------------|----------|
| Year | Appraised Value | Equalized Assessed Value | Full Taxes | PILOT |
| | | 32% | 9.6987% | |
| 2023 | Developer will make a PILOT payment in the amount of \$31,817 during construction | | | |
| 2024 | | | | |
| 2025 | | | | |
| 2026 | \$4,593,750 | \$1,470,000 | \$142,571 | \$31,817 |
| 2027 | \$4,593,750 | \$1,470,000 | \$142,571 | \$31,817 |
| 2028 | \$4,685,625 | \$1,499,400 | \$145,422 | \$31,817 |
| 2029 | \$4,685,625 | \$1,499,400 | \$145,422 | \$31,817 |
| 2030 | \$4,779,338 | \$1,529,388 | \$148,331 | \$31,817 |
| 2031 | \$4,779,338 | \$1,529,388 | \$148,331 | \$31,817 |
| 2032 | \$4,874,924 | \$1,559,976 | \$151,297 | \$31,817 |
| 2033 | \$4,874,924 | \$1,559,976 | \$151,297 | \$31,817 |
| 2034 | \$4,972,423 | \$1,591,175 | \$154,323 | \$31,817 |
| 2035 | \$4,972,423 | \$1,591,175 | \$154,323 | \$31,817 |
| 2036 | \$5,071,871 | \$1,622,999 | \$157,410 | \$78,413 |
| 2037 | \$5,071,871 | \$1,622,999 | \$157,410 | \$79,981 |
| 2038 | \$5,173,309 | \$1,655,459 | \$160,558 | \$79,981 |
| 2039 | \$5,173,309 | \$1,655,459 | \$160,558 | \$81,581 |
| 2040 | \$5,276,775 | \$1,688,568 | \$163,769 | \$81,581 |

The special assessments, including the Downtown CID and Main Street Rail/Streetcar TDD, will be payable under the lease.

7) 15 Year Cost/Benefit Analysis (Average Costs – Amounts below are Net Benefits/(Costs))

| Taxing Authority | Public Benefits: | Public Costs & Incentives: | Net Benefits (Costs): |
|------------------------------------|-------------------------|---------------------------------------|------------------------------|
| City of Kansas City | 7,355,948 | 4,377,220 | 2,978,728 |
| Jackson County | 1,143,991 | 629,987 | 514,004 |
| Mental Health Fund | 109,727 | 64,371 | 45,356 |
| EITAS (Developmental Disabilities) | 73,175 | 43,333 | 29,842 |
| Blind Pension Fund (State) | 34,294 | 18,314 | 15,980 |
| Kansas City Public Library | 586,301 | 332,417 | 253,884 |
| Kansas City Zoo District | 34,850 | 22,931 | 11,919 |
| Kansas City Public Schools | 5,182,065 | 2,991,464 | 2,190,602 |
| Metro Community Colleges | 233,594 | 140,926 | 92,669 |
| State of Missouri | 7,326,981 | 2,495,196 | 4,831,785 |

See Attachment 2 for cost/benefit analysis.

8) Anticipated PILOTs and Disposition of Payments

| KINDLER PILOT SCHEDULE | | | | | |
|------------------------|---------------|---------------------------------|----------------------|-----------|---------------------------------------|
| Abatement Year | Calendar Year | Property Taxes Before Abatement | Abatement Percentage | PILOT | Benefit to Project of Abated Property |
| 1 | 2024 | \$ 39,773 | 0% | \$ 31,817 | \$ 7,956 |
| 2 | 2025 | \$ 39,773 | 0% | \$ 31,817 | \$ 7,956 |
| 3 | 2026 | \$ 142,042 | 100% | \$ 31,817 | \$ 110,225 |
| 4 | 2027 | \$ 144,883 | 100% | \$ 31,817 | \$ 113,066 |
| 5 | 2028 | \$ 144,883 | 100% | \$ 31,817 | \$ 113,066 |
| 6 | 2029 | \$ 147,780 | 100% | \$ 31,817 | \$ 115,963 |
| 7 | 2030 | \$ 147,780 | 100% | \$ 31,817 | \$ 115,963 |
| 8 | 2031 | \$ 150,736 | 100% | \$ 31,817 | \$ 118,919 |
| 9 | 2032 | \$ 150,736 | 100% | \$ 31,817 | \$ 118,919 |
| 10 | 2033 | \$ 153,750 | 100% | \$ 31,817 | \$ 121,933 |
| 11 | 2034 | \$ 153,750 | 100% | \$ 31,817 | \$ 121,933 |
| 12 | 2035 | \$ 156,826 | 100% | \$ 31,817 | \$ 125,009 |
| 13 | 2036 | \$ 156,826 | 50% | \$ 78,413 | \$ 78,413 |
| 14 | 2037 | \$ 159,962 | 50% | \$ 79,981 | \$ 79,981 |
| 15 | 2038 | \$ 159,962 | 50% | \$ 79,981 | \$ 79,981 |
| 16 | 2039 | \$ 163,161 | 50% | \$ 81,581 | \$ 81,581 |
| 17 | 2040 | \$ 163,161 | 50% | \$ 81,581 | \$ 81,581 |
| 18 | 2041 | \$ 166,424 | 0% | N/A | \$ - |

The special assessments, including the Downtown CID and Main Street Rail/Streetcar TDD, will be payable under the lease.

B. Community Impact Statement Requirements (Resolution No. 041033)

1) Project Integration with Area Plans

Project will comply with the Greater Downtown Area Plan.

2) 15-Year Cost/Benefit of the Project (Amounts Below are Net Benefits/(Costs), see Attachment 2)

| Taxing Authority | Public Benefits: | Public Costs & Incentives: | Net Benefits (Costs): |
|------------------------------------|-------------------------|---------------------------------------|------------------------------|
| City of Kansas City | 7,355,948 | 4,377,220 | 2,978,728 |
| Jackson County | 1,143,991 | 629,987 | 514,004 |
| Mental Health Fund (State) | 109,727 | 64,371 | 45,356 |
| EITAS (Developmental Disabilities) | 73,175 | 43,333 | 29,842 |
| Blind Pension Fund | 34,294 | 18,314 | 15,980 |
| Kansas City Public Library | 586,301 | 332,417 | 253,884 |
| Kansas City Zoo District | 34,850 | 22,931 | 11,919 |
| Kansas City Public Schools | 5,182,065 | 2,991,464 | 2,190,602 |
| Metro Community Colleges | 233,594 | 140,926 | 92,669 |
| State of Missouri | 7,326,981 | 2,495,196 | 4,831,785 |

See Attachment 2 for complete cost/benefit analysis.

3) Project Compliance with City Affirmative Action Policies

The Company will comply, and will cause its contractors to comply, with all City Code requirements, including, but not limited to, the Affirmative Action, MBE/WBE and Construction Workforce, requirements outlined in Code Chapter 3, Art. IV, as well as the non-discrimination requirements in in Code Chapter 38, Art. III for the Project.

Pursuant to and in accordance with to City Code § 3-622(d)(4), the City Council has waived Prevailing Wage Requirements with respect to the Project by Committee Substitute For Ordinance No. 230403, recognizing that the Project involves the renovation of a building that has been added to the National Register of Historic Places, is therefore eligible for the waiver of prevailing wage requirements pursuant to Code § 3-622(d)(4).

4) Other Evaluation Criteria

a) Number of New Jobs/Retained Jobs

The proposed Project will create 20 new jobs and relocate 2 jobs from the Kindler Hotel in Lincoln, NE.

b) Total Amount of Projected Investment

Total investment is approximately \$25 Million.

c) Average Wage

The jobs created in association with the Project have an average wage of \$40,000/year.

d) Capability to Attract sales from Outside KCMO

The Company would see a majority of its revenue from travelers.

e) Financial Strength of the Business

The Company is an established Hotel brand with its first location in Lincoln, NE.

f) Additional Residents to the Area

The Project is relocating two jobs to the area, however the 20 staff needed for operation can be found already within city limits.

g) Potential for Future Expansion

The Project will not likely expand in the future. This is a historic renovation, and the buildout would be dictated by the historic renovation requirements.

h) Existing versus New Business to the City

The Company is new to Kansas City.

i) General Environmental Impact on the Area

The Company is not aware of any detrimental environmental impact that will result from the proposed Project. The Company believes that through remediation and securing the utilities vault will generally improve the environmental conditions in the area.

j) Use of Federal and State Incentives for the Project

The Company will be utilizing State and Federal Historic Preservation Tax Credits. \$275,000 from State and \$3,600,000 from Federal.

k) Evidence of the Need for Chapter 100 Bonds

The financial analysis conducted by SB Friedman indicated that the project would require public assistance to be financially viable due in part to the blighted condition of the historic building, daily rates not supporting construction costs related to historic preservation, remediation, and comparatively high level of finish.

l) Evidence of Support by Affected Taxing Jurisdictions

All taxing jurisdictions will be notified in accordance with Missouri State Statute 100.059. In addition, EDC staff and the Company will respond to questions regarding the Project with the taxing jurisdictions in advance of the City Council hearing.

m) Estimated Impact to Proximate Businesses/Competition in KCMO

It is not anticipated that this Project will have any substantial negative impacts on other businesses in the city. The Hotel will have 35 rooms, mostly suites. The low number of rooms will not likely create saturation in the market of similar hotel products.

ATTACHMENT 1:

ANNUALIZED

ESTIMATED COST BREAKDOWN

| | |
|--------------|--------------|
| Through 2023 | \$ 2,894,724 |
| 2024 | \$ 8,388,664 |
| 2025 | \$12,582,996 |
| Total Budget | \$23,866,384 |

ATTACHMENT 2:

COST/BENEFIT ANALYSIS

Cost-Benefit Analysis

Cost-Benefit Summary - 15-year analysis

Per-capita impacts calculated at 100% of total average revenues and costs.

| Benefits | City of Kansas City | Jackson County | Mental Health Fund | ERTAS | Blind Pension Fund | Kansas City Public Library | Kansas City Zoo District | Kansas City Public Schools | Metro Community Colleges | State of Missouri |
|-----------------------------------|---------------------|---------------------|--------------------|------------------|--------------------|----------------------------|--------------------------|----------------------------|--------------------------|---------------------|
| Sales Taxes: | \$ 674,002 | \$ 827,511 | -- | -- | -- | -- | \$ 51,000 | -- | -- | \$ 1,335,507 |
| Property Taxes: | \$ 1,817,898 | \$ 227,457 | \$ 169,816 | \$ 67,808 | \$ 41,112 | \$ 555,927 | -- | \$ 5,141,608 | \$ 220,080 | \$ -- |
| Income Taxes: | \$ 823,262 | -- | -- | -- | -- | -- | -- | -- | -- | \$ 2,516,747 |
| Other Revenues: | \$ 5,854,032 | \$ 885,994 | \$ 211 | \$ 5,859 | \$ 3,182 | \$ 275 | \$ 9,782 | \$ 88,257 | \$ 11,504 | \$ 1,494,648 |
| Total Revenues: | \$ 7,988,994 | \$ 1,148,994 | \$ 169,727 | \$ 78,175 | \$ 34,294 | \$ 586,901 | \$ 34,650 | \$ 5,182,065 | \$ 283,584 | \$ 7,526,961 |
| Costs: | | | | | | | | | | |
| Costs for Services: | \$ 1,801,518 | \$ 167,426 | \$ 4,867 | \$ 5,525 | \$ 868 | \$ 3,651 | \$ 5,153 | \$ 101,205 | \$ 16,465 | \$ 1,989,509 |
| Incentives: | \$ 1,575,207 | \$ 432,552 | \$ 24,314 | \$ 37,806 | \$ 17,476 | \$ 308,776 | \$ 17,773 | \$ 2,038,253 | \$ 123,981 | \$ 651,638 |
| Total Costs: | \$ 4,577,220 | \$ 629,997 | \$ 54,571 | \$ 45,666 | \$ 18,814 | \$ 332,417 | \$ 12,481 | \$ 2,991,464 | \$ 140,316 | \$ 2,493,195 |
| Net Cost/Benefit | | | | | | | | | | |
| Public Benefits: | \$ 7,988,998 | \$ 1,148,994 | \$ 169,727 | \$ 78,175 | \$ 34,294 | \$ 586,901 | \$ 34,650 | \$ 5,182,065 | \$ 283,584 | \$ 7,526,961 |
| Public Costs & Incentives: | \$ 4,377,220 | \$ 629,997 | \$ 64,371 | \$ 49,955 | \$ 18,914 | \$ 332,417 | \$ 12,931 | \$ 2,991,464 | \$ 140,316 | \$ 2,493,198 |
| Net Benefits (Costs): | \$ 3,611,778 | \$ 514,004 | \$ 45,356 | \$ 28,220 | \$ 15,380 | \$ 254,484 | \$ 11,519 | \$ 2,190,602 | \$ 93,268 | \$ 4,951,766 |
| Present Value of Public Benefits: | \$ 4,971,301 | \$ 799,844 | \$ 71,126 | \$ 47,246 | \$ 22,126 | \$ 600,051 | \$ 27,745 | \$ 3,959,160 | \$ 151,255 | \$ 4,945,015 |
| Present Value of Incentives: | \$ 1,359,598 | \$ 352,091 | \$ 42,403 | \$ 26,058 | \$ 12,042 | \$ 236,673 | \$ 17,773 | \$ 1,992,084 | \$ 55,452 | \$ 661,608 |

ATTACHMENT 3:

PILOT SCHEDULE

| KINDLER PILOT SCHEDULE | | | | | |
|------------------------|---------------|---------------------------------|----------------------|-----------|---------------------------------------|
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| 17 | 2040 | \$ 163,161 | 50% | \$ 81,581 | \$ 81,581 |
| 18 | 2041 | \$ 166,424 | 0% | N/A | \$ - |

The special assessments, including the Downtown CID and Main Street Rail/Streetcar TDD, will be payable under the lease.

ATTACHMENT 4:

AdvanceKC Analysis (Ordinance No. 140031)

A. Jobs-Based Project Priorities:

Compete for Quality Jobs

- 1) **Retained jobs are as valuable as new jobs**
New Jobs = 20 # Retained Jobs = # Relocated Jobs = 2
- 2) **Focus on AdvanceKC Target Sectors**
Does not fall under a target sector, but does support all target sectors by providing additional suite-style hotels to accommodate growth in the city.
- 3) **Focus jobs in growth sectors**
N/A
- 4) **Focus on companies that provide competitive wages for their industry**
Competitive service industry salaries
- 5) **Promote comprehensive opportunities for education, skill development and lifelong learning to preserve and enhance Kansas City's workforce**
N/A.

B. Site-Based Project Priorities:

- 1) **Provide incentives for real estate projects to encourage economic, social, and environmental sustainability**
The project creates a hotel product that focuses on suites. Kansas City continues to grow in business and entertainment fields and will need additional hotel rooms to compensate for growth.
- 2) **Maintain and develop quality and workforce housing opportunities consistent with market needs of existing and prospective residents**
N/A
- 3) **Support projects that benefit surrounding neighborhoods**
Redeveloping this building that is situated in the middle of a city block will help to encourage more redevelopment in the area. This project will also fix an underground utility vault that is dilapidated. Hotels bring in visitors, and more out-of-town dollars being spent in the area is a benefit to residents and businesses.
- 4) **Support projects that are consistent with City Area Plans and the City's Consolidated Plan**
This project is consistent with the City's Area Plan of record for the area. Greater Downtown Area Plan.

- 5) **Support early risk takers, especially in City Council priority development areas**
N/A
- 6) **Target areas of historic underinvestment**
 - a. **Focus on areas of long-term declining property values**
N/A.
 - b. **Encourage geographic equity of development patterns** – This facility is located within Council District 4.
- 7) **Support projects that increase density in the urban core with a greater emphasis within the streetcar corridors**
This project represents support for infill development.

C. Fiscal Responsibility Policies:

- 1) **Promote good stewardship of the City’s resources**
This project will help to expand the city’s current tax base and create jobs. The Cost Benefit Analysis indicates that it would be a net benefit to all taxing jurisdictions.
- 2) **Provide incentives for real estate projects only as necessary to fill the financial gap.** A financial analysis conducted by the SB Friedman company showed a financial need for the requested level of incentives.
- 3) **Support pay-as-you-go projects and discourage the use of City debt**
Ch. 100 bonds are conduit debt and do not involve any guarantees or obligations of the City.
- 4) **Super TIF should be used with great discretion and requires the support of a super majority (two-thirds) of the City Council, except when needed to access incentives from other public jurisdictions or to promote quality residential development**
N/A
- 5) **Encourage retail projects that result in capture of net new consumer spending versus substitution of spending from other markets within KCMO**
N/A
- 6) **Limit the use of incentives to reasonable and appropriate project expenses which have a public benefit and are essential to the successful completion of projects.**
The Project will create 20 jobs, relocate 2 jobs, activate a long vacant building, and repair public infrastructure. Without assistance, this project will not be able to achieve reality.
- 7) **All projects should meet the “but for” test, either financially or competitively or should address the City Council’s strategic priorities.**
Project met the standards of a third-party financial analysis
- 8) **Promote a positive fiscal impact on taxing jurisdictions in the use of incentives**
The project shows a net benefit to all affected taxing jurisdictions.
- 9) **Direct earnings tax incentives are prohibited**
No earnings tax redirections are anticipated.

10) The City's incentives should be used to maximize private investment

The financial analysis conducted by SB Friedman indicated public support at the level to be provided would be required to be financially viable, and to attract debt and equity investors.

11) Business types ineligible for incentives include: the sale of package liquor* or firearms*, pawn shops, short term loan establishments, gambling, blood/plasma centers, "adult-oriented" businesses, cigarette*/smoke shops and hookah lounges, scrap metal operations, tattoo/piercing parlors, and used car lots

*** These business types are only ineligible when the indicated (*) product comprises more than 30% of retail sales or the sales display area (Example: A liquor store would be ineligible but a grocery store that sells liquor would be eligible)**

The Project is an allowable business type.