

# Financial Approach



# FINANCIAL APPROACH

For the site infrastructure, parking garage, amenity spaces, office, residential and retail components, Skanska would build these components of the project with 100% Skanska capital, which is how we have developed the vast majority of our Commercial Development projects. No construction or permanent lender will be necessary or involved. As we primarily focus on office, retail and residential projects, Skanska would look to partner with or sell development pad sites to third party developers for product type that we don't typically develop (i.e. senior housing, hotel). In a joint venture situation, Skanska would provide our equity percentage portion of the deal and look with the joint venture partner for outside debt to fund the remaining balance of the project. In either a joint venture or pad site sale scenario, Skanska would seek out recognized industry leaders in these disciplines, and would continue to remain involved as the master developer of site to ensure project completion.

As presented in the conceptual approach section of this RFP, we plan to phase this project over three phases over a ten year timeframe. Our financial phasing plan lays out in the following way:

Skanska proposes to purchase the site, fee simple, by phase over the course of the project. Upon mutual agreement of the Comprehensive Agreement, Skanska will place a sizeable refundable deposit in an escrow account payable to the City of Falls Church to secure the land during entitlements. During this process, the City of Falls Church and Skanska will work together to reach an agreement on land value for the site. Once land values are determined and entitlements are received for the development, Skanska's deposit will go hard and be applied toward the first land payment. Skanska will fund the remaining value of the Phase 1 land portion upon estimated transfer of the site in Q4 2021. Payments for Phase 2 and Phase 3 will continue in this same manner with lump sum payments required upon transfer of the land. Phase 2 land payments are estimated to be made in Q1 2025, and Phase 3 land payments in Q1 2028.

Skanska is very hesitant to consider a ground lease opportunity at this site. Skanska has very current experience with ground leases given our lease with George Washington University for 2112 Pennsylvania Avenue NW, Washington, DC. While a ground lease is an investment option in prime, core downtown locations, it does not offer the same opportunity in suburban locations. Core investors and the capital markets historically are more hesitant to invest in ground leases in the suburban market, where fee simple transactions are the norm. Also, given the phased nature of the project and varying uses, a ground lease structure is much harder to implement given the varying development build out schedule and land takedown timing. As such, Skanska has not proposed a ground lease for this site.