

Status of West Falls Project

- The pandemic has caused a constriction in commercial real estate markets for new investments in hotel, office, and retail
- FCGP requests changes to terms of the Comprehensive Agreement (CA) in order to be able proceed with obtaining financing for the project

How to Move Forward:

- Presentation Tonight:
 - Non-binding “Memorandum of Understanding” by City Manager and FCGP set out the terms
 - Town Hall Meeting: Thursday, December 17 at Noon
- January 11, 2021: City Council Public Hearing, Final Consideration

*Falls Church Gateway Partners (FCGP) is the selected developer for the 10 acre site.



December 14, 2020

Status of West Falls Project

- **What has not changed:**

- Proposed program
- Hotel, office, civic space, senior housing, condos and apartments remain in the ratios discussed in the site plan
- FCGP will carry out the demolition of the High School by May 29

- **What has changed:**

- Delivery date (except demo) delayed by approximately 6 months
- Reduction in capitalized ground lease payments
- Increase in ground rent payments over 99 year term
- New/revised profit share provisions

Proposal Summary

- **Capitalized Lease Payments**
 - \$7M payments reduced to \$4.5M payments
 - Total reduced from \$34.5M to \$25.5M
- **Ground Rent Payments** start earlier, escalate at higher rate
 - \$200,000 payment starts in 2025 vs 2029
 - escalates at 2.75% vs. 2.00%
 - increase by \$25k in year 2031
 - Increases nominal value \$45.7M
- **Total value changes:** (not including profit share provisions)
 - **Present Value** decrease: \$3.2M
 - **Nominal Value** increase: \$35.8M

Financial Proposal Comparison

Year	CA	Proposed
FY 2020	\$6.5M (paid)	\$6.5M (paid)
FY 2022	\$7M	\$4.5M
FY 2023	\$7M	\$4.5M
FY 2024	\$7M	\$4.5M
FY 2025	\$7M	\$4.5M + Condo Participation
FY 2026	\$0	\$1M + \$200k Ground Rent at 2.75%
FY 2027	\$0	\$205,540
FY 2028	\$0	\$211,233
FY 2029	\$0	\$217,085
FY 2030	\$200k Ground Rent at 2%	\$223,098
FY2031	\$204,000	\$254,233 (includes \$25,000 increase)



December 14, 2020

Proposal Summary

Profit Share Provisions:

- 30% City participation in net condo sales over \$750/NSF average, currently estimated at \$2.25M
- 50% of “Land Lift” at construction loan closing.
 - (increased from 25% in the CA)
- 0.50% capital administration fee eliminated for the leasehold elements
- 0.25% capital administration fee kept on the condos

Proposal Summary

Other Provisions:

- High School Demolition
 - FCGP to demolish the High School from the “trapezoid area” by May 29, 2021
- Washington Gas Regulator Station
 - The City or Washington Gas will cover this cost (approximately \$2M)
- PILOT Tax Abatement Program remains unchanged
- Closing Date:
 - Next payment due December 31, 2021

Impact on Capital Reserves for the High School, Library, City Hall

- City is able to cover debt service for the high school, as planned.
- City maintains adequate capital reserves, as previously planned.

Fiscal Year	Starting Balance	Use of Funds	Land Sale Proceeds	NET Tax Yield	Ending Balance
FY2020	11,118,796	(903,789)	6,534,114		16,749,121
FY2021	16,749,121	(6,462,000) *	-		10,287,121
FY2022	10,287,121	(5,070,762)	4,500,000		9,716,359
FY2023	9,716,359	(3,937,247)	4,500,000		10,279,112
FY2024	10,279,112	(3,761,692)	4,500,000		11,017,420
FY2025	11,017,420	(3,859,095)	4,500,000	1,000,000	12,658,325
FY2026	12,658,325	(3,102,713)	1,000,000	1,500,000	12,055,612
FY2027	12,055,612	(3,420,871)	-	2,000,000	10,634,741
FY2028	10,634,741	(3,173,846)	-	3,000,000	10,460,895
FY2029	10,460,895	(3,437,347)	10,000,000	4,000,000	21,023,548
FY2030	21,023,548	(3,300,491)	-	4,000,000	21,723,057
* Includes use of \$2 million for Washington Gas payment					

Proposal Summary

- CA Amendment would be subject to the following conditions:
 - Completion of the demolition and rough grading of the Trapezoid Area of the High School Property by May 29, 2021 with obligation to diligently pursue remainder of demolition scope
 - FCGP will complete the negotiation of transactional agreements with the grocer, office developer, and senior component developer on or before March 1, 2021