

FACEBOOK LIVE DISCUSSION: ONE WESTFIELD PLACE FINANCIALS

January 11, 2023

Tonight's Agenda

- HBC | Streetworks Development to review changes to their proposal based on resident input to date ([view presentation slides here](#))
- Finance questions submitted by residents to be addressed
- Discussion of municipal impact analysis
- Deeper dive into financial information
- Q&A

All information presented to date, including updated FAQs:

westfieldnj.gov/one-westfield-place.

Our finance team will answer frequently asked questions

- Proposed financials are the result of lengthy conversations/negotiations with HBC | Streetworks Development to deliver the best outcome for Westfield
- Top-tier team of professionals have led the process:
 - Bob Powell, Partner, Nassau Capital Advisors; Redevelopment Finance Expert
 - Steve Mlenak, Partner, Greenbaum Law; Legal Counsel
 - Matt Jessup, Partner, McManimon, Scotland & Baumann, LLC; Bond Counsel
 - Finance Committee Chair Councilwoman Linda Habgood
- In addition to Councilwoman Habgood, Town Council Finance Policy Committee members Councilmen Parmelee, Contract, and Katz have provided ongoing input
- Town Administrator Jim Gildea, Economic Development Consultant Liz Jeffery, and Town Attorney Tom Jardim are also participating in the negotiations

Your Questions Answered

- What responsibility would the town have if HBC|Streetworks were to go bankrupt and how would the PILOT be impacted?
- Are there contingencies in place to limit what can be built on those parcels?
- What prevents Streetworks from getting their tax abatement on the L&T property and then canceling the rest of the project?
- Why can't we just lease the land to SWD with similar development constraints and lease payments instead of property tax and pilot payments?
- Can HBC|Streetworks sell the land at any point during the 30-year agreement, and how would that impact the PILOT obligation?
- What will happen with a delay in PILOT money since guarantees of payments depend on occupancy and financial restitution?

Additional Examples of Questions Received

- How will the project reduce taxes for Westfield residents and when?
- Will this project increase costs for town services and how will that impact our real estate taxes?
- Who pays for the maintenance on the parking garages and green spaces and how will that impact our property taxes?

How Does the Proposal Benefit Residents Financially?

PILOT is an unprecedented new revenue source that will provide the following benefits:

- Stabilizes property taxes with potential to lower them over the long term
- Rebalances the tax burden between commercial and residential taxes (residents currently pay 90%+ of Westfield's tax base – the highest in Union County)
- Provides opportunity to improve and maintain exceptional municipal services
- Enables significant public improvements that the municipal budget could never afford without burdening taxpayers
- Significant investment that will likely improve overall property values

The proposal represents a private capital investment by Streetworks of \$375M in Westfield.

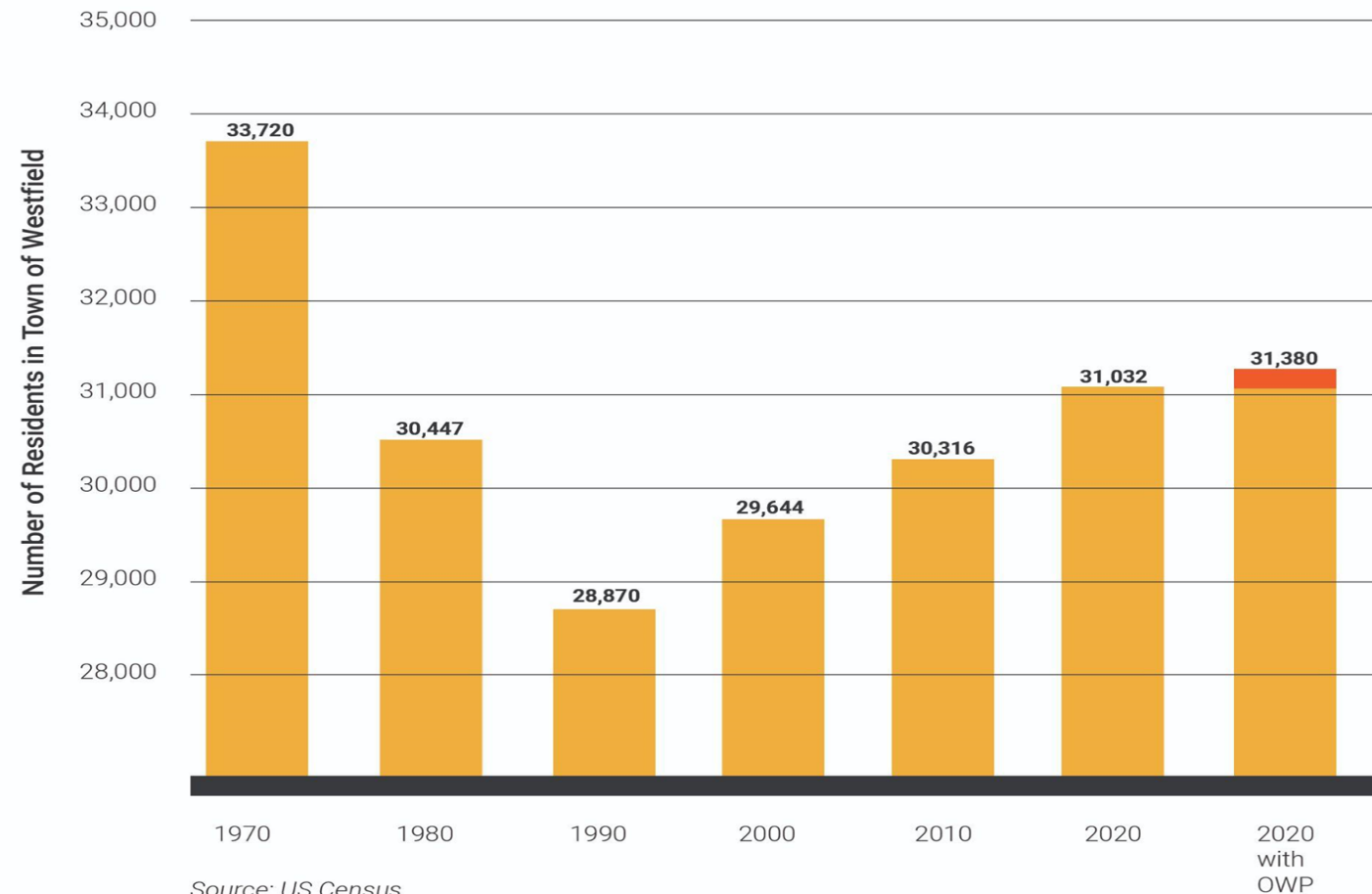
What Are The Municipal Impacts of One Westfield Place?

- Westfield represents 5.58% of the County's population, but only 3.61% percent of the County's employment base
- Proposed project would generate significantly more jobs than residents, helping restore a ratable balance for the Town
- The One Westfield Place office components are estimated to generate approximately 1,350 full-time jobs
- The 154 age-restricted units are expected to be occupied by 187 persons; the 69 non-age-restricted housing units would be occupied by 161 persons (including 10 school age children), for total of 348 new residents.

Source: Reading Report

Westfield has 2,700 fewer residents since its peak in 1970

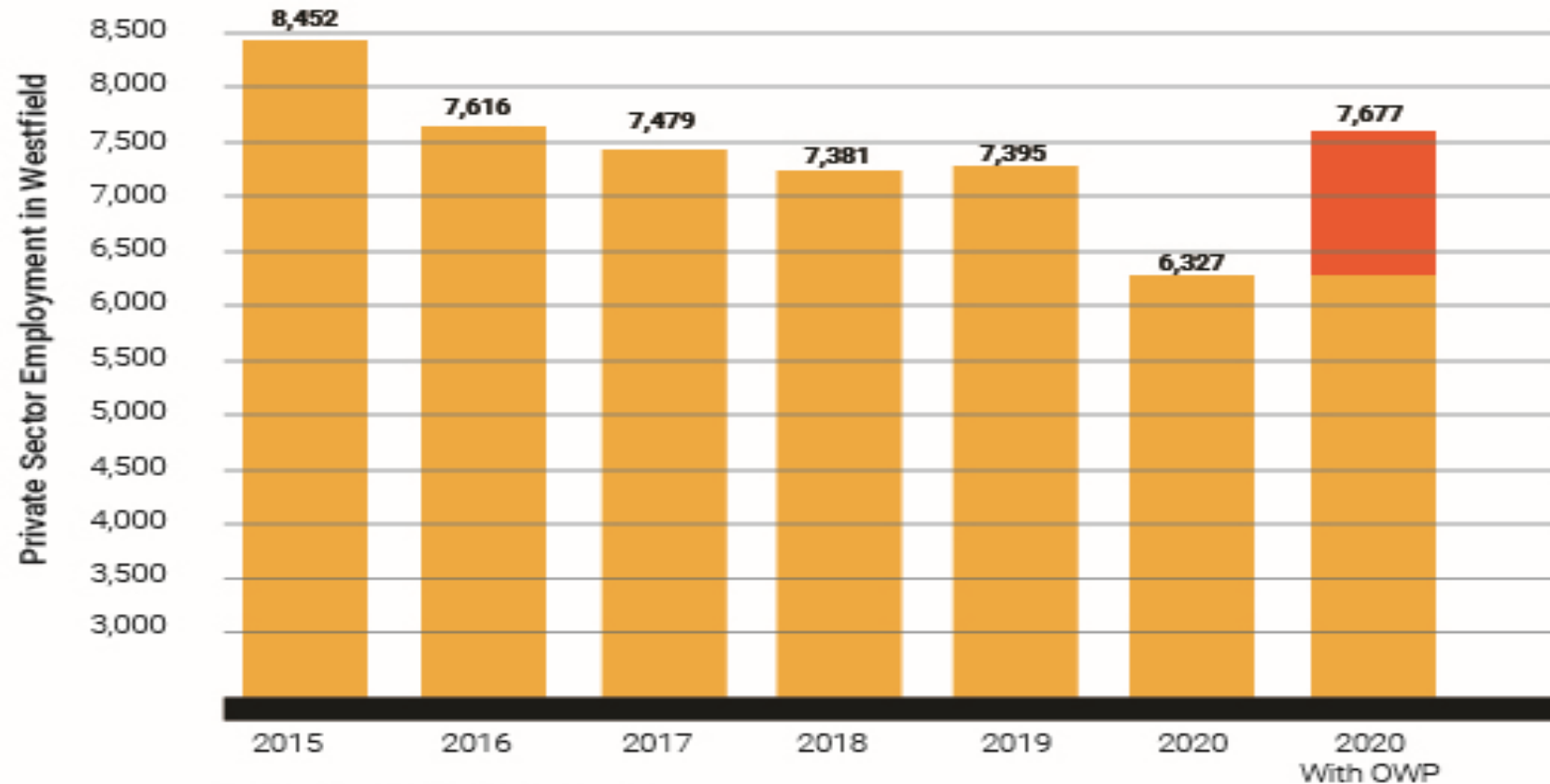
One Westfield Place expected to add 348 new residents



Source: US Census

Westfield has lost over 2,000 private sector jobs since 2015

Private Sector Employment in Westfield: 2015-2020



Source: NJ Department of Labor

Town Commissioned Report To Assess Project's Municipal Impact

The Tax Supported Marginal Cost approach used in the Reading Report examined the Town's 2022 municipal budget in order to assign costs predicated upon the municipal appropriations likely to be impacted by the new development.

Methodology results:

- Municipal cost allocation for the residential components of the mixed-use redevelopment amounting to \$196,968.
- The nonresidential (office and retail) components of the mixed-use redevelopment have an employment-based municipal service cost allocation of \$180,900.

Minimal Impact on Municipal Budget

2022 Municipal Budget:

\$49.2M

Total annual municipal service costs impact from One Westfield Place
(estimated):

\$377,868

This impact represents less than 1% of the 2022 municipal operating budget, easily absorbed by the anticipated infusion of net PILOT revenues.

The Basics of PILOTS

- “PILOT” stands for Payments in Lieu of Taxes
- New Jersey has long empowered municipalities to negotiate and execute agreements with redevelopers for PILOTS
- Long Term Tax Exemption Law, N.J.S.A. 40A:20-1, et seq. (1992)
- Widely used by large and small municipalities throughout New Jersey
- Powerful tool used as a financial incentive to attract private investment in area in need of redevelopment in a manner established by the municipality in a redevelopment plan that would otherwise not be financially viable.

What controls will the Town have over SWD's potential transfers?

- Redevelopment Agreements are required to include “a provision that the redeveloper shall be without power to sell, lease or otherwise transfer the redevelopment area or project, or any part thereof, without the written consent of the municipality” N.J.S.A. 40A:12A-9(a)
- The Financial Agreement can also control transfers to other entities for the duration of the PILOT. N.J.S.A. 40A:20-10
- Such provision shall be included in a covenant “running with the land” recorded in a Declaration recorded against the property in the County Clerk’s office.
- Unauthorized transfers are “void.”

Controls Over Transfers (continued)

The proposed Redevelopment Agreement with HBC | Streetworks Development has the following protections:

- Will prohibit the transfer of the redevelopment area or project to a separate redeveloper without the Town's consent.
- If SWD proposes to transfer the redevelopment area or project to a separate redeveloper, it must apply to the Town and provide certain "financial deliverables" to the Town evidencing the proposed entity's sources of funding is adequate and the proposed redeveloper's leadership, financial wherewithal, credentials and qualifications are sufficient.
- Prohibits transfer of control over the redeveloper entity or transfer of membership interest in the redeveloper entity beyond a certain percentage of interest.

What remedies do the Town have in the event of default by SWD?

- Redevelopment Agreements and Financial Agreements set forth specific obligations and responsibilities of the redeveloper.
- Should the redeveloper breach any of those obligations or responsibilities, the Redevelopment Agreement and Financial Agreement reserve remedies to the Town.
- Depending upon the nature and timing of the breach, such remedies could include, but not be limited to, termination of the agreement(s), rescission of the tax exemption, and reversion of the Town properties.
- All the agreements will contain cross-default provisions.

Why is a PILOT necessary?

Nassau Capital Advisors, LLC prepared a detailed financial analysis of the One Westfield Place redevelopment project to determine project financial feasibility if the project were subject to full real estate taxes.

The financial analysis examined the relevant data on the project:

- Detailed development costs
- Projected rents for the market rate and affordable apartments
- Estimated operating costs
- Sources and Uses of Funds proposed (i.e., a long-term mortgage loan plus developer's equity), including an assessment of the terms of proposed mortgage loan
- Projected increases in rental income and operating expenses over a holding period

The One Westfield Place project includes a number of extraordinary cost-generating elements which will serve a public purpose

Affordable Housing: The Project will include 36 low and moderate income apartments (12 family units and 24 age-restricted) subsidized by the developer.

Public Improvements: Streetworks will contribute \$8M towards a list of public “off-site” improvements, in addition to public streetscape improvements and other public spaces being planned on their property with an incremental value of \$3M.

Analysis confirms that a PILOT agreement is necessary for the project to be financially feasible

At full taxes, the project generates a return on investment in the mid-single digits, a result which is not adequate in today's capital markets to justify a projected equity investment in excess of \$150M.

With a PILOT agreement on terms described here, the project generates an internal rate of return on equity in the low double digits (10% range) which is sufficient to justify this equity investment in my opinion. This result also indicates that the investment returns are not excessive in the context of the construction cost and lease-up risks the developer will encounter over the next several years.

The projected PILOT payments represent 70% of theoretical full taxes in years 1-5; 75% of taxes in years 6-15; and 81% of taxes in years 16-30.

Projected project revenues are expected to increase over time from 2027-2056
 (Table reflects five-year intervals)

Year	West Zone PILOT Revenue	West Zone Land Tax Revenue	North/South Zone PILOT Revenue	North/South Zone Land Tax Revenue	Total Revenue
2027	\$452,211	\$22,200	\$997	\$19,245	\$494,654
2032	\$2,892,172	\$26,739	\$2,153,616	\$21,249	\$5,093,776
2037	\$3,337,097	\$29,522	\$2,714,994	\$23,460	\$6,105,074
2042	\$4,066,979	\$32,595	\$3,163,387	\$25,902	\$7,288,862
2047	\$4,690,157	\$35,987	\$3,966,196	\$28,598	\$8,720,938
2052	\$5,353,946	\$39,733	\$4,599,092	\$31,574	\$10,024,345
2056	\$5,845,452	\$43,008	\$5,061,740	\$34,177	\$10,984,377
Total Revenue Over 30 Years	\$117,147,374	\$980,482	\$95,018,618	\$780,752	\$213,927,226

Planned Improvements: Public vs Private Property

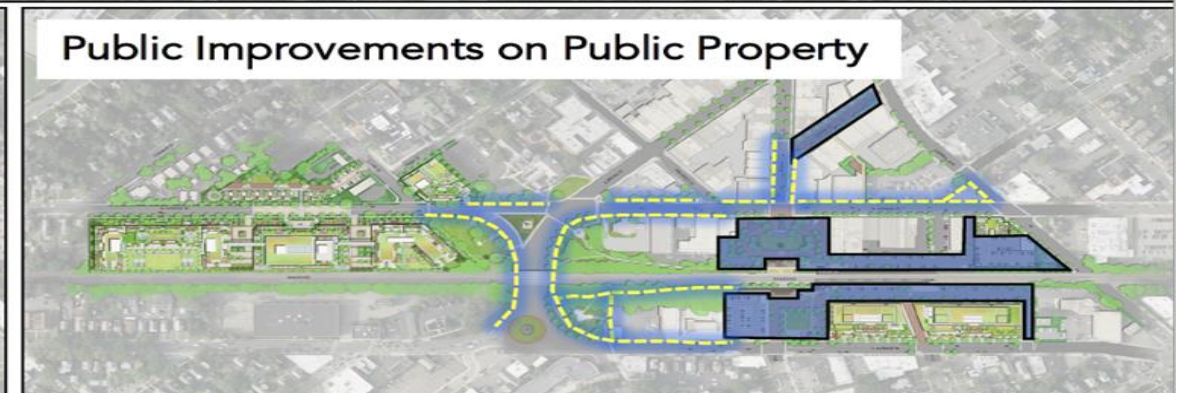
Development Overview



Private Development



Public Improvements on Public Property



\$54.2M of Planned Public Improvements

- North Avenue Town Square
- South Avenue Town Green
- North Avenue public parking garage
- South Avenue public parking garage
- New smart-technology Town parking system
- Traffic/congestion mitigation upgrades
- Quimby Street enhancements
- Roadway improvements
- Streetscape improvements (sidewalks, trees, street furniture)
- Mobility Hub enhancements (bike/pedestrian, rideshare, etc.)
- Pedestrian walkway
- Train Station tunnel improvements
- Pedestrian safety improvements

What are the detailed estimated costs of the public improvements?

Town Square (North)	\$2,975,050
Town Green (South)	\$2,198,950
South Parking Garage	\$13,185,000
North Parking Garage	\$16,742,125
Environmental Remediation	\$750,000
Parking Management Operations Enhancements	\$616,000
Hardscape/Streetscape/Roads (West)	\$1,314,923
Hardscape/Streetscape/Roads (North)	\$4,696,638
Hardscape/Streetscape/Roads (South)	\$919,451
Hardscape/Streetscape/Roads (Memorial Area)	\$2,666,110

Detailed Estimated Cost of Improvements (continued)

Traffic Mitigation Upgrades (Project Impact, North)	\$1,131,813
Traffic Mitigation Upgrades (Project Impact, West)	\$1,293,500
Traffic Mitigation Upgrades (Project Impact, South)	\$808,438
Traffic Mitigation Upgrades (Other, North)	\$679,088
Traffic Mitigation Upgrades (Other, South)	\$291,038
Quimby/Snickleway	\$1,894,331
Underpass Upgrades (Tunnel)	\$1,293,500
Pedestrian Walkway	\$840,775
TOTAL	\$54,296,730

What is included/not included in the cost estimates?

These costs include:

- Hard costs - \$41.9M
- Soft costs - \$3M
- Contingency - \$4.3M
- Construction management - \$500k
- Cost escalator - \$4.5M
- Performance and Payment Bond cost

What do these costs not include?

- Town will be engaging an owner's representative to oversee all public improvements

What is the projected sequence of the public improvements?

Phase 1: North Garage, Environmental Remediation & Parking Management Operations Enhancement

Phase 2: Town Square (North), Hardscape/Streetscape/Roads (North), Traffic Mitigation Upgrades (Project Impact, North), Traffic Mitigation Upgrades (Other, North)

Phase 3: South Garage, Environmental Remediation & Parking Management Operations Enhancement

What is the projected sequence of the public improvements?

Phase 4: Hardscape/Streetscape/Roads (West), Traffic Mitigation Upgrades (Project Impact, West), Hardscape/Streetscape/Roads (Memorial Area)

Phase 5: Traffic Mitigation Upgrades (Project Impact, South), Traffic Mitigation Upgrades (Other, South), Town Green (South), Hardscape/Streetscape/Roads (South), Quimby/Snickleway, Underpass Upgrades (Tunnel), Pedestrian Walkway

Phase 1 Public Improvements

North Parking Garage and Related Improvements

- Construction commences within two months of Redeveloper's completion of footings and foundations on L&T Office and parking
 - * After Redeveloper received all governmental approvals for L&T Office, L&T first Residential Building and North Parking Garage, closed on construction loan, secured necessary equity, spent millions in soft and hard costs of construction and contributed \$8M to the Town for Public Improvements.
- 12-18 months to complete Phase 1 Public Improvements.
- Cost: Approximately \$17.8M
- Funded from Bond Issue #1

Phase 2 Public Improvements

North Town Square, North Traffic and Streetscape Improvements.

- Commence in time to be completed prior to completion of the North Parking Garage. Required to be completed by the time the North Parking Garage opens.
- 6-12 months to complete Phase 2 Public Improvements
- Cost: Approximately \$9.5M
- Funded from \$8M in Redeveloper cash contribution, plus \$1.5M advanced by Redeveloper and repaid by Bond Issue #3

Phase 3 Public Improvements

South Parking Garage and Related Improvements

- Construction commences within 4 months of Redeveloper's completion of footings and foundations on first South Office Building. Required to be completed by the time the South Parking Garage opens.

*After Redeveloper received all governmental approvals for first South Office Building and South Parking Garage, closed on construction loan, secured necessary equity, has third-party tenant for at least 50% of first South Office Building, is nearing completion of L&T Office and L&T Residential, has commenced construction of North Avenue Townhomes, and has invested \$9.5M into Public Improvements.

- 12-18 months to complete Phase 3 Public Improvements
- Cost: Approximately \$13.5M. Funded from Bond Issue #2

Phase 4 Public Improvements

West traffic, streetscape and Memorial Circle improvements

- Commence in time to be completed prior to completion of L&T Office and L&T Residential. Required to be completed before L&T Office and L&T Residential opens.
- 6-12 months to complete
- Cost: Approximately \$5.3M
- Funded by 50% of Land Sale proceeds reinvested by Town and Bond Issue #3. Advanced by Redeveloper if required to be completed prior to South Land Sale and repaid from Bond Issue #3.

Phase 5 Public Improvements

South Town Green, South traffic and streetscape improvements, Quimby/Snickleway, Underpass Upgrades (Tunnel), Pedestrian Walkway

- South Town Green, South traffic and streetscape improvements commence in time to be completed prior to completion of first South Office Building. Remaining improvements commence construction in time to be completed prior to completion of second South Office Building.
- 12 months to complete all
- Cost: Approximately \$8M
- Funded by Bond Issue #3

Summary of Funding Sources for Public Improvements

\$17.8M North Parking Garage Bonds (Bond Issue #1)

\$ 8.0M Redeveloper Contribution

\$13.5M South Parking Garage Bonds (Bond Issue #2)

\$ 9.9M Public Improvement Bonds (Bond Issue #3)

\$ 5.0M Town Land Sale Proceeds (represents approx. half of land sale proceeds)

\$54.2M Total Public Improvements

Summary of Three Bond Issuances: (funded by the project, not taxpayers)

Bond Issue #1

\$20.1M – Funds North Parking Garage and Related Improvements (Phase 1), Plus 3 years of Capitalized Interest on Bonds.

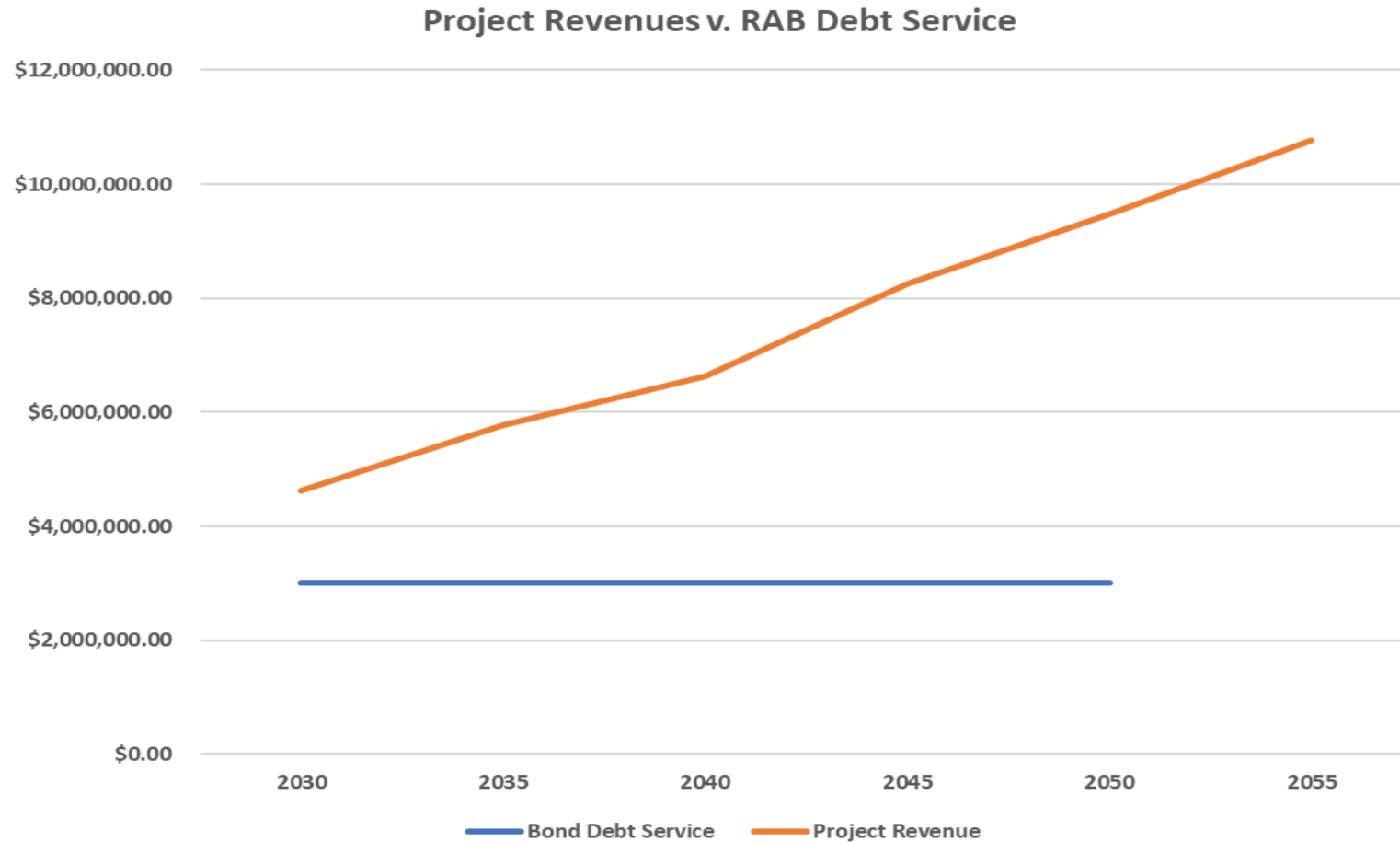
Bond Issue #2

\$13.6M – Funds South Parking Garage and Related Improvements (Phase 3)

Bond Issue #3

\$10M – Funds South Town Green, South traffic and streetscape improvements, Quimby/Snickleway, Underpass Upgrades (Tunnel), Pedestrian Walkway (Phase 5) and reimburses SWD for advance of Phase 2 and Phase 4 Public Improvements.

Project revenue is expected to accelerate while debt service remains level



Who is Constructing the Public Improvements?

- SWD will construct all Public Improvements pursuant to Construction Contract with the Town.
- SWD required to enter into Guaranteed Maximum Price contract with contractors performing work.
- If costs increase as a result of Town-directed changes to project post-GMP contract execution, the Town is responsible for costs.
- If costs increase for other reasons, SWD is responsible for costs.

The Town is requiring multiple layers of risk mitigation in proposed agreements

- Special Assessment on SWD land during construction and for three years following project stabilization
- SWD \$8M investment up front
- SWD \$10.1M purchase for approx. 2.3 acres of Town-owned land
- Project revenues projected to be 3 times debt service
- *PILOT Revenue Sufficiency Test* caps debt service for Town
- Construction conditions precedent to issuance of each series of RABs
- First lien on SWD property ahead of lenders in the event of a failed PILOT or Special Assessment payment when due

Recap of Taxpayer and Town Benefits from PILOT Revenues

- \$375M Private Investment by Streetworks
- \$213M in PILOT revenue over 30+ years, of which:
 - \$52M in Public Improvements funded by PILOT revenues, not taxpayers
 - \$140M+ in PILOT Revenues in excess of debt service payments can support
 - Lower property taxes
 - School capital projects
 - New park improvements
 - New firehouse
 - Risk mitigation
- No reliance on residential taxpayers to fund any aspects of the project
- Economic infusion into downtown businesses, diversify tax base

Next Steps/Questions

- This presentation will be available for replay on the Town's Facebook page and website (slides also to be posted on website)
- January 17 Town Council meeting, 8:00 PM: Streetworks and the Town's Planning and Finance professionals will be presenting to Town Council the updated One Westfield Place project and financial structure
- January 19 Facebook Live, 6:30 PM: Town and Streetworks planning professionals will review and answer questions regarding the updated planning and design aspects of One Westfield Place. Submit questions at westfieldnj.gov/FBlive.

Next Steps/Questions

- January 31 Town Council meeting, 8:00 PM: Town's planning and legal redevelopment professionals will provide a presentation to Town Council introducing the One Westfield Place Redevelopment Plan (RDP) Ordinance which would enable the zoning for the project
- February 6 Planning Board meeting, 7:30 PM: Redevelopment Plan will be presented to the Planning Board who will determine if it is consistent with the Master Plan
- February 14 Town Council meeting, 8:00 PM: Public hearing and vote on the adoption of the One Westfield Place Redevelopment Plan if the Planning Board affirmed consistency with Master Plan