

QUESTIONS REGARDING ONE WESTFIELD PLACE FINANCIAL PRESENTATIONS

The following open questions are from the Facebook Live Finance Presentation and additional questions submitted by residents. These questions are directed to the Town and the work done by the Town professionals and are not intended for HBC/Streetworks. Please provide detailed answers to limit follow-up questions.

Construction Costs and Project Delivery

1. How did you come to the estimate of 5 years for completion of the project? By industry standards, this is grossly under-estimated and at the FB live session on 1/19/23 Doug Adams of HBC indicated 7 years with construction starting in 15 - 21 months after site plan approvals. **OPEN**
2. What are the impacts when this project actually takes 10 years to complete? Where is your Monte Carlo analysis for risk mitigation? **OPEN**
3. When was the budget/forecast created? 10% cushion is woefully inadequate in this economic climate. Considering the project will not be completed for 5 years (which is extremely optimistic) the cushion should be at least 25%. **OPEN**
4. The project and design contingencies are too low for this conceptual stage of development. Will this be adjusted? **OPEN**
5. Will Performance Bonds be required for the Guaranteed Maximum Price (GMP) contracts? **OPEN**
6. What is the % assumption in the P&PB (Performance & Protection Bond)? Where is it included in the costs? **OPEN**
7. What are the cost assumptions for logistics and MPT (Maintenance and Protection of Traffic) due to this work being performed on sites adjacent to active roadways and residential and commercially active areas including the train station? **OPEN**
8. Is this construction work being performed with union labor or prevailing wage? Will there be a Project Labor Agreement? **OPEN**
9. Who is going to oversee the development from a construction standpoint? How much will it cost to hire a construction manager, since the town does not have one? How is this being funded over 5+years and where is it captured in the project costs? **OPEN**

PILOT

1. How does this plan diversify the tax base? The administration says this will reduce the tax burden of residents but a PILOT program is contradictory to this. **OPEN**
2. This schedule clearly illustrates that the PILOT revenues are heavily back loaded to the later years, have less value on a NPV (Net Present Value) basis today and are more at risk due to the uncertainty of longer term forecasting. Why did the town agree to these terms? **OPEN**
3. PILOT revenue will not be \$213M in 30 years b/c you have not included \$73M in debt service payments that the town has to make. **True net revenue will be \$140M in 30 years- not \$213M.** Have you calculated or adjusted that into your assumptions? **OPEN**
4. The reduction in apartment units would impact construction cost and revenue. There has been no update on whether the reduction of one floor of office reduces net rentable area, gross revenues and PILOT revenues - are those adjustments being made and when will that be shared? **OPEN**
5. PILOT Projections are aggressive and may not be achieved. Is the projection of regular tax the same? If PILOT is less, then the tax break is worth more **OPEN**
6. What is the present value of the payments under PILOT and at what discount rate? **OPEN**
7. Please provide the amounts by year of the payments that are included in the Town's projections of \$140 million for general municipal use. We only have annual estimates of PILOTS every 5 years. We can calculate these but would like them confirmed. **OPEN**
8. PILOTs are everywhere in NJ: please provide analysis on success and failures of these programs that led Westfield to enter into this agreement with HBC. **OPEN**
9. What would the projected annual assessed value of improvements be for each of the thirty years if there was no PILOT agreement? How much are the projected Ad Valorem Taxes on assessed improvements in each of the thirty years if there was no PILOT agreement? We have some information to calculate this but would like the town's numbers. - **OPEN**

Financial Forecasts

1. Will the financial worksheets referenced during the Financial Presentation on 12/19/22 (52:30) be shared with the public? **OPEN**
2. The “projected project revenue” slide from the Financial Presentation shows revenue at 7 different time intervals. What is the projected revenue for the years not included in the slide? **OPEN**
3. The slide entitled “Project revenue is expected to accelerate while debt service remains level” from the Financial Presentation begins in year 2030. What is the debt service and projected revenue for the prior years not included in the slide? **OPEN**
4. During the Financial Presentation on 12/19/22 (57:50) when discussing projections for operating costs the financial advisor referred to “a database that will break it down between all the various operating costs across several comparable projects in terms of size and quality.” Please provide details of the comparable projects he was referring to, including, the location, size, scope, mix and the date of the costs on those comparables. **OPEN**
5. How much is the profit limitation discussed in the finance presentation? **OPEN**
6. During the Financial Presentation on 12/19/22 (1:00) when discussing income projections for their analysis, the financial advisor said that they looked at comparable projects in this area, for office buildings, townhouses and apartments. Please provide details of each of the comparable projects used, including, the location, description, amenities, rental rates, vacancy rates, taxes or PILOTS, and operating expenses. **OPEN**
7. An estimate of \$10M is provided for land sale of South Train Station parking lot property. What is the supporting analysis supporting this estimate? **OPEN**
8. The financial advisor stated that a return on equity just above 10% was satisfactory but at the low end of the kind of returns being seen on similar projects. Please provide details of what projects he was referring to including, year built, location, description, and the rate of return on those projects. **OPEN**
9. According to Streetworks, they had a private consulting firm conduct a Preliminary Economic and Fiscal Impact Analysis to forecast projected spending by the residents of 223 units. ***It appears that Streetworks then projected the spending by office workers and resident staff (1400 employees) based on the forecast for residential spending*** but Streetworks answer to the question about this was not clear.

Does the Town agree that forecasted daily spending per resident should be at the same rate as forecasted daily spending per employee? If so, why? **OPEN**

10. Does the Town agree with the following projections by SW of spending by employees? If so, why? **OPEN**

1400 Employees (1,350 Office Workers + 50 Residential Staff) x \$30/day = \$42,000/Day

\$42,000/Day x 4 Days week = \$168,000/week

\$168,000/week x 48 weeks = \$8,064,000 Year

****4 Weeks discounted for PTO**

11. Does the Town have any independent analyses or reports of projected spending by office employees in downtown? **OPEN**

Finances

1. At least two financial professionals from town has repeatedly requested the financial analysis with no response. When will the financial analysis be provided to the public and for peer review from other finance professionals? **OPEN**
2. What is the amount of taxes HBC will pay between now and 2027? **OPEN**
3. What is the projected annual property tax revenue from the land assessment of the two lots of municipal lots that will be sold to the redeveloper? **OPEN**
4. Why would the Town of Westfield commit to selling town property at the train station when we don't know the price? **OPEN**
5. The redeveloper has repeatedly said that without the South Avenue office building the project is not financially feasible. Since the redeveloper is beginning the L&T property first and it will be built irrespective of the South Avenue offices, what does the Town expect to happen if the project later becomes not financially feasible for the redeveloper because the South Avenue office building does not go forward (for example if they cannot get it pre-leased). For example, does the Town anticipate renegotiating that portion of the project, including uses for that property? Will the Town allow it to become residential? Does the Town anticipate the redeveloper will default? What will the agreements say happens if the South Avenue office buildings are not built? **OPEN**

6. Please provide a yearly debt service schedule on the bonds for each bond. **OPEN**

Use of PILOT Payments

1. The Town said that one of the benefits of this project is that the Town **could assist the school district with capital improvements.**

1a. When do you anticipate negotiations between the Town and the School Board will be finalized? **OPEN**

1b. Will the written financial agreements for this project include an agreement by the Town to share PILOT payments with the school district ? If not, what concrete assurances do residents have that the Town will actually assist the school district with capital improvements or provide any funds to the school district? **OPEN**

1c. What additional public improvement projects aside from those discussed in the Financial Presentation slides and the fire house/public safety building does the town have planned or is considering? Will any of these planned or considered improvements be prioritized over sharing PILOT funds with the school district? **OPEN**

2. The Town said that proceeds from the PILOT could be used for a new firehouse/public safety building. What are the projected costs ? **OPEN**

2a. Shouldn't this be in the plan or not in the plan? How does this get added in the future without jeopardizing other projects and \$\$ to schools? **OPEN**

2b. Where will the firehouse be located? How is it being financed? **OPEN**

2c. How much of PILOT revenues has the Town committed or will be setting aside to paying for a new Firehouse or expenses relating to same? **OPEN**

2e. Please provide a detailed timeline of the Town's steps for relocation and construction of a new Firehouse including, any additional consulting reports required, issuance of RFPs, construction timeline. **OPEN**

3. Please explain in detail how the PILOT revenues will provide long term tax stabilization? **OPEN**

Capital Sources

1. What is the source of redeveloper's capital for this project? Please provide specific details of how much will be a capital investment vs mortgage debt, by what entity or entities, and whether the source of capital is a third party, or HBC (including subsidiaries). **OPEN**
2. What is the name and relationship to LT Westfield LLC (the listed owner of the property on property records) of the entity paying the Town the \$8 million up front? Is the payment an equity investment in LT Westfield LLC or a loan? **OPEN**
3. Will the expert report on the increased costs for such things as police, fire and other services resulting from the project referred to in the finance presentation be shared with the public? **OPEN**

Risk Mitigation

1. Many residents have described this project as having no financial risk for the Town or its residents. After taking into account the risk mitigation that has been incorporated, does the Town agree that this project poses no financial risks to the Town or residents? If not, please describe the risks in detail. **OPEN**
2. During the finance presentation we were told that both the redevelopment agreement and the financial agreement will limit transfer of control of the redevelopment entity without the Town's approval. Is that enforceable if the redevelopment entity files bankruptcy? **OPEN**
3. In the finance presentation discussion of special assessment liens and risk mitigation, we were told that special assessment liens were better than performance bonds where payments can be delayed for many years and that the special assessment tax structure does not work that way and mitigates that risk (12/19/22 1:39). Doesn't it take years to foreclose and liquidate a tax lien? **OPEN**
4. During the financial presentation we were told that the Town should have no concerns that pilot payments for debt service will not be paid because the mortgage holder will typically pay the amount due to avoid a tax lien. Given that it could take years to enforce and liquidate a tax lien and that the town cannot force the mortgage holder to make the PILOT payments when due, what contingency plan does the Town have for making the debt service payments in the event that redeveloper defaults and the mortgage holder does not voluntarily make the pilot payment? **OPEN**

5. Are there any co-obligors or secondary obligors on the obligations under the PILOT agreement? **OPEN**

Planning

1. How many Guaranteed Maximum Price projects has HBC actually managed and what's their success rate? And what was the value of each of the GMP contracts?
OPEN
2. We've heard a lot about the 'listening sessions' that took place over the past 3+ years to develop this plan. Who took part in the initial listening sessions? For most residents, this was new information as of Sept. 2022. **OPEN**