

MEMORANDUM

To: Gregory Rose

From: Jonathan Ferry

Date: April 18, 2019

Re: University City – Novus Development Report

As part of my engagement with the City, I analyzed the proposed Novus Project to determine what level of TIF/CID assistance was reasonably necessary to make the project feasible – i.e., provide a sufficient economic return for a reasonable developer to undertake the project. This analysis was initially completed in May 2018 and is based on the information in the Microsoft Excel file that was emailed to you. The ultimate conclusion of my May 2018 analysis was that an incentive amount between \$51.6 million and \$65.8 million should generate a sufficient economic return to make the project feasible. A range in incentive amount was given to account for any variations between projected performance and actual performance. This is a complex project that will be built over several years. Accordingly, estimates of land acquisition costs, construction costs, net operating income, etc. may differ from actual performance for many reasons outside the City’s and Novus’ control (including rising construction costs, changes to state or federal law, etc.).

I understand that, since May 2018, there have been some changes to the scope of the proposed project, including, without limitation, a change in the proposed junior anchor. It is very common for projects to evolve over time. However, any change in the type of uses, which would ultimately affect the expected developer net operating income and the potential TIF/CID revenues generated from the use, may have a material impact on my analysis. Last week, at the City’s direction, I requested up-to-date information regarding the project so that I could update my analysis. Novus has, so far, declined to provide me with the information necessary to update my analysis.

I further note that PGAV has, since May 2018, revised some projections of TIF and non-TIF revenues based on guidance regarding the actual base year estimated tax sales and the distribution of certain sales taxes from the County sales tax pool. While these revisions may affect the ultimate incentive that could be funded from taxes generated by the project, they do not, by themselves, affect my analysis regarding the level of incentive needed to make the project feasible.

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