CRAWFORD HOYING

To: The Members of Dublin City Council

From: Crawford Hoying

Date: August 21,2020

Re: Block F Bonds

To the members of Dublin City Council,

At the request of the City Manager, we wanted to provide you with some additional details regarding the immediate impact that Covid-19 has had on the public financing structure throughout Bridge Park. Specifically, we were hoping to provide more context to the request communicated to you by the City Manager that a small portion of the proceeds from the refinancing of the FBlock bonds be used to address a projected shortfall on existing public debt service due to the impact of Covid on the bed tax revenue derived from the hotels constructed by Crawford Hoying and on the percentage of sales revenue from The Exchange events center.

As a starting point, it is important to note that the projected bed tax revenue shortfall is not the only issue, public or private, that we have faced as a result of the current pandemic. Crawford Hoying has worked tirelessly over the last six months to respond to each issue created by Covid-19 in a way that has the least amount of impact on the community. Our goal has been simple; protect our assets and protect our long-term relationships within our community. These relationships include owners, lenders, municipalities, tenants, residents and visitors. It has been encouraging to see all of these stakeholders come together over the last several months to get through these unprecedented times. The City and staff have been incredible partners in working through some of these issues with us, whether it be through the City's action to make way for Patio Season at Bridge Park, or the tremendous effort that has been made by the engineering and building departments to ensure that ongoing construction can be completed efficiently and safely.

In addition to the more public facing issues that we have faced together, the commercial owners and lenders in and around Bridge Park have accommodated a pause in returns and in some cases the deferment of mortgage payments as part of the collective effort to get past this pandemic. This allowed Crawford Hoying, as a landlord, to support our tenants, many of whom are small businesses, by proactively offering two months of free rent to each of the retail and restaurant tenants in our communities. We continue to work with individual tenants as necessary to put them in the best position for long term viability and success. We have also been able to enhance the long term viability of the DBlock bonds and the existing FBlock bonds, through work with Columbus Franklin County Finance Authority, by working, on our own accord, to take advantage of historically low rates and renegotiating bond terms that are favorable to both the City and us as developer.

In connection with these refinancing efforts, Crawford Hoying is requesting that about $340,000 of bond proceeds from the refinance of the FBlock Bonds be permitted to fund a revenue escrow to cure a Covid-19 related short-term gap in revenues needed to service the debt for the ABlock Bond issuance. Without the funding of this escrow, an additional tax of 2.9 mils will be levied across Bridge Park and will be paid by the residents and commercial owners within the district. Fortunately, the impending FBlock refinance has allowed for a creative solution to be put in place that would alleviate the burden of this shortfall being passed on to the business owners and residents of the district.

As discussed in the memo to council from the City Manager, revenues to cover the debt service for the ABlock Bond issuance are made up in part by bed tax like revenues from the AC Marriott Hotel and the Home2 Hotel and a percentage of sales revenues from events held at The Exchange at Bridge Park. Unfortunately, Covid-19 has greatly impacted the performance of these three facilities.

The AC Marriott and Home2 had both been performing well heading into 2020, but occupancy quickly dropped to single digits through March. By mid-March, the hotel management company for the Home2 had to make the unfortunate decision to close the hotel for two months in order to preserve the long term viability of the hotel. While the AC remained open during the period of the Governor’s stay at home order, occupancy hovered around 5%.

Since the economy has started to reopen, the hotels have seen slow growth in revenues. The AC performed at 39% compared to budget and the Home2 performed at 51% compared to budget for the month of August. Year to date, including during the period of the shutdown, the AC is performing at 46% compared to budget and the Home2 is performing at 40% compared to budget.

The Exchange was also closed for two months during the shutdown. Even while the economy has reopened, large gatherings continued to be discouraged and many events planned for 2020 have been canceled or postponed. Revenues for 2020 are projected to be 37% compared to budget.

It is important to note that prior to the impact of Covid-19 on each of these facilities, the projected revenue (and related tax revenue) was projected to be in excess of any debt service needs.

The impact on these properties is temporary and we are confident that both hotels and The Exchange will be operating at their pre-Covid numbers by 2023. Until that time, we expect there will be a continued reduction in revenues at these facilities over the next two years while Covid continues to impact those industries. Without these revenues to service the debt on the A Block Bonds, there are projected shortfalls of $25,000 in 2020, $200,000 in 2021 and $140,000 in 2022.

Shortfalls in revenues for the ABlock Bond issuance are backstopped by the Bridge Park NCA’s ability to levy additional millage up to 12 mils across the Bridge Park TIF district. These charges are set annually by the Bridge Park NCA and levied in anticipation of a predicted shortfall. By law they must be levied evenly across all properties covered by the Bridge Park NCA, and the impact will be felt ratably by both the homeowners and commercial tenants in Bridge Park.

Without making this requested accommodation, the additional NCA millage charge would be included in the 2020 tax charges (due in 2021) for the residents and commercial owners at Bridge Park. The total amount of charge that would need to be levied is 2.9 mils for 2021 and 1.7 mils in 2022. These charges would be billed through the Franklin County Auditor's Office and would be included on the tax bills for both residential and commercial owners at Bridge Park. As the charge can only be on projected shortfalls, the ABlock Bondholder may not receive full payment of their debt service in 2020.

The NCA additional millage charge was intended to protect a bond buyer from the failure of the development to get built as planned, which would create a long-term shortfall in revenues available to service the bonds. This is not the situation that we are facing today. Rather, the drop in revenues is a short-term issue caused specifically by Covid. We appreciate the effort of our entire community in facing the torrent of issues thrown at all of us by the pandemic and we are grateful for the opportunity to address this specific issue together.