

THE JBG COMPANIES

Honorable William D. Euille, Mayor
and Members of City Council
City of Alexandria
City Hall Room 2300
301 King St.
Alexandria, VA 22314

Re: Potomac Yard Center (Landbay F)
CDD # 19 – North Potomac Yard

Dear Mayor Euille and Members of Council,

As we have discussed with the City Manager, JBG, together with Lionstone and the owner of Landbay F, are committed to cooperatively working with the City of Alexandria (the "City") to enable the construction of a Metrorail station within Potomac Yard, and ultimately enable the development of the approximate uses and total densities described in the North Potomac Yard Small Area Plan. We believe these densities are achievable under either a Location A or a Location B scenario.

Since JBG's engagement in 2013, the new development team consistently has stated that the constraints of the in-place leases require us to re-develop in a phased approach. This is different but more realistic than the approach envisioned by the prior development team. As you may know, the owner of Landbay F replaced the team that lead the entitlement effort and created the initial development plan with a new investment advisor – Lionstone Investments. In 2012, Lionstone, raised the issue of whether the upfront burden of the \$32MM shortfall guaranty attached to Location B in CDD # 19 could be economically supported by the value of the development of the first phase of Landbay F (Phase I). Lionstone then engaged JBG as the new Master Developer, and charged them with, among other things, developing an economically viable plan to develop Phase I, regardless of the Metro location.

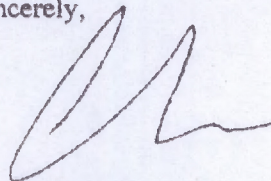
In order to start Phase I and ensure an economically viable redevelopment plan for Potomac Yard Center under a Location B scenario, the City Manager requested and JBG proposed a conceptual framework to amend the prior approvals. This framework included a reduction of the shortfall guaranty and the restructuring of Phase I proffers as outlined in Exhibit A. Although we have discussed these changes with City staff over several months, we want to provide this information in writing to the City Council as you consider the selection of the locally preferred alternative for the Metrorail station, as no one wishes these matters to appear unexpected after making the important LPA decision and the associated expectations with that location. We support the Location B alternative with the conceptual framework proffer package as defined in Exhibit A.

Under this framework, we still have significant contingent Metro Contributions if Location B is selected, provided that the contributions are phased with new development. Fortunately, the City's new financial model indicates that this approach will provide adequate funding to pay for the new Metro station without resulting in a projected shortfall requiring general fund resources. In addition, the new framework would restructure some of the non-Metro proffer obligations during Phase I as we have presented to City staff and detailed on Exhibit A.

Of course, this framework would only apply if Location B is selected. In the event Location A is selected, we would pursue a dual path of developing the lower maximum density approved under the current CDD # 19 while working with the City to revise the CDD Approvals to add additional density on Landbay F to support the tax assessment base for the Metrorail station.

We understand that approval and implementation of the Exhibit A framework would require a planning and legislative process. While we support the Location B with this revised framework, we simply want to be clear that without it, we do not see a viable path to redevelop and add density to Landbay F under a Location B scenario. We look forward to continuing to work with the City to enable a Metrorail station to be constructed within Potomac Yard.

Sincerely,



Andrew Vanhorn
The JBG Companies
Master Developer for Landbay F

Cc: Mark Jinks, City Manager

Exhibit A – Framework Agreement