

Depot Project Handout for Legal Session 10-21-2019

Will Phase 2 be built? YES

Augusta Developers LLC has consistently represented throughout our discussions with the Commission and Administration over the past 4+ years that the market will drive the scope of Phase 2. On May 8, 2018 we told you that we will deliver Phase 2 and we are telling you that today. We are not sure how we can be any clearer in responding to this recurring question.

Currently we believe that there is an evolving demand for National and International defense contractors who are involved with cyber defense to set up operations in Augusta due to the City's proximity to Fort Gordon. To our knowledge there has not been a major Class "A" office building constructed in downtown Augusta since the late 60's. We have performed some due diligence in this regard and once we have site control and the bonds are issued for Phase 1, we will ramp up our pursuit of defense contractor tenants. Until we know Phase 1 is eminent, we will not waste our resources on prospective tenants. If we find there is not demand for Class "A" office space, we will look at other options. The City is protected in this regard in the Purchase Sale & Development Agreement and the Grant Agreement.

The Purchase Sale & Development Agreement defines Phase 2 of the project as:

"Phase II shall consist of approximately 100,000 square feet of Class "A" Office Space and a structured parking facility containing approximately 352 spaces." In this agreement:

DDA may reclaim Site 2 if construction has not commenced 60 months from closing of the property.

DDA may repurchase Site 2 if construction ceases for 60 consecutive days.

Per the Grant Agreement, any material deviation greater than 5 percent (unit count, square footage and costs) will require Commission approval.

Have all Deliverables to the City been transmitted? YES

Documents required in Purchase Sale & Development Agreement:

Ernest Money Deposit	May 1, 2019
Survey	April 30, 2019
Title Search	May 5, 2019
Parking Concept	June 3, 2019
Apartment Floor Plate	June 3, 2019
Residential Feasibility Report	June 24, 2019
Class "A" Office Feasibility Report	May 21, 2019
Job Creation Report	June 24, 2019
Zoning Approval Letter	June 3, 2019
Formation of Blocker Entity	June 3, 2019

Pilot Agreement	June 25, 2019
Option Agreement	May 6, 2019
Unisys Parking Easement	May 20, 2019
DDA Evidence of Title Transfer	May 23, 2019

Documents required in Grant Agreement:

Finalize Grant Agreement	June 14, 2019
Updated Development Budget	August 14, 2019
Evidence of Debt & Equity Commitments	August 30, 2019
Construction Contract	August 14, 2019
Specifications	August 13, 2019
Plans	August 14, 2019
Schedule of Values	August 14, 2019
Construction Schedule	August 14, 2019
Bond Resolution	June 12, 2019

Other Documents:

Preliminary Official Statement	July 31, 2019
Bond Purchase Resolution	July 31, 2019

Architectural Rendering/Site Plan

An architectural rendering is a 2-Dimensional image showing the attributes of a proposed architectural design. The final set of drawings will specify every detailed element of the project. Final drawings serve two purposes: to apply for a building permit and construct the project.

Plans and specifications (per the grant agreement) means detailed plans and specifications for construction of the improvements prepared by an architect.

The developer has submitted plans prepared by Williams Blackstock Architects, including a site plan indicating:

- The location of the improvements on the property
- The configuration of each level of the improvements
- Exterior elevations

This submission also included 500 pages of detailed specifications prepared by Williams Blackstock Architects.

These are intended to be of sufficient detail to establish the product to be built and allow the contractor (Capstone Building Corp.) to provide unit pricing (schedule of values) and a construction contract.

The plans submitted are not final construction plans. Those will be prepared by Williams Blackstock Architect after closing on the property and prior to commencement of construction and submitted to the City for permitting.

Corp of Engineers Approval

The Corp of Engineers confirmed that Augusta Developers LLC does not require their approval for this project.

The development site is outside of Corp of Engineers jurisdiction and we have no plans to make improvements outside our property boundaries. There are also no plans to engage the levee in any way. Some of our preliminary presentations to the Commission may have suggested that pedestrian connections might be considered, but those are not contemplated in the current plan.

Should future connections be considered, they will be in concert with the City and the appropriate approvals will be secured.

Material Changes

The Grant Agreement protects the City by assuring the developer:

- Builds the project as promised
- Has sufficient funds to complete the project
- Stays within the budget or has funds for any budget changes

After the Grant Agreement is executed, a material change constituting greater than 5% deviation to unit count, square footage or schedule of values would have to be submitted to the Commission for approval.

Material changes come into effect after the Grant Agreement is executed. The documents required in the Grant Agreement (plans, specifications, project budget, schedule of values and construction contract) will be exhibits and attached to the Grant Agreement.

The Authorizing Resolution and IGA approved by Commission on 8/14/2018 which describes the property, does not incorporate any specific budget or even a project amount.

After the Grant Agreement is executed any material change to these exhibits must be approved by the Commission.

What do the City Bonds (Public Support) pay for?

City bonds and land contributions pay for less than 15 % of the overall project costs. The Developer and their lenders assume the vast majority of the risk.

These are the specific costs covered by the bond funding:

Public Improvements:

Site Work-Public Space Improvements (Allowance)	\$1,720,217
Deck Ground Level (Unisys)	\$3,587,500
Elevated Parking (Apartments)	\$4,141,000

Mixed-Use Project Support	\$1,121,207
Construction Contract Allowances	<u>\$343,483</u>
Total Construction Cost	\$10,912,407
Allocation of Soft Costs	<u>\$1,212,593</u>
Total Hard & Soft Costs	\$12,125,000

Land Value:

Apartment Site	\$894,910
Train Depot Site	\$350,000
Out Parcel Site	\$289,192
Office Site	<u>\$340,918</u>
Total Land	\$1,875,000

Total Public Support	\$14,000,000
Less Land	<u>(\$1,875,000)</u>
Bond Funding Phase 1	\$12,125,000

\$94 Million vs \$80 Million Project?

This is a \$94 million project. The project budget submitted by the Developer as required in the Grant Agreement reflects the following:

Phase 1	\$44,119,109
Phase 2	<u>\$49,925,005</u>
Total Project Cost	\$94,004,114
Public Investment	\$14,000,000
Private Investment	\$80,004,114

Project Finance

Why a shift from greater equity to greater debt?

The prospective lenders we engaged recognized the fact that Phase 1A of the development was truly mixed-use, in that it literally combined infrastructure (the parking deck) with retail space and the multi-family component in one structure. As a result, lenders responded by proposing loan structures that recognized the total value (approximately \$41 million) of Phase 1A as the basis upon which they would provide project finance. The lenders that submitted loan terms proposed project finance loans across the percent-of-cost spectrum up to 70% of total cost (which at 70% would provide up to approximately \$27 million in proceeds to support construction of the project).

In this plan of finance, Augusta Developers is required to post \$2.0 million equity and defer developer fees of approximately \$1.5 million to meet the equity requirements. Augusta Developers is also required to manage the project to completion, report and monitor throughout the construction period, and arrange for the sale and pay off the financing upon project completion and stabilization.

What is the Timing of Construction? In what Stages will the Depot and Apartments be built?

The Construction Schedule submitted by the Developer as required in the Grant Agreement reflects the following:

Phase 1 Construction begins in January 2020 with an 18 month completion date of June 2021.

Construct Parking Deck	Begin: January 2020	Complete: July 2020
Construct Apartments	Begin: July 2020	Complete: June 2021
Construct Depot Improvements	Begin: February 2021	Complete: June 2021
Construct Community Green Space	Begin: March 2021	Complete: June 2021

Phase 2 Construction begins in January 2021 with a 19 month completion date of September 2022.

Construct Parking Deck	Begin: January 2021	Complete: June 2021
Construct Office Building	Begin: June 2021	Complete: September 2022

Please note: This schedule is based on final project approvals September 2019.

Augusta Developers LLC is on a day by day delay as we await final Commission approvals. After we receive the required approvals and commitments, we will update the schedule based on the approval date. We along with other team members have advanced other commitments during this delay. We are now approaching the holiday season that can normally be expected to slow production within our industry. Our previous schedule contemplated apartment leasing and occupancy beginning in the summer of 2021. With the delay we are now looking at late fall/winter. We will evaluate this impact once commitments are received.

Why does Phase 1 of Depot Project have more Parking than Beacon Station?

The Depot includes far more retail space than Beacon Station.

Beacon Station:

221 apartments
346 parking spaces

Retail: 2,000 SF

Phase 1 of the Depot:

143 apartments
466 parking spaces

Retail: 22,344 SF

175 Spaces for Unisys

Financial Structure for Bonds

Total Project Budget	\$94,044,114
City provides a	\$14 million incentive (15% of total project costs)
Less Land Value	<u>(\$1,875,000)</u>

Balance	\$12,125,000	DDA Bonds
DDA/City owned assets	<u>(\$6,200,000)</u>	Paid for by SPLOST 8
Balance	\$6,000,000	

The estimated interest is 3.9% and the estimated term is 20 years.

Average estimated annual bond debt: **\$886,961,700 per year**

Balance of project costs to be provided by Developer Equity and Developer Secured Debt.

The Developer is paying taxes exempt under Amendment 65.

Those taxes are estimated at **\$2.5 million dollars for five years.**

Additional tax revenues generated by the project include for 20 years:

Retail Sales Tax	\$13,082,124	
Construction Material Sales Tax	\$ 1,200,000	
Direct Property Taxes	\$22,472,479	
Property Halo Effect	<u>\$ 7,224,888</u>	
Total Projected Public Benefit	\$43,979,491	\$2,198,975 per year

Proforma Project Performance

Upon completion and stabilization, Phase 1A is anticipated to perform as described below:

- Proforma NOI – Approximately \$1,851,652 after payment of property taxes
- Stabilized cash flow - Approximately \$479,089
- Percent Occupancy to meet debt service – Approximately 76%

How is the City of Augusta Protected from Risk?

Developer was selected by procurement process.

Developer has provided a security deposit in the amount of \$106,250.

Developer had Design Review Committee Meeting with city departments March 27, 2019.

Corp of Engineers has confirmed no special permitting is required.

Developer has provided all documents required in the Purchase Sale & Development Agreement and Grant Agreement.

Developer has provided evidence of debt and equity commitments.

Developer is required to invest their equity first.

Construction will be covered by payment and performance bonds.

Grant Agreement provides for public oversight including detailed pay requests.

Grant Agreement provides Commission approval for 5% material changes for square footage, unit count or costs.

Purchase Sale & Development agreement has the following provisions to reclaim and repurchase the property.

- DDA may reclaim Site 1 if construction has not commenced within 180 days of closing.
- DDA may repurchase Site 1 if construction has ceased for 60 consecutive days.
- DDA may reclaim Site 2 if construction has not commenced 60 months from closing.
- DDA may repurchase Site 2 if construction has ceased for 60 consecutive days.

Pilot Agreement requires Developer to pay full taxes exempted under amendment 65.

DDA will have continued public sector involvement in the project with 20% ownership of the historic train depot building.

DDA/City will own approximately \$6 million in assets in the project: Unisys parking and community green space.

What is the Benefit to the City of Augusta?

- Private Investment on a vacant 50 year underutilized asset.
- Removes blight and restores an historic asset for revenue production.
- Adds 143 units of much needed new residential product to support downtown business growth.
- New retail options will enhance the project as a destination and produce sales tax revenue.
- Activities on the public green will add vitality to downtown and serve as a community gathering place.
- Class "A" office building will enhance the recruitment of Cyber & National Defense Firms.
- Creates 1507 Jobs:
 - 1,231 Construction jobs.
 - 276 permanent jobs (retail and property management).
- The project will have a significant halo effect and be a catalyst for additional private investment.
- Provides 175 deck parking spaces for Unisys.

Developer is qualified, has identified equity partners and is ready to begin construction.

Conclusion

Augusta Developers LLC has worked diligently and in partnership with the City of Augusta for the past 4+ years and are delivering the project as defined in the Purchase Sale & Development Agreement.

We have provided all the required documentation required in the in the Purchase Sale & Development Agreement and the Grant Agreement.

We have financing in place and are ready to proceed.

Next Steps