MISSION GATEWAY – FREQUENTLY ASKED QUESTIONS
November 2022

Q: Who owns the Gateway site?

A: Aryeh Realty, LLC (“Developer”), took ownership from Gateway Developer, LLC in 2016. The City of Mission has never had and does not now have an ownership interest in the site.

Q: How did the City select this Developer?

A: The City did not select this Developer (nor its predecessor) as the developer for the Gateway project. If the City owns property where they would like to see redevelopment, there may be a competitive selection process to choose a developer to bring a project to the site – but that is not the case here. This Developer has the right, like any other private property owner to request rezoning, approval of a project plan, and public incentives, and the City must, at a minimum consider those requests.

Q: Wouldn’t the City have been better off leaving the Mission Mall alone?

A: In 2005, the owners of the Mission Mall surrendered the property to the bank. Gateway Developers, LLC then purchased the property from the lender. The site had been included in the 100-year FEMA floodplain a few years earlier, and renovation options were limited. At that time, the Developer believed the only reasonable solution was to raze the mall and create a development that met the vision of Mission’s Comprehensive Plan as a parcel suitable for a mix of retail, residential, office, and entertainment tenants.

Q: Why doesn’t the City just take over the property and turn it into a park or something else?

A: The only way the City could acquire the property would be by purchasing it from the Developer as part of a typical real estate transaction or by using eminent domain to acquire the site for a public purpose, i.e., a park. In the eminent domain process, a property is appraised, and the City would be required to pay the appraised value. The City cannot “take” the property for free. Nor can the City acquire the property through eminent domain and then sell the property for a non-public use.

Q: Why does the City consider providing public incentives to private developers?

A: Public-private partnerships are commonly used in fully developed (land-locked) communities that want to encourage infill development. The costs of redevelopment can be extraordinary, when compared to those for greenfield (e.g. undeveloped) projects/parcels, and public incentives may help create a "level playing field" as developers evaluate competing locations for their projects.

Q: What makes the costs for the Gateway site "extraordinary"?

A: Storm water costs and structured parking needs to support mixed-use development increase the costs for development activity on the Gateway site. Revisions to FEMA floodplain maps put the former Mission Mall into the 100-year floodplain in 2004, limiting the options for renovation or redevelopment until storm water improvements were made. The City made approximately $12 million dollars in storm water improvements on the site, and the Developer is now repaying those costs through a special assessment. Additionally, in order to accomplish the City's vision of density and mixed-use, development on this site requires structured parking. The multi-level parking structure is estimated to be $16.1 million.

Q: Is the City "giving" the Developer $22.5 million?

A: No. The City is being asked to fund $22.5 million of eligible project expenses for Phase I of the Gateway project through issuance of Tax Increment Financing (TIF) Bonds. The bonds are repaid with property and sales taxes generated exclusively from the Gateway project site. These funds do not come from the City's general revenues and represent money that would not be available if the Gateway is not built.

Q: Is the City guaranteeing the bonds?

A: No. Any bonds issued for the project would be Special Obligation (SO) Bonds which are guaranteed <u>entirely</u> by project revenues (i.e., even if revenues fall short, the City has <u>no obligation</u> to repay the debt). These bonds are <u>not</u> backed by the full faith and credit of the City.

Q: How would the City's participation using public incentives help to ensure this project is built?

A: The public incentives are controlled through a Redevelopment Agreement approved by the City Council. The terms of the Agreement seek to minimize risk for the City through the use of conservative revenue estimates, developer guarantees, timing of the distribution of bond proceeds, and other tools. The bond proceeds will be escrowed and distributed over the course of the project's construction as the project meets specific and significant milestones.

Q: Why is the Developer not building the entire project (both Phases I and II) now?

A: The Developer currently is in the process of securing financing with lenders for Phase I of the project only, which includes:

- <u>Phase 1</u>: (i) construction of approximately 49,752 square feet of "small-shop" commercial or restaurant uses; (ii) construction of an approximately 90,000 square foot entertainment space (Cinergy entertainment complex); (iii) construction of approximately 373 apartment units; (iv) construction of related site work; (v) construction of surface parking sufficient for such uses pursuant to the City's applicable ordinances; and (vi) construction of a parking garage serving the entirety of the Project.

Once Phase I is under construction, the Developer plans to simultaneously pursue financing for Phase II, which is anticipated to include:

- <u>Phase 2</u>: (i) construction of an approximately 202-room hotel and (ii) construction of an approximately 100,000 square foot office or medical facility.

Q: What does the Developer have to do to secure its private (bank) financing?

A: The Developer's banks have specific leasing thresholds and completion targets that must be met to receive the commercial loans. Similar to the City's Development Agreement, the Developer's banks will structure any loans conservatively to ensure the greatest likelihood of success.

Q: What happens if the City doesn't approve public incentives or the current development plan for the Gateway project?

A: If this project is not approved, the Developer would be free to pursue another development, sell the property, or leave it vacant/partially constructed.

Q: How long will it take the Developer to build this project if approved?

A: Once the Developer secures all final approvals and pulls a building permit, construction for Phase I is anticipated to be completed over take 24-42 months.

Q: How may the City benefit from a private-public partnership for the Gateway project?

A: The City anticipates realizing the following benefits if it elects to enter into to a public-private partnership with the Gateway Developers:

- Revenues of approximately $20.0 million from Phase I over the next 22 years. Of that $20.0 million, roughly $8 million would be revenues that would not be available if the project isn't built (i.e., new revenues for the City).
- A project that activates a vacant parcel with a mixed-use development will bring new residents, visitors, and businesses and their tax dollars into our community.
- Additional development and investment near the project site and in development other portions of the City.

Q: Aryeh Realty, LLC is the owner of the Gateway site/developer. Can you clarify the roles that Tom and Matt Valenti and the Cameron Group LLC have with the project?

A: Aryeh Realty is associated with GFI Capital, who has been a partner in the project since the beginning. Over the years, there have been various LLC's associated with the project, but GFI and the Cameron Group (Tom and Matt Valenti) remain consistent players in the project. The City's primary contacts during the current consideration of the project include both Matt Valenti and representatives from GFI Capital (Aryeh).

Q: How much of the $12 million special assessment for stormwater improvements has the Developer repaid to date and are they current on payments?

A: Currently, the Developer has paid approximately $3.9 million of the $12 million stormwater special assessment. The annual payment is included on the tax bill each year and is due and payable in two installments, just like your residential property tax bill. All taxes and special assessments are current at this time. Should they become delinquent at any time, including for payment of the assessment or any real estate taxes, negotiations on the project will cease until they are paid. If an agreement is reached, non-payment of taxes is considered an

"Event of Default" and the developer has a specified period of time to resolve, or cure, or the agreement becomes null and void.

Q: Did the special assessment include fees or interest on the $12 million?

A: At the time the bonds were issued several stormwater projects were included, not just those made at the Gateway site. Any time a special assessment is created, cities have the discretion whether to charge fees or interest. Mission did not elect to include fees or interest on this assessment. It is important to note, that in addition to the responsibility to repay the $12 million in principal for the special assessment, the Gateway Developers also pay stormwater utility fees totaling approximately $78,000 annually.

Q: Approximately $20 million in revenue is estimated to come to the City of Mission from Phase I over the next 22 years. If Mission issues $22.5 million in TIF Bonds and the developer does not build the project, who is responsible for the TIF Bonds? Will the City be left on the hook to pay for any failures on the part of the developer to complete the project?

A: The TIF Bonds requested in connection with the Gateway Project would be Special Obligation (SO) Bonds and would **NOT** be backed by the full faith and credit of the City. Bond investors will evaluate the risk/reward of the deal knowing that if the project is not completed, or if completed and revenues fail to meet estimated projections, there is no responsibility of the City for repayment.

The 5th Amended Gateway Redevelopment Project Plan has been revised and now anticipates the project proceeding in two phases. Phase I includes approximately50,000 square feet of small shop retail or restaurant use, 90,000 square feet of entertainment space, 373 market-rate multifamily residential units, and a multilevel parking structure.

Q: How much square footage of empty small shop retail and restaurant space are currently available in Mission?

A: The City doesn't maintain records of empty or available space. The Developer is responsible for securing a minimum number of leases for retail/commercial spaces in order to satisfy certain lender requirements.

Q: Does Mission need and can our infrastructure support an additional 373 multifamily residential units?

A: The current market demand for multifamily housing remains very strong throughout the metropolitan region. In addition to the units proposed at the Gateway site, there are approximately another 750 units under various stages of consideration by the Planning Commission and City Council. Previous planning studies, including an evaluation of infrastructure suggest the City could support a significant increase in population density.

Q: If the multilevel parking structure is being considered an “extraordinary cost” that qualifies as a TIF-eligible cost, could it be moved to Phase II? If so, would this negate the need for TIF Bonds to be issued for Phase I?

A: The parking structure is one of the key project components that will help ensure the site develops with the density sought by the City. In addition, having the structured (covered) parking options available for residents, holds an appeal for prospective lease tenants. Including the parking structure in Phase I also provides impetus for Phase II to proceed as quickly as possible.

Q: Can the redevelopment agreement require or incentivize the Developer to include sustainability features (such as LEED) in the project?

A: Throughout the last several versions of the project, the incentives have been tied, in part, to the Developer incorporating sustainability features in the project. The current redevelopment agreement being negotiated would include certifying under the “Green Globes” system for Cinergy and the hotel and office, and under the “National Green Building Standards” for the residential and small shop retail. Sustainable development is an important consideration for the City Council and a key factor when making decisions about the use of public incentives.

Q: The developer has several mechanics liens that have been filed against them for failure to pay contractors for their work. Would the redevelopment agreement require the developer to satisfy these liens before the City would issue any TIF Bonds?

A: The redevelopment agreement will require that all mechanics liens be satisfied prior to the distribution of any bond proceeds from the City. The TIF Bonds would be issued, and held in escrow until this, and number of other conditions, were satisfied by the Developer.