

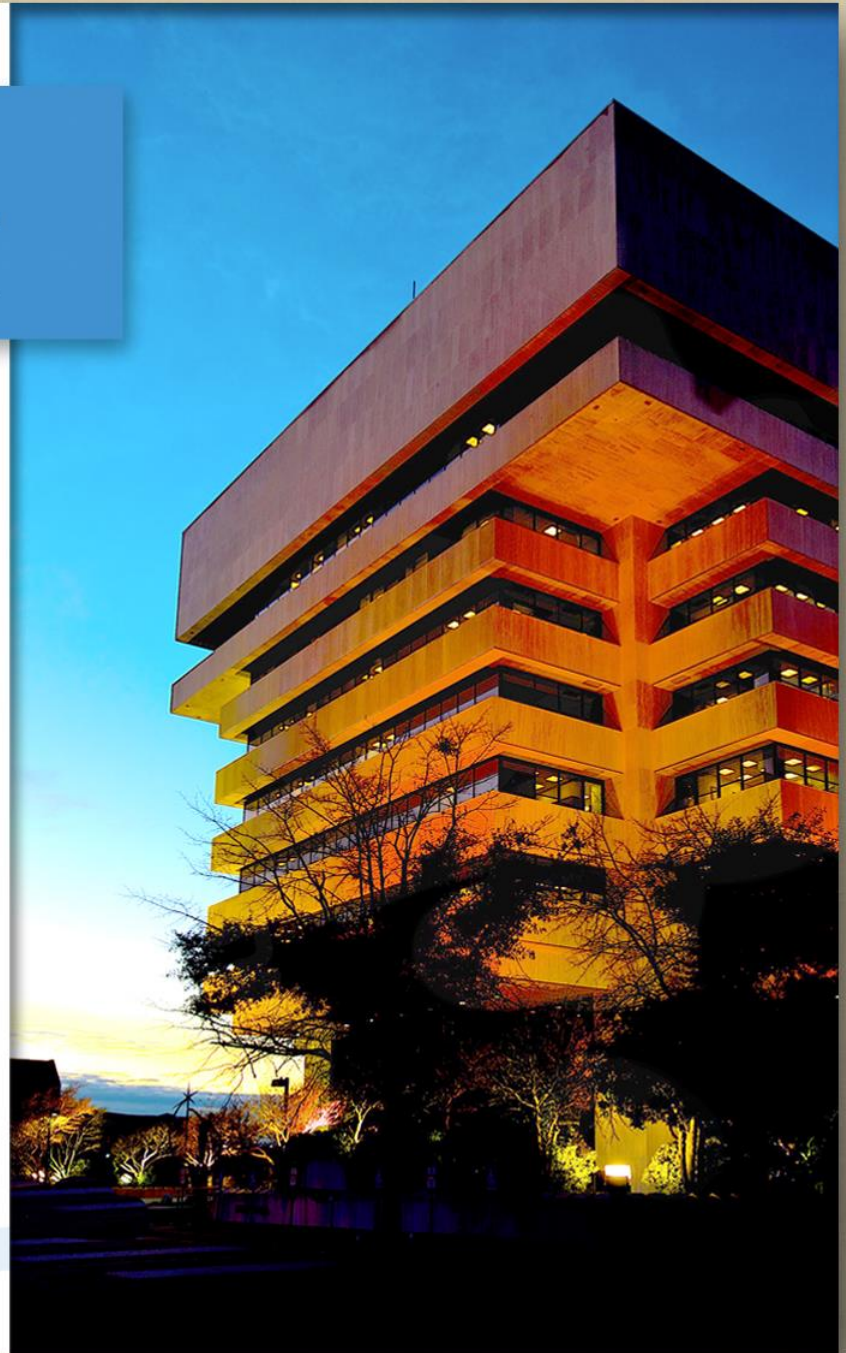
HAMPTON VA

**PRESENTATION TO CITY
COUNCIL**

**PENINSULA TOWN CENTER
CDA**

**Refunding of Series 2007 Bonds
Issuance & Sale of Series 2018
Bonds**

APRIL 11, 2018



PTC CDA REFUNDING BONDS WHAT WILL BE COVERED?

- Brief History/Overview (City Staff)
 - Initial and Current Project
 - Additional Development
- Reasons for Refunding/Restructuring
- Where We Are in the Process
 - Negotiations with current Developer
 - Negotiations with existing Landowners
 - Key Elements of the Financial Structure
- Financial Considerations for the Refunding/Restructuring (MuniCap)
- Expected Benefits to City (City Staff)
- Actions Requested of City Council Tonight (CAO)
- Next Steps-Marketing and Sell Refunding Bonds (Stifel)

PTC CDA REFUNDING BONDS BRIEF HISTORY/OVERVIEW

- Original Developer
- Original Development
- Peninsula Town Center Community Development Authority (PTC CDA) Creation
- Issuance of \$92,850,000 Special Obligation Bonds, Series 2007, Dated September 1, 2007
- Proceeds from the Series 2007 Bonds were used to construct public improvements on the site, including public infrastructure, road ways, a parking garage, and the acquisition of ROW for the public improvements
- Funding of the annual debt service of the bonds includes a special assessment (with a retail and a back up component), a special tax, and certain incremental tax revenues

PTC CDA REFUNDING BONDS THE PROJECT

○ As Originally Developed:

- Approximately 690,000 SF of retail (including JC Penney, Macy's, which is now closed, and Target among others)
- 131,000 SF of office space
- 158 apartment units

○ As it Exists Today:

- 727,000 SF of retail (Includes 34,000 SF "Phase I" retail addition)
- 131,000 SF of office space
- 181 apartment units (Including 23 "Phase I" apartment units)


PTC CDA REFUNDING BONDS

THE PROJECT (continued)

- New Development – Condition of the Bond Restructuring
 - Phase I - 34,000 SF free-standing building and 23 apartment units
 - Current tenants include Mission Barbeque, Smashburger, Navy Federal, Original Mattress, and First Watch
 - Phase II - 97,000 retail/dual tenant building (under construction) and a 5,782 SF multi-tenant building
 - Pre-leased tenants include Floor & Décor and Skyzone
 - Phase III -126 room hotel (under construction) and 162 apartment units (re-use of the Macy's site)

PTC CDA REFUNDING BONDS

REASONS FOR REFUNDING THE BONDS

- Annual Debt Service Savings
 - New bonds will have lower interest rates than the existing bonds
 - Improve Overall Financial Foundation of the Project by:
 - Reducing annual special assessment burden
 - Requiring certain conditions on the developer for additional development
 - Providing additional capacity to the developer for additional investment in the project
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PTC CDA REFUNDING BONDS

WHAT HAS BEEN DONE?

- City/CDA negotiations with Developer and other Landowners
 - City and CDA have agreed to:
 - Extend term of the refunding bond by 8-years
 - Developer has agreed to:
 - Add additional retail capacity, apartments and a hotel to the project (\$60,000,000 additional investment)
 - Provide evidence of executed bank loans for the proposed additions to the project
 - Deposit funds in escrow equivalent to the required equity amounts for each agreed-upon Phase of the New Development (\$10,000,000 combined total)
 - Deposit in escrow an additional amount of \$1,700,000 as a guarantee that Phases I, II, and III additions are completed and leased to quality tenants

PTC CDA REFUNDING BONDS

WHAT HAS BEEN DONE? (continued)

- No Change to Special Assessments or Bond Repayment Structure
 - Special tax of \$0.25 per \$100 assessed value of real property
 - One-half of 1% of each \$1.00 of retail sales
 - Back Up Assessment (projected reduction as a result of additional development, decrease in interest cost, and extension of bond term)
 - Incremental Revenues

PTC CDA REFUNDING BONDS

WHAT HAS BEEN DONE? (Continued)

- Reimbursement to Landowners from Surplus
 - Original deal contemplated and current deal retains the possibility of Landowners being reimbursed for back up assessments
 - Surplus must first be applied to redemption of bonds with a stated maturity date after September 1, 2037
 - Once all bonds with a maturity date after September 1, 2037 are redeemed, surplus will then be distributed to Landowners on a pro-rata basis based on back up assessments each Landowner actually paid before the refunding
- All Landowners Must Consent to the Refunding
 - Developer and other landowners (Target and JC Penney) must provide evidence of their agreement with the refunding and extension of the bond term

REFUNDING/RESTRUCTURING FINANCIAL CONSIDERATIONS

- Macy's Replacement
- Improve Financial Position

Average Interest Rate

- Actual Series 2007: 6.43%
- Proposed Series 2018: 4.97%

Annual Incremental Revenues

- Prior to Refunding: \$3.3 million
- Post Refunding: \$4.9 million

REFUNDING/RESTRUCTURING FINANCIAL CONSIDERATIONS (continued)

- Lower Annual Back Up Assessments

Amount of
Back Up
Assessments
Paid to Date

- Target: \$5.3 million
- JCP: \$3.4 million
- Current Developer: \$6.9 million
- Original Developer: \$10.5 million

Annual Back
Up
Assessment
Obligation

- Prior to Refunding: \$3.6 million
- Post Refunding Projection: **ZERO****

** The projected reduction/elimination of the back up assessment allows the Developer to invest money back into the project, which will create future tax revenues for the City.

REFUNDING/RESTRUCTURING FINANCIAL CONSIDERATIONS (continued)

- Improvement of Debt Quality (result of higher coverage)
 - Term Extended (8 years)
 - Interest Rate Reduced
 - New Development Added
 - Increased Occupancy
 - Paydown of \$2.7 Million on Macy Parcels
 - Potential Redemption of Bonds with Surplus Revenues

PTC CDA REFUNDING BONDS CDA & COUNCIL ACTIONS

- All Actions Relate to Public Debt (v. Private Debt)
- PTC CDA Board Actions Earlier Today
 - Adoption of the Amended and Restated Collection Agreement
 - Adoption of the Amended and Restated Memorandum of Understanding (MOU)
 - Approval of Indenture, Bond Purchase Agreement, and other documents directly related to the issuance and sale of the bonds
- Council Action Tonight
 - Resolution to Authorize the Execution of:
 - Amended and Restated Collection Agreement
 - Amended and Restated Memorandum of Understanding (MOU)
 - Amend Non-Coded Ordinance to:
 - Authorize the use of certain expedited collection proceedings

PTC CDA REFUNDING BONDS NEXT STEPS

- Marketing by the Underwriters
 - Provide owners of the original bonds with a 30-day notice that their bonds will be pre-paid
 - Complete and distribute Preliminary Limited Offering Memorandum (PLOM)
 - Begin sales effort
 - Investor site visit
 - Continue selling
 - Pricing of Bonds
 - Signing of Bond Purchase Agreement
 - Closing and prepayment of original bonds