



Legislation Details (With Text)

**File #:** 21-1234 **Name:**  
**Type:** Written Report **Status:** Agenda Ready  
**File created:** 6/24/2021 **In control:** City Council Legislative Meeting  
**On agenda:** 7/6/2021 **Final action:**  
**Title:** Authorization of the Execution of Proposed Landmark/Inova Development and Land Acquisition Agreements. (This is not a public hearing item)  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** 1. 21-1234\_Attachment 1. Development Agreement (Text), 2. 21-1234\_Attachment 2. Development and Financing Agreement (Exhibits), 3. 21-1234\_Attachment 3. Grant Agreement, 4. 21-1234\_Attachment 4. Inova Site Purchase and Sale Agreement, 5. 21-1234\_Attachment 5. Deed of Ground Lease, 6. 21-1234\_Attachment 6. Access Agreement, 7. 21-1234\_Attachment 7. Reciprocal Easements and Covenants, 8. 21-1234\_Attachment 8. Community Development Authority Documents, 9. 21-1234\_Attachment 9\_NHS and relocation framework

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

**DATE:** JULY 1, 2021  
**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**  
Authorization of the Execution of Proposed Landmark/Inova Development and Land Acquisition Agreements.  
(This is not a public hearing item)

**ISSUE:** Approval of Landmark Mall Redevelopment Agreements.

**RECOMMENDATIONS:** That City Council:

- 1. Authorize the City Manager to execute, in substantially the final form as outlined in the Key Terms included in this docket memorandum, in order to induce redevelopment of the Landmark site as a mixed use development, including a new Alexandria Inova Hospital Medical Campus, the (a) Development

and Financing Agreement (Attachments 1 and 2) with Landmark Holdings LLC, Inova Health Care Services and the City, and (b) the Grant Agreement (Attachment 3) between the City and the Industrial Development Authority of the City of Alexandria; and

2. Acknowledge the intent of the Industrial Development Authority of the City of Alexandria to execute with Landmark Holdings LLC and/or Inova Health Care Services, as applicable, in substantially the final form as outlined in the Key Terms included in this docket memorandum, a Purchase and Sale Agreement (Attachment 4), Deed of Ground Lease (Attachment 5), Access and Temporary Construction Management Agreement (Attachment 6), and a Reciprocal Easements and Covenants Agreement (Attachment 7); and
3. Direct the City Manager, subject to the receipt of landowner petition, to bring forward for Council consideration and first reading at its September 14 Legislative Meeting, an ordinance creating the Landmark Community Development Authority.

**BACKGROUND:** In December 2020, the City, Inova Health Care Services (Inova) and a joint venture that includes Foulger-Pratt, Howard Hughes Corporation and Seritage (FP Joint Venture, now Landmark Land Holdings, LLC, Developer) announced a partnership to redevelop the 51-acre Landmark Mall site into a mixed-use town-center type development with new regional Level II Trauma Center Hospital, Cancer Center and at least one medical office building. In total, the plan would encompass 5.6 million (FAR) square feet of new development. For the City, the Landmark total redevelopment, including the impact of moving Inova from its current site, would generate \$1.040 billion in tax revenue over a 30-year period and create a town center for the West End of the City.

**DISCUSSION:** The proposed development would transform the unoccupied, enclosed mall site into a mixed-use, walkable urban village. Inova, the leading nonprofit health care provider in Northern Virginia, would invest an estimated \$1 billion to create a new medical campus, anchored by the relocation and expansion of its Alexandria Hospital and more than 2,000 health care workers. Development plans on the balance of the site include residential, retail, commercial, and entertainment offerings integrated into a cohesive neighborhood with a central plaza, a network of parks and public spaces, and a transit hub serving bus rapid transit (BRT), DASH, and Metrobus. Affordable and workforce housing would be enhanced through Developer contributions and co-location with community facilities such as a new Alexandria Fire-EMS station to replace the outdated nearby Station 208.

When the City, Inova and Developer first announced this three-party partnership last December, the plan was for the City to fund the purchase price of \$54 million for a portion of the former Landmark Mall site (Inova Site) in two payments. The price also includes an easement and rights to use 550 parking stalls in the existing Landmark Mall garage, which will remain after redevelopment. The first payment of \$21 million would be made by the Industrial Development Authority of the City of Alexandria (IDA) using City provided funds at the time of property acquisition planned for the end of this September. A second payment on the land purchase by the IDA using \$33 million in City monies would be made at the end of 2022. The acquired land and parking space rights would be leased to Inova for 90 years from initial date of occupancy. The construction of the hospital facilities will start from the date all specified turnover conditions have been met.

Last December, based on infrastructure cost estimates at the time the City also committed \$76 million for infrastructure investments at and adjacent (i.e. Van Dorn and Duke Streets) to the site. At that time the developer committed \$36.4 million for infrastructure. Since then construction re-costing, changes in scope, environmental remediation contingent, and City development conditions have raised that City amount by \$10 million to \$86 million and the developer's contribution by \$17.9 million to \$54.3 million.

The transaction involves \$140 million in direct public participation in part through \$86 million (plus capitalized interest) in tax increment financing (TIF), the creation of a Community Development Authority (CDA) to backstop the TIF, the \$54 million purchase and leasing of the land and associated parking easements to Inova by the IDA, the construction of a \$1 billion hospital and medical campus, plus the development of several million square feet of private mixed-use development and a new City fire station. In addition, it involves the demolition of an existing mall, the removal of the existing fly-over infrastructure on Duke Street that has served as a visual and physical barrier to the site, and the eventual alteration of an interstate highway off ramp. Finally, it requires three major key partners and two property owners to find common ground on many issues where interests vary. This is a very complicated project and will require the best efforts and faithful cooperation of all involved parties. The obligations and rights of the various parties are memorialized in the agreements attached in substantially final form.

**CITY EXECUTED AGREEMENTS:** The following is a summary of the two agreements for which City Council authorization is sought for the City Manager to sign in a form not substantially different than presented the Key Terms outlined in this memo are not subject to change.

***Development and Financing Agreement (Attachment 1, with its Exhibits in Attachment 2):*** The City, Inova and Developer are parties to the Development and Financing Agreement. This agreement provides for design, permitting, development and construction, and completion of infrastructure improvements and defines the parties' responsibilities and rights.

**Key Terms:**

- a. The conditions precedent for this agreement to be implemented are City Council approval of issuance of infrastructure improvement and land acquisition bonds, City Council approval in September of CDA Ordinance which needs to be triggered by a forthcoming petition filed in July by the Landmark property owners, rezoning approvals for Landmark (to be considered by Council on July 6) and Seminary Road (approved by Council on June 19), and meeting environmental considerations.
- b. The Development and Financing Agreement also defines events of default and default remedies, and allows for alternative dispute resolution prior to court proceedings initiated by any party.
- c. Developer has the obligation to construct the infrastructure improvements on an established schedule. Force Majeure conditions apply.
- d. The Development and Financing Agreement also establishes City (\$86 million) and Developer (\$54.3 million) contributions for identified infrastructure improvements.
- e. It establishes City oversight and inspection of infrastructure improvements with retainage, and sets insurance minimums and bonding requirements for Developer.
- f. Developer has agreed to a goal that 15% of the public infrastructure improvements and off-site CDD infrastructure improvements will be contracted with regional, small, women-owned and/ or minority-owned business.
- g. City funding (\$140 million) is established at \$86 million for infrastructure, plus land purchase grant to the IDA of \$54 million, excluding capitalized interest and financing costs.
- h. Inova is obligated to build infrastructure improvements once Developer has obtained necessary land use

approvals, including a pad-ready site for Inova to construct its facilities.

- i. If IDA/City decides to sell the Inova Site to other than the City or another governmental entity, Inova has a Right of First Offer and a Right of First Refusal to purchase. City/IDA would have sole discretion to reject Inova's offers under the Right of First Offer, and under the Right of First Refusal, Inova must match an offer that is acceptable to City/IDA in its sole discretion.
- j. The Development and Financing Agreement sets milestones for the I-395/Duke Street Interchange improvement that, if not met, would result in \$750,000 in annual liquidated damages paid by the City to Inova. Since this amount is about equal to what the Interchange improvement's annual debt service would cost, the practical result is that, if all attempts to obtain outside grant funding failed, then the City would need to fund and build this \$12 million interchange improvement, with \$2 million in Developer and Inova contributions and the remaining \$10 million in City monies. Additional discussion is provided under the *I-395 northbound off ramp* section below.
- k. Land for a new Fire-EMS 208 station of approximately 26,000 square feet will be provided by Developer to City. The costs for the construction of the fire station shall be the responsibility of the City. The intent is for affordable housing to be constructed above the fire station as was accomplished above Fire Station 209 in Potomac Yard.

Other agreements related to this transaction are exhibits to the Development and Financing Agreement.

**ROLE OF CITY INDUSTRIAL DEVELOPMENT AUTHORITY (IDA)**: Alexandria's IDA is a seven-member board, appointed by City Council, to promote and facilitate economic and commercial development activities in the City. Since 1998, the IDA as a conduit bond issuer has assisted 85 nonprofit organizations with bond financing, issuing \$1.3 billion in revenue bonds.

In order to recoup its \$1 billion investment, Inova will be granted 90 years of occupancy. Unlike the City, which is not authorized under State law to enter into a ground lease for a term longer than 40 years, the IDA is able to enter into a ground lease for a term up to 99 years. Consequently to enable Inova's participation in the Landmark Redevelopment, the IDA will purchase the Inova Site, with funds granted to IDA by the City under a Grant Agreement, pursuant to a purchase and sale agreement with Developer (Inova Site Purchase and Sale Agreement) and simultaneously enter into a ground lease with Inova (Ground Lease), whereby Inova will develop, construct, own and operate the Hospital Facilities.

At the closing on purchase of the Inova Site, IDA will also enter in an access agreement with Developer and Inova (Access and Temporary Construction Management Agreement) to allow Developer and Inova access to perform certain "Pad Ready" site work at the Inova Site prior to the commencement of the Ground Lease, and a REA for the Project.

***Grant Agreement (Attachment 3)*** The City and the IDA are parties to the Grant Agreement. On June 30, 2021, the IDA Board authorized its Chair to execute the Grant Agreement with the City as well other necessary documents related to this transaction. The Grant Agreement expresses the terms under which the City will fund the purchase of the Inova Site and IDA will lease the property to Inova.

**Key Terms:**

- a. The Grant Agreement requires the IDA, subject to conditions contained in the Development and Financing Agreement, to execute and deliver the Inova Site Purchase and Sale Agreement (*Attachment 4*), Ground Lease (*Attachment 5*), Access and Temporary Construction Agreement (*Attachment 6*), and a

Reciprocal Easements and Covenants Agreement (*REA*) (*Attachment 7*) (collectively, the "Landmark Agreements") as and when directed by the City in conjunction with the closing on the purchase of the Inova Site. The City would only direct the IDA to proceed with the purchase of the Inova Site if no material adverse circumstances arise prior to the expected Closing, which is projected to occur by the end of September 2021.

- b. IDA to reasonably administer and enforce the Landmark Agreements. The IDA will handle all "day to day" matters with City staff assistance with respect to the administration and enforcement of the Landmark Agreements, but will need the City's prior written approval for any non-routine matters under the Landmark Agreements, including without limitation, any material amendments to or terminations of any of the Landmark Agreements, exercise of default remedies, and consent to any proposed assignment, sublease (other than routine subleases of space) or leasehold mortgage by Inova under the Ground Lease.
- c. In no event may IDA sell, mortgage or otherwise encumber the Inova Site, except as otherwise provided by the Landmark Agreements and/or as directed by the City.
- d. IDA shall provide the City with regular updates of the status of the Landmark Agreements and provide the City with prompt written notice of the occurrence of any default thereunder or occurrence of any event with the potential to cause a material adverse change to the value of the Inova Site (such as the occurrence of a material casualty or condemnation).
- e. While IDA shall be entitled to retain payments of the standard base rent (\$1/year) and other routine payments under the Ground Lease, the IDA shall promptly provide to the City any extraordinary or non-standard payments received by IDA under the Ground Lease, including without limitation, any payments of increased rent or liquidated damages by Inova under the Ground Lease, as well as any insurance proceeds from casualty or condemnation awards.
- f. Upon the expiration or earlier termination of the term of the Ground Lease, IDA shall re-convey the ownership of the Inova Site to the City, without any payment or consideration, unless (i) the Inova Site is purchased by Inova under the terms of the Ground Lease or by Developer under the terms of the REA, or (ii) the City otherwise directs the IDA in writing. Additionally, IDA shall re-convey the ownership of the Inova Site to the City and shall assign the Ground Lease to the City, without any payment or consideration, at any time upon the City's prior written request.
- g. IDA shall sign such other documents and shall take such other actions as the City shall reasonably request to facilitate the Project, the City's interests with respect thereto, and the City's obligations under the Development Agreement, including without limitation, signing land use applications related to necessary approvals for the Project in the IDA's capacity as owner of the Inova Site and signing documents related to the Landmark Community Development Authority.
- h. The City is expected and obligated (subjected to appropriation) to fund the \$54M purchase price of the Inova Site pursuant to the terms of the Inova Site Purchase and Sale Agreement, as a grant to IDA under this Grant Agreement. City Council already has included \$54 million in its adopted capital improvement program for this purpose, and that amount is included in the proposed general obligation bond ordinance that has been presented to Council to approve at its July 6 meeting. If the City Council fails to appropriate funds for the second installment of the purchase price under the Purchase Agreement (i.e., \$33 million), the Purchase Agreement may, under certain circumstances, require that the Inova Site be re-conveyed back to Developer or its designees, or to convey to Inova if it pays such second installment of the purchase price. In such event, IDA shall, at the City's written direction, so re-convey or convey the Inova Site.

- i. The City shall fund all costs of due diligence performed with respect to the Inova Site, all closing costs applicable to buyer that are associated with the purchase of the Inova Site, and pay for a title insurance policy insuring IDA's title to the Inova Site.
- j. The City shall reasonably respond to all of the IDA's requests for information, guidance and consents, and shall provide reasonable staff assistance and technical support with respect to the administration of the Landmark Agreements.
- k. The City shall fund the reasonable costs of customary insurance policies related to the IDA's ownership of the Inova Site.
- l. The City shall fund the reasonable costs of IDA's administration and enforcement of the Landmark Agreements. Such obligation shall include IDA's reasonable attorney's fees.

As noted earlier, the Grant Agreement, between the City and IDA, directs IDA to execute and deliver the following four (4) Landmark Agreements as described below:

***Inova Site Purchase and Sale Agreement (Attachment 4):*** The IDA and Developer are parties to this agreement. The agreement accomplishes the sale of the Inova Site to the IDA with direct conveyance from the current owners as contemplated in the Development Agreement between the City, Inova, and Developer.

**Key terms:**

- a. This agreement is considered a "sign and close agreement", therefore, the settlement will be at the same time this agreement is signed.
- b. Developer's obligations with regard to the environmental condition of the Inova Site is addressed in the Development and Financing Agreement.
- c. The \$54 million purchase price is to be paid in two installments, with the first installment being in the amount of \$21 million and due at closing on the purchase of the Inova Site, and the second installment being in the amount of \$33 million and being due approximately 15 months later (in December 2022, if closing occurs in September 2021). The payment of the second installment is conditioned on Developer meeting certain requirements under the Development Agreement. If the City fails to appropriate the \$33 million second installment of the purchase price when due, Developer will give Inova the opportunity to pay an amount equal to the second installment before exercising its right to repurchase the land from IDA for the amount of the \$21 million first installment of the purchase price, less the amount of funds expended on public infrastructure improvements prior to such date.

***Ground Lease (Attachment 5)*** The IDA and Inova are parties to this ground lease. The ground lease allows for the use of the property by Inova as a hospital and for medical care facilities.

**Key terms:**

- a. The construction of the hospital facilities start when a list of Turnover Conditions has been met. The 90-year occupancy term excludes Inova's expected approximately 5-year design, engineering, and construction period. The ground lease limits the use to hospital, cancer center and medical office buildings as approved by the DSUP approved by the City, as the same may be amended.

- b. The lease commences once the required land use approval for the construction of the project have been obtained, the pad ready site by Developer is substantially completed, City/IDA has made the second installment payment for the purchase price of the Inova Site, certain authorization for the I-395/Duke Street Interchange are approved by all appropriate parties and funding secured, and all Project Agreements are in full force and effect.
- c. Inova is required to permit and construct the hospital in accordance with certain milestone dates. If Inova fails to meet such construction milestone dates, then, under certain circumstances, City/IDA may terminate the ground lease and hold Inova liable for \$50 million as liquidated damages.
- d. Inova will pay a rent of \$1 a year, unless there is a default. If there is a default and all cure periods have expired, the rent will increase to between \$2.7 million per year and \$3.3 million per year (equivalent to the City's annual debt service on the \$54 million purchase price for the land). Additionally, if City/IDA terminate the ground lease as a result of Inova's uncured default, City/IDA have the right to hold Inova liable for \$10 million as liquidated damages.
- e. Inova's parent company, the Inova Health System Foundation, is the guarantor of all of tenant's obligations under the ground lease.
- f. Inova will pay all applicable taxes, fees, utility charges and the like applicable to the use of the property including personal and real estate taxes as applicable.
- g. No assignment of the lease without IDA's consent; except sale allowed for a mortgaged property foreclosure. Subleases are allowed up to 15% of the square footage of the building without IDA consent, and thereafter require IDA consent, but are subject, in all cases, to all the same terms as the ground lease. A Right of First Offer to purchase the property is provided to Inova if IDA seeks to sell the property to other than the City or another governmental entity, with IDA having total discretion to accept or reject the offer. Additionally, Inova is granted the right of first refusal to match an offer to purchase the property if IDA wishes to accept an offer from other than the City or another governmental entity.

***Access and Temporary Construction Management Agreement (Attachment 6)*** The IDA, Inova, and Developer are parties to this agreement. In acknowledgement of the fact that 1) IDA will own the property; and 2) Developer and Inova will be doing site work on the property, including the construction by Developer of the pad ready site work to allow for the construction of the hospital, the parties enter into this agreement to provide Inova and Developer with access to the site and to address the potential overlap of construction.

**Key terms:**

- a. Grants access to both Developer and Inova to IDA owned land to investigate site and to get site Pad ready for Inova construction.
- b. There is an allowance for Developer to license the property to a non-healthcare use allowed under the laws of the City that is not reasonably expected to cause hazardous materials to contaminate the site prior to commencement of construction of the pad ready site, subject to IDA's consent. This provision allows for interim community uses such as a drive-in theatre at the site before the construction starts.
- c. Concurrent and cooperative construction requiring the parties to work together to make sure neither interrupts the other's work.

- d. Requirements to keep the site safe, obtain all government approvals, comply with all laws and liability for any damage caused by either Inova or Developer.
- e. Indemnification and insurance requirements protecting the IDA by both Inova and Developer, and Indemnification of Inova and Developer by each other.

***Reciprocal Easements and Covenants Agreement (Attachment 7):*** The IDA, Inova, and Developer are parties to this agreement. The REA establishes cross easements and agreements between IDA as the owner of the hospital site, Inova as user of the hospital site, and Developer as owner of the remainder of the Landmark site and establishes shared facilities including parks, roads, parking garages, stormwater facilities, and plazas.

**Key terms:**

- a. Grants easements for development, encroachments over property boundaries, support, maintenance, utilities, access, parking, shared facilities, stormwater management, signage, events/programming, and other easements reasonably necessary.
- b. Establishes operation parameters and cost sharing for shared uses. Business Improvement District type organization may be created.
- c. Sets permitted and prohibited uses including that the hospital parcel shall be used for hospital uses and shall not be used for any long term in-person care or rehabilitation, or residential dwellings or lodging and allows for a purchase option by Developer if under adverse conditions (albeit unlikely) the hospital use ceases for more than 90 days.
- d. Establishes development and redevelopment parameters and required permissions among the parties for development and/or redevelopment of the parcels.
- e. Termination of the agreement requires a written instrument entered into by Hospital owner, at least 2/3 of mixed-use parcel owners, Developer (during developer rights period) and eligible mortgagees.
- f. For the term of the ground lease, provides Inova exclusive easements and rights to use 550 parking spaces in the existing Landmark Garage for vehicular parking by staff, physicians, patients and visitors of the Hospital Facilities. At the expiration of the ground lease, these parking benefits would transfer to the IDA.
- g. If the ground lease to Inova is terminated, and the hospital ceases to be operated as an acute care facility for a two-year period thereafter, to protect its economic interests, Developer has right, during first 50 years after opening of the hospital, to purchase land and improvements at fair market value.

**OTHER MATTERS:**

***Tax Increment Financing (TIF) and Community Development Authority (CDA):*** The City infrastructure investment of \$86 million (plus between \$10 million and \$20 million in capitalized interest needed until projected development generated taxes equal debt service) is intended to be repaid through a TIF to be funded by tax revenues generated from the Landmark site. The TIF would be backed by the creation of a CDA composed of five (the State law limit) City Council members whose sole role, in the case that development revenues are not sufficient to repay debt service, would be to cause the collection the debt service shortfall from property owners. A separate ordinance for the creation of a CDA will be scheduled for a public hearing in September 2021. The \$54 million for land acquisition is not part of the TIF (Inova is exempt from property

taxes), but from prior calculations, once Inova's existing site on Seminary Road is redeveloped, those new tax revenues will more than cover the debt service on the \$54 million. The draft CDA documents are included as Attachment 8.

**Health Care Commitments:** At the time of the announcement of this Landmark/Inova redevelopment plan in December, Inova had agreed to a number of health care commitments. These included the construction of a new hospital, cancer center and medical office building, provision of indigent care financial assistance, the provision of financial assistance no less than the level provided at other Inova facilities in Northern Virginia, the provision of emergency room access, and the periodic consultation with the City on indigent care policies. These are reflected in the Ground Lease. Inova also plans for the hospital to be a Level II Trauma Center. In addition, for the City owned Casey Clinic which is now located on the Inova campus, and is primarily used by Neighborhood Health Services (NHS), and which will be demolished when the hospital moves, the City and Inova have agreed (Attachment 9) to a set of terms by which Inova, using a portion of the City operating assistance that Inova now receives, will pay up to \$300,000 per year for NHS rent in a to-be-determined location which fits NHS's geographic service needs, and the City would contribute a monetary amount equal to the residual value of the to-be-demolished Casey Clinic Building to NHS for leased space tenant improvements and furniture, fixtures and improvements.

In December when Inova, the City and the Developer announced redevelopment plans, those plans reflected Inova's thinking at the time about the size of its New Hospital, Cancer Center and Medical Office Building. At that time, it was contemplated that a total of 880,000 square feet (231 beds) would be constructed in Phase I for those three facilities with room to add 185,000 square feet in a later construction phase. Since then the hospital has been undertaking more detailed planning and costing, resulting in plans at this stage being designed at 836,000 square feet (231 beds) plus the 185,000 square feet for future expansion. The CDD which often set a maximum square footage ceiling totals some 915,000 plus the 185,000 for future development. In the Ground Lease and the Development and Financing Agreement the total square footage is set at a minimum of 690,000 square feet (capacity for 230 beds) plus the 185,000 for future expansion. While Inova is planning on a first phase of 836,000 square feet (231 beds), because of budget constraints and rising construction costs they have set a conservative floor on the minimum amount of development that they would have to construct in Phase I.

**I-395/Duke Street Interchange Northbound Off-Ramp:** Since December, in order to greatly improve site access for its patients and employees, Inova added a \$12 million I-395 northbound interchange ramp improvement to their list of infrastructure requirements. It is City staff's proposal to seek regional Northern Virginia Transportation Authority (NVTA), and/or state/federal funds, to pay for that ramp improvement. Transportation and Environmental Services (TES) staff have discussed the proposed ramp improvements with NVTA staff (as well as with Virginia Department of Transportation (VDOT) and Federal Highway Administration (FHWA) staff) and have received an initial favorable response. Staff believes that NVTA funding is likely, and federal funding is possible. However, the timing of obtaining the grant funding is not certain at this time, but it is feasible to obtain funding and to have this Interchange improvement completed by the time the hospital opens in 2028. Staff recommends the City provide comfort to Inova for the \$12 million in funding in 2023 by the provision of a \$750,000 annual default payment provision, with the expectation that NVTA funding would become available in 2026 to start construction. In the meantime, regulatory approvals from VDOT and FHWA would be sought and construction drawings and bid/contract documents prepared. While there is some financial risk to this plan, this is a reasonable way of balancing Inova's timing needs with the NVTA funding timetable. As an alternative to NVTA funds, other state and federal grant funds would be sought. If grant funds cannot cover all costs of the proposed ramp improvements Developer and Inova both have pledged \$1 million towards this project.

**Environmental Matters:** As is the case with the purchase of any previously used commercial land, the

environmental conditions need to be understood and addressed. Also, hospital uses fall under the most stringent Virginia regulations for ground environmental conditions. The Landmark Mall site once contained a quarry. While operating as a mall, the site, as is the case with other commercial buildings of that era, had included underground heating oil tanks as well as underground fuel tanks associated with the automotive uses. Developer commissioned a Phase I environmental study, which the City and Inova then followed up with their own Phase I study in 2021. The Phase I study results indicate the presence of materials related to these underground storage tanks as well as the fact that the quarry likely was partially filled in, in the 1960's, with material trucked from off-site.

These types of soil conditions are common in the City and other jurisdictions with such previous commercial uses. Many sites in the City (given its many 19<sup>th</sup> and 20<sup>th</sup> century commercial sites) have had significant environmental conditions which have been successfully managed in order to allow a property's redevelopment. Potomac Yard is a major example.

A Phase II environmental study has been ordered by all three parties. This will produce a detailed analysis of soil conditions. The Development and Financing Agreement defines what the remediation plan is contemplated to be and, if the Phase II study results show a more severe situation which cannot be remediated within the \$5 million contingent set aside for this purpose, then the parties would seek to amend the Agreements to address any currently unforeseen issues or remedies. If agreement among all parties could not be reached, then no land acquisition by the IDA under this transaction would occur. That said, given the results of the multiple Phase I's, it is expected by all parties that this probability is very small. However, as is the case with most major commercial transactions, contingency language is included in agreements to handle risks that are not totally known and for unlikely situations.

### **FISCAL IMPACT:**

For the City, the Landmark Redevelopment would generate \$1.04 billion in tax revenue over a 30-year period from Landmark and a redeveloped Seminary Road Inova site into taxable residential use. After deducting debt service of \$278 million for both the infrastructure improvements and the land purchase, the net gain for the City to pay for Landmark and citywide services is \$762 million. This net gain does not include new tax revenues created by the positive economic impact of the redevelopment of sites adjacent and near the Landmark redevelopment site.

### **ATTACHMENTS:**

1. Development and Financing Agreement (Text)
2. Development and Financing Agreement (Exhibits)
3. Grant Agreement
4. Inova Site Purchase and Sale Agreement
5. Deed of Ground Lease
6. Access and Temporary Construction Management Agreement
7. Reciprocal Easements and Covenants
8. Community Development Authority Documents
9. Proposal Related to Relocation of Neighborhood Health Services.

### **STAFF:**

Joanna Anderson, City Attorney

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Julian Gonsalves, Assistant City Manager for Public-Private Partnerships

