

St. Albans Redevelopment Project – Update 1/8/13

Basic overview of project: This project is part of a downtown redevelopment strategy for the City of St. Albans (“City”), under which ReArch (“Developer”) is building a new state office building (“SOB”) to be occupied by state employees who are currently housed at 20 Houghton Street. The State is selling the 20 Houghton Street property to Mylan Technologies, which will then expand its operations to that site. The City is constructing a parking garage adjacent to the new SOB. The garage will have 358 spaces, 170 of which will be dedicated to the exclusive use of the new SOB. The remaining spaces will be used by the public and by a hotel to be constructed in the nearby downtown area.

Authority:

Act 10 of 2013: authorized BGS to sell the SOB at 20 Houghton and enter into a lease or lease-purchase for a replacement SOB.

Emergency Board (9/11): Authorized transfer of \$5.5 million from FY14 Corrections Appropriation to Finance & Management for purpose of making payment to VEDA to make loan to Developer (20 year repayment).

Agreements associated with the project:

-Development Agreement (between City, State & Developer): Outlines the roles and responsibilities that each party has in the project. Original signed by City & Developer in July. Addendum executed on 10/25/13.

-Parking Management Agreement (between City & Developer): Governs how the parking garage will be operated and managed. Executed 12/26/13.

-Purchase and Sale (between City & Developer): to sell site for SOB, along with permanent easement for 170 spaces in to be built parking garage, for \$2.5 million. Executed 12/26/13.

-Purchase and Sale (between State & Mylan): to sell current SOB at 20 Houghton Street to Mylan. Execution of purchase and sale is imminent, pending Mylan’s internal approval process.

-Lease (between State & Developer): State (AHS/DOL) occupies 46,029 gsf office building. 20 year lease term with a purchase option to purchase the building in year 10 for \$10,470,217. If State exercises option, State makes payments to City through year 20 in order to support TIF district.

History of Lease Rate Estimates:

-Original 20-year lease rate estimate in project proposal: \$25.73/s.f.

-Gross rate prior to 9/11 E-Board Action: \$29.02/s.f., yielding a gross rent in year 1 of \$1,350,000.

-Gross rate under after 9/11 E-Board Action: \$24.20/s.f., yielding a gross rent in year 1 of \$1,113,902.

-Final Negotiated Lease rate: \$19.13/s.f. – locked in, except for possible variation due to interest rate as of close on financing. Yields a gross rent in year 1 of \$880,534. Rate is exclusive of certain operating expenses to be paid directly by State.

Key Dates: Close on project financing occurred 12/27, one year construction schedule for vacation of 20 Houghton and occupancy of new SOB in late December 2014.