

Organizational Development Questions (From Meghan Brown – 09/04/2019)

Below are the questions that I captured from yesterday's OD meeting as follow-up related to the Navy Hill project/proposal:

1. The original proposal provided for a small TIF area of approximately 10 blocks. It was then expanded to encompass approximately 80 blocks. Did the original Hunden report/analysis assume the 10 block area or the 80 block area?

RESPONSE: The Hunden report assumes the 80 blocks, as illustrated on Executive Summary Page 8.

2. Has an analysis been completed to see if the TIF area can be "cut back" especially since the current proposed TIF area is expected to bring so much surplus?

RESPONSE: No, an intentional reduction of the area has not been analyzed. The size (in particular the taxable assessed values) of the Increment Financing Area is designed to ensure the generation of incremental revenues is sufficient to meet or exceed the 1.5x debt service coverage required by bond buyers, and also allow for a footprint for the addition of mixed income housing. The inclusion of the 80 blocks is key in the early years as the new buildings of Navy Hill are constructed, occupied, and then begin generating revenues. Note that the debt service coverage is expected to exceed 2.0x in the latter years.

3. Council has requested to receive a copy of the draft bond prospectus?

RESPONSE: A prospectus for the Navy Hill development has not yet been drafted. Bonds will not be issued until the 2nd quarter of calendar year 2020, and a prospectus is typically drafted within 60 to 90 days prior to the bond issue. Examples of memorandums of similar financings are available, if desired.

4. Where in the documents provided to Council that it lays out the parameters for the bonds?

RESPONSE: Pursuant to section 15.2-4906(C) of the Code of Virginia (see below), the City Council is required to approve, by resolution, any facility that will be financed by tax-exempt bonds issued by the Economic Development Authority (the "EDA Bonds"). While the statutes do not explicitly require that the City Council resolution approve all of the parameters of the EDA Bonds, City Council will have the right to request any information relating to the parameters of the EDA Bonds before they officially adopt the resolution approving the facility and the amount of the debt.

Section - 15.2-4906(C)[in part] - For public approval, the governing body of the locality on behalf of which the bonds of the authority are issued shall within sixty calendar days from the public hearing held by the authority either approve or disapprove financing of any facility recommended by the authority.

A recent example of a resolution previously adopted by the City Council approving bonds issued by the EDA is Resolution No. 2017-R052.

- Currently, the financial projections and impacts have been provided in a summarized roll-up over 30 years. Council is requesting for both the revenue and expenditures (bond payments, city services, etc.) a proforma that shows each year over the 30 year period. They are requesting a year by year detail projections and impacts for the revenues and expenditures.

RESPONSE: Davenport & Company is working with Hunden Strategic Partners and City staff to show year by year revenue and cost avoidance impacts, particularly in the earlier years.

- With regard to the \$900 million in private investment, please provide a breakdown of how that funding is broken out for each of the areas of the development project.

RESPONSE: The cumulative required minimum private capital investment for the development blocks (excluding the arena) as set forth in the Master Plan (Exhibit L to the Development Agreement) is over \$1.3 Billion (\$1,300,616,159).

The following table lists the minimum capital investment amounts by block, as reflected in the Master Plan – order of list is based upon deadlines set forth in the Project Schedule (Exhibit J to the Development Agreement):

<u>Block</u>	<u>Uses</u>	<u>Minimum Investment</u>
A2	Multifamily, Retail	\$66,411,704
A3	Office, Retail	\$133,294,544
E	Multifamily, Retail	\$23,548,426
F1	Hotel, Retail	\$162,984,184
F2	Retail, Food Market, Hotel Support	\$10,000,000
C	Multifamily, Office, Retail, GRTC Transit Center	\$157,286,001
D	Office, Research, Retail, Hospitality	\$307,272,848
B	Multifamily, Retail	\$46,175,871
I	Multifamily/Office, Retail	\$136,930,656
U	Multifamily/Office, Retail	\$133,590,870
N	Multifamily/Office, Retail	\$123,121,056
<u>Total</u>		<u>\$1,300,616,159</u>

- Please provide a written explanation of what is meant by “Hunden Uplift Revenue” as indicated on slide 11 of the Davenport presentation.

RESPONSE: The Hunden Uplift revenue represents revenues above and beyond those included in the developer’s 30-year revenue projections prepared by MuniCap. Hunden concluded that the developer’s revenue projections were conservative, and that the project as proposed would be expected to generate more revenue than the developer’s assumptions.

8. Is the property that is being conveyed to the EDA going to be used as collateral for the bonds? If the revenues to not materialize and are not sufficient to cover the bond payments will the property being conveyed to the EDA be used as collateral?

RESPONSE: No, none of the property being conveyed to the EDA will be used as collateral for the bonds. The only security and source of payment for the bonds will be the pledged revenues.