

From: Aakash Thakkar
To: Jannarone, David (FOM); Jackson, McClinton (FOM)
Cc: jkl@jairlynch.com; Terry Eakin; rmt@jairlynch.com; Bob Youngentob
Subject: McMillan Public Financing
Date: Thursday, March 12, 2009 11:51:43 AM

David,

Per our conversations and subsequent discussions with our team members, the following outlines Public Financing and related deal terms for McMillan. Given the current economic climate and the significant infrastructure costs associated with the development of McMillan, both Private Capital and Public Capital in the form of subsidies (CDBG, Stimulus funds, Capital Dollars) and/or tax abatements (PILOT) or tax increment financing (PILOT/TIF), are necessary to fund a portion of the infrastructure, affordable housing, preservation, open space and other objectives for the project. Our team would like to sit down with you and Clint to discuss further.

The Public Capital could solve two critical financing issues. First, it could close the gap between the value of the finished pads (Land Value) and the costs of land development and infrastructure (Land Development) (approximately \$55 million), which could be \$20 million+ as a result of the current land market and the public policy objectives, affordable housing, preservation, open space, etc. for the site. Second, the funding could provide construction financing for the infrastructure and land development of the parcels prior to closing.

Our suggested approach is to work together, utilizing the Appraisal to determine the Land Value and our Land Development Budget (reviewed by a 3rd party) to determine Land Development costs, to determine the amount of Public Capital necessary for the project. I am assuming, as we discussed, the Public Capital, depending on the need and what the project can support, can be up to \$27.5 million, half for the \$55 million Land Development Budget. The following is an outline of an approach, to get the ball rolling from our end.

Pre – Development Costs – VMP would fund the \$3.5 - \$4.5 million in predevelopment costs to entitle and permit the project for land development.

Public Capital – The Public Capital would be used in concert with the Private Capital, equity, debt, and parcels sales, to fund the Land Development. The Public funds would support the construction of the public infrastructure and fund preservation, open space, and affordable housing. If there are excess dollars after all Land Developments Costs are funded, the District would retain those dollars. Our understand is that 100% of the Property, Sales, Entertainment, and Parking taxes at McMillan could be dedicated to repayment of bonds because the site had never been on the DC tax roll. This presents a unique opportunity to raise funds for the site. This approach could be carried out via a PILOT that supports bonds.

Phasing of Land Development and Vertical Development – The Land Development and Vertical Development would be completed in multiple phases, allowing those parcels that are immediately viable to be developed and phasing the expenditure of private and public capital based on the market for future phases and parcels. This is a revision from our earlier proposal, which included all the Land Development to be completed at once. The Land Development for the site can be done in multiple phases, using the Silo Corridors as natural dividers for the Phases.

Parcel Allocation – We understand the District expects “finished parcels” that could be sold to 3rd party developers in exchange for Public Capital invested in the project. We request that we walk through the current concept plan together and agree on which parcels would be purchased and developed by VMP and which parcels would be retained and sold by the District.

VMP Partners – The VMP team members that would be purchasing parcels include EYA and JAIR LYNCH Development Partners. As you are aware, we have had significant discussion with the Trammell Crow Company and request that they be approved to join our VMP team. In order for the project to be economically viable in this challenging market, our team believes that the unique medical office expertise that Trammell Crow has demonstrated is extremely important to creating the mix of uses necessary for the project to succeed. Further, the site has been designated by the District to support health care retention and job creation and because of demand, medical office buildings can likely move forward in these tough economic conditions. Trammell Crow would abide by current District LSDBE equity, management and construction requirements guidelines, with LSDBE equity at a minimum of 20%.

We are working on a revised timeline and would like to agree with both of you on your Office’s objectives for the site and gain a better understanding around the timing for commitment for Public Capital.

We look forward to meeting and can put forth more detailed plans based on our agreement. Thanks.

Aakash

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