RESPONSE FOR RFP #0501-18-WFC

West Falls Church Economic Development Project

WestFalls

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The Little City

CITY OF FALLS CHURCH

TAB 4 | 4.7 FINANCIAL APPROACH

4.7 Financial Approach

Responses to 4.7 A. Financing Plan

*Submit a **financing plan** consisting of:*

*1. Presumed **financing structure** with estimated percentages of debt, equity, and other sources of potential project funding;*

Response to 4.7 A1.:

We anticipate project equity of up to 35% of the total project costs will be sourced from Comstock's sponsorship or from one of its existing third-party equity relationships. Comstock will seek debt financing for the remainder of the project costs from a traditional bank or life insurance lender through existing Comstock financing relationships.

Comstock enjoys an extensive banking relationship with Bank of America. Comstock has worked with Bank of America to help finance both its Reston Station and Loudoun Station developments. Comstock also has established relationships with Citizens Bank, Walker & Dunlop, US Bank, and Eagle Bank, and is regularly engaged in dialog with numerous other financial institutions in the course of identifying potential lenders for its existing and new projects. Specific examples of existing Comstock debt facilities include:

- a $95M construction loan facility with Citizens Bank, closed in July 2014, for the 448-unit BLVD Apartments in Reston, Virginia;
- a $70M HUD insured loan from Walker & Dunlop, closed in February 2011, for the 357-unit BLVD Apartments and retail project in Ashburn, Virginia; and
- multiple credit facilities totaling over $100M with Bank of America for various development and construction projects across the Comstock portfolio.

*2. Presumed **sources of equity**, including Proposer's, and amounts to be syndicated from other investors, as well as estimated return requirements;*

Response to 4.7 A2.:

Presumed sources of Equity would be targeted as follows:

Debt	65%
Sponsor Equity (20%)	7%
Institutional Equity (80%)	28%
Total	**100%**

Given the conceptual nature of the project, as well as the length of time before the commencement of significant construction activity, it is simply too early to predict what market returns will be. We estimate current market rates are in the following range assuming a sale of one year post stabilization:

Unleveraged IRR	8-12%
Leveraged IRR	16-20%
Unleveraged Equity Multiple	1.4
Leveraged Equity Multiple	2.0

*3. Presumed **sources of construction and permanent debt** and general ranges of terms including leverage ratios to cost and value, interest rate spreads over appropriate benchmarks, debt service coverage requirements, amortization periods, acceleration terms, etc.; and*

Response to 4.7 A3.:

We anticipate that the sources of construction and permanent debt will be found among Comstock's existing relationships with leading financial institutions. Given the current conceptual nature of the project, as well as the length of time before the commencement of significant construction activity, it is simply too early to predict what ratios, premiums or covenants will prevail in the market at the time financing is secured for this project. As the design develops and the timeline shortens, our understanding of likely key financial terms will improve.

*4. Financial **phasing plan**, if any.*

Response to 4.7 A4.:

Comstock will determine the need for financial phasing plan at a later date. Any plan for phasing will depend on the ultimate size and timing of the project and the capital structure that is needed to execute the project consistent with the vision of the City and final structure of the deal.

Responses to 4.7 B. Approach to Mitigating Project Risks

*Submit a narrative of how the Proposer will **approach and mitigate project risks** in order to ensure performance and timely delivery of the Project.*

Response to 4.7 B.:

Comstock has the team, experience and capacity to execute a project of this scale as demonstrated in our Reston Station, Loudoun Station and Herndon projects. We anticipate risk and align ourselves with experienced contractors, counsel, and consultants that understand the intricacies of delivering master planned, urban, transit oriented and mixed-use communities.

Comstock is committed to providing financing throughout all phases of the project, from design to construction, lease up and stabilization until, ultimately, the right partner or exit opportunity emerges. This will include sufficient funding for initial operating deficits, ongoing maintenance, and the establishment of appropriate reserves for replacement during the duration of our investment in the project. Equity capital provided by the principal sponsor of our public private projects does not have a mandated timeline by which it must be returned, so we have the financial capacity to weather most economic cycles.

Responses to 4.7 C.-E.

*C. Detail the **use of public funds or subsidies**, if any.*

*D. Submit a brief narrative describing any **potential revenue** generating opportunities for the City beyond the initial or ongoing land payments and future tax revenue generated by the Project.*

*E. Submit a brief narrative of the impact (if any) on financing terms from both lenders and investors arising from the use of a **long-term ground lease structure versus fee ownership**.*

Response to 4.7 C.:

Other than those public funds already contemplated for the project that are being pursued by the City, Comstock does not anticipate use of public funds or subsidies. We anticipate exploring this issue in more detail as the project moves beyond the conceptual phase.

Response to 4.7 D.:

Comstock enjoys an entrepreneurial spirit and willingness to entertain creative solutions wherever possible. We are willing to explore alternative revenue opportunities that may arise as the project evolves.

Response to 4.7 E.:

Comstock has substantial experience in securing debt and equity commitments with both fee simple and ground leasehold developments. In our experience, lenders typically prefer fee simple ownership due to concerns regarding rent escalations, reset periods and termination rights under a ground lease. For this reason, there is often a premium for financing ground leased projects. Of course, the ground lease scenario allows for a deferral of upfront land costs which can be beneficial. Comstock has successfully navigated the challenges of financing both fee simple and ground leasehold developments and we are confident that acceptable debt and equity commitments could be achieved under either scenario for this project.