
Navy Hill Commission Risk Matrix and Issues

Pierce Homer, Chair
November 2, 2019

Outline of Risk Matrix & Key Risk Issues





- Overview of Key Risk Issues (Slide 2)
- Risks to the General Fund (Slide 3)
- Risks to the City and Other Private Entities (Slide 5)
- Risks to Procurement & Contract Management (Slide 7)
- Risks to the Arena Lease (Slide 10)
- Overarching Issues and Questions (Slide 12)
- Overview of Key Risk Issues (Slide 17)










Overview of Key Risk Issues

1. Need for, and synergistic value of, Arena ¹
2. Impact on City General Fund and Debt Capacity ²
3. Impact on School Funding
4. City Management and Oversight of projects and Programs ³ ⁴

Summary of Comments on PowerPoint Presentation

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	Number: 1	Author: mjschewe	Subject: Inserted Text	Date: 11/4/2019 8:54:40 AM
	Why is this a risk? Is there a need for new housing, new offices, new bus transfer station? In the eyes of whom? see fuller comment below on same topic.			
	Number: 2	Author: mjschewe	Subject: Sticky Note	Date: 10/31/2019 3:20:27 PM -04'00'
	My understanding is that this will increase City debt capacity. In considering risk, you need to consider the risk that failing to do the project will reduce City's debt capacity in comparison to what it would otherwise have been.			
	Number: 3	Author: mjschewe	Subject: Sticky Note	Date: 10/30/2019 4:36:42 PM -04'00'
	Risk of failing to do the project.			
	Number: 4	Author: mjschewe	Subject: Sticky Note	Date: 10/30/2019 4:37:40 PM -04'00'
	Construction Risk Operating Risk			

Citation	Risk	Potential Impact(s)	Likelihood/Severity of Impact(s)	Mitigation
Navy Hill Fund Ordinance Section 1	Baseline Real Estate Values Based on “2020 Proposed Assessment” vs. the Official 2020 Assessment  5	\$2.1 million annually with escalation over 20-30 years Potential litigation	High/High  1  2  3	 4
Arena Lease 37.9, Exhibit J to Development Agreement (Schedule), and Throughout	“Float” in Schedule J; Broad Authority for CAO/EDA to Grant Time Extensions; Lesser Deadlines and Penalties for Residential and Commercial Development  7	Slower Development Schedule Increases Downtown Real Estate Taxes Dedicated to Arena Debt Service and Risk to General Fund  6	High/High	
TIF Tax Projections for Meals, Sales, Lodging, BPOL & Other Sources	Projects in Development Areas Come Online Slower; Unit Revenues Assumptions	Slower Development Schedule Increases Downtown Real Estate Taxes Dedicated to Arena Debt Service and Risk to General Fund  8	High/High	
Cooperative Agreement 4.1 and Navy Hill Fund Ordinance 2(c)	EDA Bonds or City Failure to Appropriate EDA Grants Affect City Credit Rating	Inability to Address Other Capital Needs of City & Schools	Unknown/High  9	

Number: 1 Author: mjschewe Subject: Cross-Out Date: 10/31/2019 2:57:42 PM -04'00'

Number: 2 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 2:57:33 PM -04'00'

Low/[?High]

Why is the likelihood high? I guess its high if you think the revenue projections are wrong. Or maybe I just don't understand what risk you are trying to identify here.]

Number: 3 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 8:54:48 AM

I'd say risk of this is low. To conclude it is high you would have to believe that the financial projections are wrong to a significant degree. What basis do you have for saying that?

Number: 4 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 2:56:33 PM -04'00'

Assure that conditions precedent to closing of bond financing are in fact satisfied before closing. Assure that project participants are competent and experienced and using proven designs and methods.

Number: 5 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 2:56:38 PM -04'00'

What is this risk? Is this the risk that the No Project Revenues will not be replaced by project revnues or project benefits? I don't understand.

Number: 6 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 4:42:59 PM -04'00'

I disagree. What risk to general fund?

Author: mjschewe Subject: Sticky Note Date: 10/30/2019 4:44:31 PM -04'00'

At least equally big risk that failure to do the project slows development in Richmond generally with commensurate risk to general fund.

Number: 7 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 8:55:03 AM

I don't understand this risk. Is the risk here that the CAO will act in a fashion other than in the best interests of the City? That seems far-fetched.

Number: 8 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 4:42:32 PM -04'00'




I disagree. There is no risk to the general fund here. there is no increase in downtown real estate taxes or risk of same. This could mean that revenues from TID are used to pay debt service for longer than expected.

Number: 9 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 4:46:32 PM -04'00'

Unknown, but presumably very low. The City never has any obligation to appropriate anything but TI revenues. If those revenues are \$10 or \$10Million, that's all the City has to do. The appropriation never invades general fund and this is entirely within the control of the City. What is the real risk that the City will willingly and intentionally default on its fully funded obligation to appropriate the TIR? Seems very low to me.

Citation	Risk	Potential Impact(s)	Likelihood/Severity of Impact(s)	Mitigation
Cooperative Agreement 3.3	Disposition of TIF Revenues vs. Public Perception of "Surplus"	1. Debt Svc 2. Stabilization 3. Early Repay 3. GF (\$10m to Housing)	High Likelihood in Early Years	Show Full Flow of Funds Each Year Using Most Conservative Scenario
July 30 Davenport Fiscal Analysis	Increased Service Costs Attributed to Navy Hill Project	Increased Annual Service Costs Due to Increased Population and Business and Leisure Activities		

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	Number: 1	Author: mjschewe	Subject: Sticky Note	Date: 10/31/2019 3:35:19 PM -04'00'
I this risk the political risk? or are you describing something different.				
	Number: 2	Author: mjschewe	Subject: Sticky Note	Date: 10/30/2019 4:48:55 PM -04'00'
The project provides for a number of mitigants for this.				
	Number: 3	Author: mjschewe	Subject: Sticky Note	Date: 10/30/2019 4:48:29 PM -04'00'
This is the risk of progress, of development, of new buildings. Is that a risk? Or is that exactly the kind of activity the City wants to have happen? I dont think the risk is the increased service costs, I think the risk is that the City will not adequately staff the obligations it has under the Project docs.				

Citation	Risk	Potential Impact(s)	Likelihood/Severity of the Impact(s)	Mitigation
Development Agreement Section 4	Submissions "Deemed Approved" After 7 Days	Failure to Timely Review Designs, Master Plan Amendments, or Other Submissions Could Expose City to Significant Liability or Scope Changes	High/High	1
Development Agreement Section 4	Submissions "Deemed Approved" After 7 Days	Over-Committing City Planning, Permitting & Design Resources to Navy Hill Will Further Slow Non-Navy Hill Reviews & Approvals	High/High	3 Extend Review Time AND Include Up Front Navy Hill Review Fees in Ordinance to Support Additional Staff and Outsourcing
Arena Lease 7.3 & 8.2	Landlord (EDA) Monitoring Limited to \$500,000	Lack of Oversight Could Create Significant EDA/City Liabilities and Prevent Timely, Safe		4

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- Number: 1 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 8:55:48 AM
Project docs contemplate that City will hire additional support for this, and provides funding for same. City can mitigate risk by preparing for its obligations and hiring accordingly.
-
- Number: 2 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 4:51:31 PM -04'00'
What is the liability risk? If City doesn't act, then submission deemed approved. No claim against City by developer for City's failure to act.
-
- Number: 3 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 3:22:41 PM -04'00'
The project docs provide for funding of additional resources for this. Is that funding sufficient?
-
- Number: 4 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 3:18:02 PM -04'00'
Add City resources during project startup.
-
- Number: 5 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 3:25:16 PM -04'00'
I think it very unlikely that City oversight will make this project any safer or less safe than it would otherwise be. Expert contractors with lots of insurance, lots of safety expertise and lots of liability risk will act in safe way, or not, but City's role won't change that in any significant fashion. City doesn't oversee most construction and there is not greater safety risk in those than there would be in these. State or City construction has no better safety record than private construction. In fact, in my experience, buildings built by the City and other public bodies are less well-built than are private buildings. So why will City oversight improve the quality or safety of these buildings? Each of these buildings will need to get building permits, comply with code, satisfy the requirements of lenders and of the market place, which will drive compliance and quality. The City's "oversight" or lack thereof will be unlikely to affect that outcome in any but negative fashion.

Citation	Risk	Potential Impact(s)	Likelihood/Severity of Impact(s)	Mitigation
Purchase & Sale Agreement Exhibit G; Development Agreement Exhibit F1 & N;	No Room Blocking Requirement in Hotel Use Covenants	Lack of Long Term Covenant for Hotel Room Blocking Requirement Could Diminish Long Term Value of the Hotel project		

Number: 1 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:01:55 AM

This is incorrect. There is a room blocking requirement in the hotel covenants. In addition, why do we have the expertise to make marketing decisions for the hotel? Isn't it more reasonable to think that the hotel operator will operate the hotel in a fashion to maximize profits and success? If that calls for room blocking, they will provide for room blocking. I entirely disagree with this risk or the commission's ability to assess it. This is nothing more than market risk. Is there a risk that the hotel will be unsuccessful? Yes, just like with any other hotel in town. Is that risk related to room-blocking? Surely not. I could imagine a risk that says the developer will choose a poor hotel operator. But we will know who the hotel operator is when the deal closes and they will know a lot more about hotel operations than we do.

Citation	Risk	Potential Impact(s)	Likelihood/Severity of the Impact(s)	Mitigation
Arena Lease Definition of "Construction Contract"  1	Definition Appears to Require City Approval of Arena Construction Contract	Potentially Significant City Flowdown Liability for Construction Accidents, Delays, Cost Overruns, etc—in Light of Developer Limits of Liability  2		
Development Agreement 10.2 (c) i & iii (F) ii	60% of Materials Stored in ESB or MBE Warehouse May Count Towards ESB/MBE Goals	ESB/MBE Employment Goals May Not Be Met		
Arena Lease 7.7.3	Cost Overruns After Financial Close	Lack of Cost Overrun Provisions Could Make City/EDA Liable for Cost Overruns, Changes in Scope, Design Flaws, Changed  3		

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Number: 1 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 3:26:55 PM -04'00'




I disagree with your description of this risk. The risk here is that the developer will enter into multi-prime contracts permitted by the definition of "Construction Contract" rather than one over-riding, fixed price, turn key construction contract that clearly allocates construction responsibility and liability to one general contractor.

Number: 2 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:03:36 AM




Is this true? Why do you see this risk? What's the rationale for this analysis? I don't understand your reasoning and if I did understand it, I think I would disagree with it. I don't think there is any legal basis for this conclusion.

Number: 3 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 5:00:07 PM -04'00'

Why? I don't understand this. And there are cost overrun provisions in the form of X, Y and z. It seems to me that the appropriately stated risk is that the proceeds of the bond proceeds will be insufficient to construct the Arena. Mitigation to that is good contractor, payment and performance bonds, experienced arena design team, etc. But I don't see risk of EDA or City being liable and to whom would they be liable?




Citation	Risk	Potential Impacts(s)	Likelihood/Severity of the Impact(s)	Mitigation
Development Agreement (Throughout) and Cooperative Agreement 2.2	<p>Approvals by “City” for Major Issues—Is It Mayor, CAO, EDA, or City Council?</p> <p>Can EDA cede decision authority to CAO?</p>	Potentially Crippling Delays and Litigation Over Future Project and Program Approvals  1	High/High	Amend Ordinances to Ensure Approval Roles of Mayor, CAO, EDA, and Council Are Clearly Specified in Each Instance (eg, Council for Master Plan or Budget, CAO for Contract Scope, EDA for Lease, etc)
Arena Lease 7.1.3.1	Liquidated Damages Assessed Against “Tenant” Which is Defined as “NH District Corporation” in 1 st Paragraph	Inability to Collect Liquidated Damages Against Non Profit Corporation or Assignee  2		
Cooperative Agreement Arena Lease 36	20% Small/Minority Goal for Coliseum vs. 30% Small/Minority Goal for Overall Project	Inability to Achieve 30% Goal		 3

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-  Number: 1 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 5:01:32 PM -04'00'
- I can't speak to this risk, but I'd like to have the City attorney's view of it. If the City attorney and the City's lawyers do not see this risk as being real one, then why should we?
-
-  Number: 2 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 5:03:42 PM -04'00'
- I disagree with this risk. I respectfully submit that your analysis here is not consistent with the law. The nature of the entity is unrelated to their liability for damages. The University of Richmond is just as liable for contractual liquidated damages as is a private company, if it contracts to pay those damages.
-
-  Number: 3 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 5:04:18 PM -04'00'
- Mitigants are strong minority hiring plan, strong minority participation in project development plans, etc.
-

Citation	Risk	Potential Impact(s)	Likelihood/Severity of the Impact(s)	Mitigation
Arena Lease Exhibit F Section 2.1	Guarantors Not Identified and NH/Tenant Liabilities Capped @ \$2m	Thin Project Equity & Liability Caps Expose City to Substantial Construction & Operational Risk	1	
Arena Lease Exhibit H Introduction	Exhibit H Establishes 17,500 Seat Arena as "Technical Requirement" Without Any Documentation of Need or Market Demand	Hunden Identified Technical Standard as Means to Compete w/ Charlottesville, Virginia Beach, DC, Raleigh & Greensboro Arenas. Lack of Detailed Demand Studies Expose City to Substantial Risk of Low Utilization of New Coliseum and Poor ROI	2 3	

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-  Number: 1 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 5:07:33 PM -04'00'
- I disagree with the formulation of "expose City to ... risks." In what sense is the City exposed to those risks? No financial obligation of City. The mitigants to these risks are (i) strong design and construction team, (ii) payment and performance bonds, (iii) incentives for debt to complete project and generate project revenues.
-
-  Number: 2 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 5:10:39 PM -04'00'
- Why is "the City" exposed to this risk?
-
-  Number: 3 Author: mjschewe Subject: Sticky Note Date: 10/30/2019 5:09:45 PM -04'00'
- Is this even true? Do you know there haven't been detailed demand studies? Hasn't developer performed demand studies? Arena operator? Mitigants include form of Arena contract, obligation o Arena operator, incentive of Arena operator to achieve success or suffer financial costs, etc.

Citation	Risk	Potential Impact(s)	Likelihood/Severity	Mitigation
Cooperative Agreement Arena Lease Sections 10.4, 13.1, 13.6, 14.3, 15.3, 19.1, 24.6, 29.2.1, 29.2.2	Arena Lease Exposes City to Potentially Significant Long Term Operational & Maintenance Liability Due to Liability, Indemnity & Maintenance Expenditure Caps; Transfer Rights of Coliseum to City or Other Public Entity; Default Events	City Could Incur Significant Liabilities & Long Term Maintenance Costs for the Coliseum—With Low Liability Caps (Limited to Insurance & Deductible), Limits on Developer O&M Costs, and City Handback Inspections Not Starting for 20 Years	High/High	<p>Conduct Separate Arena Lease Asset Condition Cost Study, Including Forecast of Renewal Work Account Revenues</p> <p>Cross Default Arena Lease to Other Leases or Agreements</p>

 Number: 1 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:05:26 AM


MJS to address this one later. We need to have developer/city present to us an analysis for the annual and long term O&M projected costs for the arena against the source of funding for those cost.

Citation	Risk	Potential Impact(s)	Likelihood/Severity of Impact(s)	Mitigation
Arena Lease Exhibit M	No Explicit Handback Requirements or Standards	Lack of Inspections or Handback Standards Expose City to Potentially Significant Liability and Long Term O&M Costs ¹		

The Lease imposes standards of maintenance and condition. There are reserves built into the deal. Will they be sufficient?

²

 Number: 1 Author: mjschewe Subject: Inserted Text Date: 10/30/2019 5:12:57 PM -04'00'

 Number: 2 Author: mjschewe Subject: Text Box Date: 10/30/2019 5:13:52 PM -04'00'

The Lease imposes standards of maintenance and condition. There are reserves built into the deal. Will they be sufficient?

Overarching Issues & Questions: Arena

- The arena lease establishes the 17,500 seat as a technical requirement, without any documentation. What is the market demand and need for a 17,500 seat arena in Richmond? The October 19 NH District response showed only five concert events needing a space larger than 8,500 seats. 🗨️ 1
- Acknowledging the potential for nearby hotel and restaurant benefits, how does *any* large-scale arena synergize residential or office development in the Richmond market? 🗨️ 2
- The Hunden report identified average ticket prices of \$48 and \$61 for current and future arena competitors in NC, VA and DC. The October 19 NH District response identified *potential* average ticket prices of \$26 for the Richmond market. How will events at those price points synergize the projected \$51 million in gross 2024 restaurant sales and \$34 million in gross 2024 hotel sales?






Number: 1 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 3:58:17 PM -04'00'

We should allow the developer to present their analysis on this issue. Given the large portion of Arena revenues that go to debt service, both the developer and its \$300MM+ lender will need to be convinced of the Arena's success before they will fund the bonds.

Number: 2 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 4:04:52 PM -04'00'

Your assumption here seems to be that the residential and office development would occur without the Arena. One thing that is certain is that none of that will occur if the City continues to own all of this land, keeping it off the tax roles and out of development. Plus, your comments consistently fail to acknowledge the public benefits of this project - affordable housing, new transfer station, new streetscape, renovated Armory, removal of costs of Coliseum maintenance and ultimate demolition, new office buildings. Those things come with this project regardless of whether the Arena is as successful as projected, or more successful than projected. Those aspects of the project are not conditioned on Arena success. Consider upper downtown development in recent years. The Marriott was built with public funding, the convention center was built with public funding, broad street was improved with public funding, the VCU hospital was expanded with public funding, and the Altria building was built with a large public subsidy.

Overarching Issues & Questions: General Fund and Debt Capacity

- The true general fund impacts of the Navy Hill projects are unknown, and the Commission is developing conservative scenarios that include service impacts to Schools and the City, more realistic development timelines and revenue estimates, and proper City oversight of \$1 billion construction program.  1
- How would City debt capacity or credit rating be affected by:
 - A failure by City Council to appropriate TIF revenues to the EDA, or if appropriated TIF revenues were insufficient to meet debt service needs?  2
 - A finding by rating agencies that the EDA arena bonds were in fact “pass through” appropriation bonds of the City that count against City debt capacity?  3
 - A finding by rating agencies that TIF the revenue diversions actually reduce City general funds and thereby reduce overall City debt capacity?  4
 - A third party or legal finding that the City pledge of incremental revenues in Section 4.1 of the Cooperation Agreement violates either Section 2(c) of the Navy Hill Fund Ordinance or Chapter 6 of the City Charter that prohibits general fund appropriations that are binding in future years?  5

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- Number: 1 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:06:37 AM
I disagree with this formulation. The City is not going to have oversight of \$1B of construction. They will be issuing permits and preforming building code etc. review and inspections, but not project oversight. If they do have that oversight, then the project will surely be a failure.
-
- Number: 2 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:06:55 AM
The City will have rating agency issues if it fails to fulfil its obligation to appropriate TIF revenues. But it will have no rating issues if those revenues are appropriated but are insufficient to pay debt service.
-
- Number: 3 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:06:51 AM
What basis do you have for thinking this risk exists? I know of none.
-
- Number: 4 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:07:13 AM
Davenport says that this will not occur. What basis do you have for thinking that it will occur? Let's ask Davenport again if you think this is a real risk.
-
- Number: 5 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:07:19 AM
For this deal to close, there will be a number of legal opinions given to lenders and others. If the highly qualified law firms involved cannot give the necessary opinions, then the deal won't close. If they can give the opinions, then I respectfully suggest that there legal opinion on this topic is worth more than yours.
-

Overarching Issues & Questions: Schools

- Resolution 2019-R commits 50% of any “surplus revenues from the incremental City revenues that the City receives from the Navy Hill Development” for appropriations for the School Board. What are the estimated annual School Board appropriations from the Navy Hill Fund under the best and worst case scenarios?
- Several states have identified negative impacts of tax increment financing on state and local school funding levels. These effects have been documented in at least California, Illinois and Maryland. The State of Maryland recently authorized \$300 million to compensate Baltimore City Schools for their reductions in state education funding due to the use of tax increment financing in the City. What would be the impact of the Navy Hill project on Virginia education funding to Richmond public schools?







Number: 1 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 4:11:12 PM -04'00'

Is this all of the states that have undertaken TIF financing, or is this a selected group? What about states where TIF financing has had no impact? Is it clear that any impact was due to TIF financing? What has been impact in Chesterfield and Henrico counties, that have both done TIF financings in recent years?

Overarching Issues & Questions: Management

- The Navy Hill program is composed of very disparate projects and participants, does not reconcile the differing economic incentives of the actors and the projects, and, as a consequence, has poor lines of internal and external accountability. Solving legal and financial problems in the ordinance creates significant management and accountability problems for the City.  ¹
- The City is significantly under-resourced to manage and regulate these projects, particularly in light of 7 day approval requirements and liability limitations in the agreements.
- Is there a better or simpler model to achieve at least some of the goals of the Navy Hill program?  ²




Number: 1 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:08:28 AM

Yours statement of this issue seems off-base. I would describe the project as remarkably well-conceived as one overall integrated project with a number of different participants.

Number: 2 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:08:36 AM

Fair question, and of course the answer is, "in a perfect world, yes." But do you see another project in the offing? Do you see another group willing to put \$500 MM of private money into downtown Richmond, plus \$311MM of private bond money. There is always a theoretically better project than the one in hand. There was probably a better project than the Interstate System and than the Brooklyn Bridge. The question is not whether there is a theoretically better project but whether the project at hand is a viable project that will generate substantially all of the projected benefits if it is successful, whether it is structured in a fashion and with participants that will make success likely, and that the results of a failed project are acceptable.

Overview of Key Risk Issues

1. Need for, and synergistic value of, Arena  1
2. Impact on City General Fund and Debt Capacity
3. Impact on School Funding  2
4. City Management and Oversight of Navy Hill Projects and Programs  3

Number: 1 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 4:22:21 PM -04'00'

Why is the "need for the Arena" a risk? Do you mean "financial viability of the Arena," "market demand for the Arena," or what? The "need for" question, as phrased, seems to involve a value judgement, not a diligence item. Why is there a "need for" affordable housing, or a bus transfer station or research and development facilities? And if there is a need for those things, why should the government be involved in any of those? These are normative and existential questions, but they are not risks. If you like to go to concerts and monster trucks and NCAA tournament games, then there is a "need for" the Arena. If you prefer watching cable TV, then maybe you think otherwise. As to synergistic value, I think of that question as being something like this: "Will meals tax revenues, admissions tax revenues, and parking revenues associated with Arena-related attendance, be realized in the amounts projected?"

Number: 2 Author: mjschewe Subject: Sticky Note Date: 11/4/2019 10:10:00 AM

We clearly need to examine this and have a clear answer.

Number: 3 Author: mjschewe Subject: Sticky Note Date: 10/31/2019 4:23:19 PM -04'00'

I think you misconstrue this risk, here and below. In general, I think City oversight of this project will be a detriment rather than a benefit. The City has certain obligations under the Project docs which it needs to be able to fulfil, and it has its normal permitting/building code obligations, which it also needs to fulfil. But I don't think there is any reason to think that further City involvement beyond that will be beneficial, increase safety, increase timeliness, etc. And this seems highly disproportionate in concept: on the one hand, build new affordable housing with private funds and take the risk that the City can get done what it needs to get done, and on the other hand, have no new affordable housing? Which of those risks seems greater? Clearly the "no new affordable housing" is a much bigger risk than the risk of the City timely performing its related obligations, as is the risk that the City will have to build affordable housing with its own money instead of private money – also a much bigger risk.