

PRELIMINARY TERM SHEET

This preliminary term sheet (“**Term Sheet**”) is a non-binding summary of certain material terms that are being considered for inclusion in one or more future agreements between the **City of Alexandria, Virginia** (the “**City**”) and **HRP Potomac, LLC** (the “**Developer**”) (collectively, the “**Parties.**”).

This Term Sheet is intended solely to facilitate continued negotiations between the Parties and does not constitute a binding agreement or an obligation to enter into any transaction. It is understood by the Parties that this preliminary term sheet represents the framework of what the City Manager intends to propose to the Alexandria City Council for their consideration and approval. No Party shall have any legal obligation with respect to the matters described herein unless and until definitive future agreements are negotiated, executed, and delivered by all Parties.

The Parties acknowledge that the consummation of the transactions described below will be subject to, among other conditions precedent, the negotiation of a definitive agreement(s), the approval of the City Council, and the authorized signatories of the Developer.

Key Deal Points:

- **Parties:**
 - o HRP Potomac, LLC (the “**Developer**”), a Delaware limited liability company authorized to conduct business in the Commonwealth of Virginia with a principal place of business of 111 S. Wacker Dr. Ste. 3000, Chicago, IL, 60606
 - o City of Alexandria, Virginia (the “**City**”), a municipal corporation of the Commonwealth of Virginia
- **Project Property:**
 - o 1300 North Royal Street, Alexandria, Virginia and any related parcels associated with the redevelopment of the former Potomac River Generating Station site (the “**Property**”)
- **Fundamental Deal Structure:**
 - o The proposed development plan for the Property includes approximately 2.5 million square feet of mixed-use, commercial, and residential development (the “**Project**”).
 - o The Property is planned to be developed in multiple blocks, which are identified as Blocks A, B, C, D, E, and F, as reflected in Master Plan Amendment Nos. 2022-00002 and 2022-00001 and Coordinated Development District Conceptual Design Plan No. 2021-00004 for the Potomac River Generating Station (collectively, the “**Development Approvals**”) as may be amended and/or supplemented from time to time by the City Council.
 - o The Developer will be responsible for demolition of the existing power plant and abatement thereof, as well as all construction associated with the Project subject to reimbursement as provided below.

- Subject to approval by the City Council in its sole discretion, in recognition of the \$2 billion in planned capital investments on the Property by the Developer in accordance with this Term Sheet, the Development Approvals and the Developer Investment (as defined below) of \$155,200,000, the City agrees to structure and facilitate the issuance of revenue bonds or other financing mechanisms to support eligible public infrastructure improvements associated with the Project, in an amount not to exceed \$135,000,000 in net infrastructure proceeds (“**Public Infrastructure Financing**”) plus additional proceeds in an amount necessary to pay for costs of issuance, administrative expenses, the funding of capitalized interest and reserves, and other costs incidental to the bonds, in each case as deemed necessary by the Parties in connection with the issuance of the bonds. Such Public Infrastructure Financing will be provided in two phases (which may include subphases), as defined below and in future agreements.
- **Public Infrastructure Financing:**
 - Uses of Funding. Public Infrastructure Financing proceeds shall be used solely for infrastructure improvements that qualify under section 15.2-5158 of the Code of Virginia governing community development authorities, as interpreted by the City in its sole discretion, and as will be detailed in an exhibit to a future agreement. Eligible costs may include, but will not be limited to, deconstruction of the power plant, public open space, public roadway and street improvements, utilities, pedestrian and bicycle facilities, site readiness, and related supportive improvements and scope necessary to facilitate the above (the “**Public Infrastructure**”). No proceeds shall be used for private development or other non-qualifying costs.
 - Disbursement. Public Infrastructure Financing proceeds will be disbursed to the Developer on a progress payment basis, subject to verification of completed work, submission of supporting documentation, compliance with the terms of any future agreement(s), and availability of funds.
 - Construction Responsibility. Developer shall be responsible for construction of all the Public Infrastructure at its sole cost and risk, except to the extent reimbursed through the Public Infrastructure Financing in accordance with the terms of any future agreement(s).
 - Phasing.
 - **Phase I** of the Project shall include deconstruction of the power plant and associated environmental abatement, site remediation, site infrastructure, associated open space for Blocks A, B, and C, together with such other elements as will be detailed in a future agreement (“**Phase I**”). Up to \$70,000,000 of Public Infrastructure Financing is anticipated to be allocated to Phase I (the “**Phase I Financing**”).
 - **Phase II** of the Project shall include site remediation, site infrastructure and associated open space for Blocks D, E, F, together with such other elements as will be detailed in a future agreement, and shall be funded with

\$65,000,000 in Public Infrastructure Financing and any unused net proceeds from the Phase I Financing (“**Phase II Financing**”). Any unused net proceeds from the Phase I Financing shall not reduce or offset the required Developer’s Investment of \$155,200,000.

- Development Schedule. The Parties shall negotiate a construction schedule for the Project and related enforcement mechanisms, to include required time frames for submissions and approvals necessary for the Project, and commencement and completion deadlines for Phase I and Phase II (“**Development Schedule**”). Compliance with the Development Schedule shall be a condition for eligibility of the Developer’s receipt of Public Infrastructure Financing proceeds. The Development Schedule shall include, at a minimum, the following milestones:
 - **Phase I**: The Developer shall commence construction of Phase I by December 31, 2027, and complete construction by December 31, 2030, including all Phase I Public Infrastructure and private development, including but not limited to, associated arts and cultural anchor spaces and/or associated users. The City Manager may, in his or her sole discretion, extend the commencement and completion deadlines for up to 24 months, upon a showing that Developer is diligently pursuing the Project and is in compliance with all applicable agreements. Subject to the future agreements, in no event will the commencement date be extended beyond December 31, 2029, or the completion date be extended beyond December 31, 2032.
 - **Phase II**: The Developer shall commence construction of Phase II by December 31, 2030, and complete construction by December 31, 2034, including all Phase II Public Infrastructure and private development, including but not limited to, associated arts and cultural anchor spaces and/or associated users. The City Manager may, in his or her sole discretion, extend the commencement and completion deadlines for up to 24 months, upon a showing that Developer is diligently pursuing the Project and is in compliance with all applicable agreements. Subject to the future agreements, in no event will the commencement date be extended beyond December 31, 2032, or the completion date be extended beyond December 31, 2036.
 - The Developer shall meet the above deadlines subject to using commercially reasonable efforts and receipt of necessary city approvals.
 - The Parties shall negotiate enforcement mechanisms in the future agreement(s) which may include remedies if the foregoing timelines

are not met, subject to reasonable notice and cure provisions, and provisions allowing for marketability of the bonds.

- The Developer shall be responsible for initially funding all costs for all Phases. Subject to the terms of future agreements, the City shall reimburse the Developer for eligible costs from Public Infrastructure Financing proceeds, in an amount not to exceed the Phase I Financing and Phase II Financing, as applicable. Such reimbursement shall occur after completion of the applicable public improvements or portion thereof, together with other conditions as may be set forth in the definitive agreements, and shall be subject to: inspection and/or verification of completed work or portion thereof, submission of supporting documentation, availability of funds, and compliance with all applicable agreements, subject to any cure periods or rights. Such agreements will include terms such as mutually agreed-upon development benchmarks including issuance of financing, and other performance guarantees.
- Approval of Phase I Financing shall not in and of itself obligate the City to approve or fund Phase II Financing.
- Conditions Precedent to Public Infrastructure Financing.
 - As a condition precedent to the issuance of Phase I Financing proceeds to Developer, the Developer/Developer's Lender shall invest a minimum of \$110,000,000 including costs spent to date, toward the total estimated \$290,200,000 budget for Public Infrastructure. The \$290,200,000 budget includes: (i) the \$63,200,000 original purchase price for the Property; (ii) approximately \$92,000,000 in entitlements and site readiness costs (items i and ii together, the "**Developer Investment**"); and (iii) approximately \$135,000,000 in Public Infrastructure costs.
 - As conditions precedent to the issuance of Phase II Financing proceeds to Developer, the future agreement will include, but not be limited to, the following pre-requisites:
 - The Developer shall complete construction of Phase I within the timelines set forth in the Development Schedule section above, including all Phase I Public Infrastructure and private development. Notwithstanding the foregoing, following consultation with City Council, the City Manager may, in the City Manager's discretion, authorize issuance of Phase II Financing based on market conditions or other circumstances, provided the Parties determine that such issuance is in the best interest of the City.
 - The Developer shall complete construction of 15,000 square feet of the 30,000 square feet of the arts and cultural anchor space described in the Development Approvals.

- The Developer shall issue the solicitation for the affordable housing developer as described below.
 - The Developer shall comply with the Bond-Issuance Requirements set forth below.
 - The City shall determine, in its discretion and based on actual and projected revenues and a financing analysis, that TIF revenues achieve a sufficient threshold to support debt service coverage and other Bond costs such that the Phase I Bonds are viable and that a Phase II issuance would also be viable.
 - Public Infrastructure Financing proceeds shall be used solely for eligible Public Infrastructure costs, and in no event shall be used for private construction or any other non-qualifying costs, in the City’s sole discretion.
- Creation of CDA. Subject to City Council approval by ordinance, the City, upon petition of the Developer (and other landowner(s), if any), will create a Community Development Authority (“**CDA**”), with such CDA to be governed by a board of members appointed by City Council, to be selected from and shall at all times be members of the Council.
- The ordinance establishing the CDA is expected to authorize the CDA to impose a backup special assessment in the form of a supplemental real estate tax assessment that may be levied by the CDA on the taxable property within the Project. Such assessment would be designed to provide a source of repayment for debt service on bonds issued to finance Public Infrastructure in the event that the projected real property and incremental tax revenues (as delineated below) are not sufficient to cover such debt service. The specific methodology, rate, and application of any such assessment shall be further described in future agreements.
- Sources of Payment.
- It is expected that the City will size and structure the Public Infrastructure Financing bonds (“**Bonds**”) based upon anticipated incremental tax revenues to be generated by the Project.
 - The CDA is expected to issue the revenue Bonds for Phase I and Phase II. However, the City may, in its discretion, choose to use General Obligation bonds for Phase II backed by CDA special assessments as described below.
 - The Bonds are expected to include typical market redemption provisions to allow for refinancing as market conditions present opportunities for savings to the City.
 - The Bonds are not required to be issued unless the CDA and City shall receive, at the time of their issuance, an opinion of bond counsel selected by the City and CDA in form and substance reasonably satisfactory to the City and CDA with respect to the validity of the Bonds and any tax-exemptions with respect to the interest thereon.

- The City shall work, in consultation with the Developer, on Bond financing parameters, but the City shall have final approval of such parameters.
- The Parties shall negotiate in good faith a “lookback” mechanism under which the City may share in Project performance above agreed-upon thresholds and within specified timeframes, including excess operating income and/or proceeds from a sale or refinancing. The structure, thresholds, timing of payments, and any limitations shall be set forth in future agreement(s) and subject to City approval.
- The City expects to appropriate and transfer a portion of specified incremental tax revenues generated from the Project—limited to real property, sales, discretionary meals, and transient lodging tax revenues—sufficient to fund the debt service payments on the Bonds, as further described in the table below (“**Tax Increment Revenues**”). Any such transfer shall be subject to annual appropriation by City Council.
- The City’s non-discretionary incremental meals tax (1% for affordable housing) and 3.2 cent carve out from real property taxes (1 cent for housing and the 2.2 cents for transportation) are not included in such Tax Increment Revenues and will be retained in the City’s general fund.

Category	Maximum Percentage of Incremental Revenues used to size Debt Service Coverage and available to pay Annual Debt Service for the Project Bonds
Real property tax	85%
Sales & use tax	70%
Discretionary meals tax	75%
Transient lodging tax	60%

- The Tax Increment Revenues shall be based only on taxes in effect as of the date of execution of future agreement(s) and as enumerated in such agreements. Nothing herein shall preclude the City Council from amending tax rates, adopting new or modified taxes, or to otherwise limit the City Council’s discretion as it relates to taxes for the Property. Any additional tax created during the term of the future agreement(s) shall be excluded from the Tax Increment Revenues calculation and debt service appropriations by the Council.

- The real property tax shall be based on the increase in assessed value compared to the value as of January 1, 2026. There are currently no sales & uses, discretionary meals, or transient lodging taxes generated from the Property. Any future taxes in these categories will be incremental.
 - The Tax Increment Revenues pledged for Public Infrastructure Financing debt service shall not exceed a maximum of \$10 million annually for Phase I debt service and \$20 million annually for total debt service, unless increased by the sole discretion of the City to the extent allowable per the maximum pledge percentage in the table above.
 - **Revenue Shortfall; CDA Special Assessments.** In the event that Tax Increment Revenues (to the extent appropriated by the City Council as set forth herein), and any available reserves, are insufficient to pay debt service on the Bonds issued to finance the Public Infrastructure, the CDA may levy and collect special assessments on taxable property within the Project boundaries in amounts sufficient to cure such deficiency. Such special assessments shall be applied to the payment of debt service on the Bonds or replenishment of reserves used to pay debt service.
 - The total amount of any CDA special assessments to be levied upon each parcel subject to CDA special assessments, the schedule of payments, and the rate and method of collection will be determined in accordance with a Rate and Method of the Apportionment of Special Assessments to be adopted in connection with the financing. The amount of any CDA special assessments may vary among the various parcels consistent with applicable Virginia law.
 - Upon repayment of the Bonds, or, while the Bonds remain outstanding, any Tax Increment Revenues generated by the Project that are not appropriated for debt service or bond obligations shall be retained by the City.
 - The Developer shall provide the City Manager with such information as the City may reasonably require in connection with the issuance of the Bonds.
- **Affordable Housing P3 Project:**
 - In order to support the financing of the contemplated on-site affordable housing public-private partnership component (“**P3 Project**”) described in the Development Approvals, as will be further described in future agreements, the Affordable Housing Trust Fund contributions provided by the Developer may, in the sole discretion of the City, be used as a source of funding for the P3 Project.
 - Any Affordable Housing Trust Fund contribution due from the Developer shall accrue an annual escalation from the date of the first applicable Certificate(s) of Occupancy, at a rate equal to the lesser of: (i) CPI + 100 basis points or (ii) 5%. In the event the CPI is less than 2% for a given year, the assumed CPI for that year will be 2%.
 - The CPI will be determined by the City’s Housing department calculated as the US BLS CPI-U for Housing for the Washington-Arlington-Alexandria, DC-

VA-MD-WV area. The percentage change in CPI Housing is based upon the change between the January CPI in the current year and that of the prior year.

- The full Affordable Housing Trust Fund contribution, together with the accrued escalation amount, shall be applied to P3 Project or otherwise paid to the City no later than June 30, 2034, unless such date is extended in writing by the City Manager in his or her discretion up to 24 months.
 - Prior to issuance of the applicable Certificate(s) of Occupancy, the Developer shall execute and record, among the land records of the City, a Memorandum of Agreement providing notice of the terms set forth herein pertaining to the Affordable Housing Trust Fund contribution. The City will record a notice that the terms of the Memorandum of Agreement have been met once the Affordable Housing Trust Fund contributions have been made.
 - The Developer shall, in coordination with the City, identify and secure the City's approval of the Affordable Housing developer, with qualifications and through a selection process acceptable to the City, as will be further defined in future agreement(s), prior to commencing vertical construction of Phase II of the Project. The solicitation process for such developer shall begin before any Phase II Public Infrastructure Financing is issued.
- **Developer's Workforce Development Commitment:**
- Developer will invest and partner in local workforce development and upskilling programs, including City and Alexandria City Public Schools (ACPS) workforce and apprenticeship programs that benefit residents and students.
- **Additional Performance Criteria and Protections:**
- The future agreement(s) will also contain a definitive list of performance criteria and protections, including but not limited to:
 - Bond-Issuance Requirements. The Developer will be required to satisfy certain conditions prior to issuance of Bonds which may include (subject to the terms of such agreements) satisfaction of performance milestones, execution and delivery of construction agreements, and other conditions such as delivery of certificates of substantial/final completion, executed completion guarantees from creditworthy parties acceptable to the City; approved construction documents and issuance of required building permits; commitments from debt and equity financing providers; and execution of any anchor tenant leases, as applicable and necessary to issue and sell the CDA Bonds. The future agreement(s) shall detail the bond issuance requirements for both Phase I and Phase II. These requirements may apply to both the Public Infrastructure and vertical development components of the Project.
 - Public Infrastructure Standards. The Developer shall design, permit, construct, and complete all Public Infrastructure in accordance with the Development Approvals or City standards, as applicable, as will be further

described and included as exhibits in the definitive agreements, including but not limited to the City's Standard Agreement for Installation of Public Improvements and the Requirements for City Oversight of Public Infrastructure, modified to the extent necessary to reflect the scope of the Public Infrastructure and the terms of such future agreements. The Developer shall provide performance and payment bond(s) to ensure completion of Public Infrastructure in accordance with City standards. In addition, the Developer shall provide independent third-party certification of completed work as a condition to any disbursement of Public Infrastructure Financing proceeds.

- Dedication and Acceptance. Upon completion and subject to inspection and acceptance by the City, the Developer shall dedicate to public use and convey or provide public easements to the City, and the City will accept ownership or easement rights of, the Public Infrastructure. This timeline and process will be more fully described in future agreements.
 - Assignment. The future agreement(s) shall include terms governing assignment, including but not limited to the following: During the term that Bonds are outstanding, the Developer may not assign its interest in the future agreement(s) or any part thereof without the prior written approval of the City, which shall not be unreasonably withheld, conditioned or delayed, and upon such approval, the assignee shall assume all of the obligations of the Developer under the future agreement(s) and shall not relieve the Developer of any liability hereunder for the period of time before the assignment is completed.
 - The future agreement(s) shall also include a "permitted assignments" term, which shall detail when the Developer may assign its interest in the future agreement(s) without the City's prior consent to an entity that is owned or managed and controlled by the Developer or HRP Group, LLC, provided such entity is authorized to transact business in the Commonwealth of Virginia.
 - Misc Terms. The future agreement(s) shall include terms governing authorized signatures, indemnification, choice of laws, notices, representations and warranties, ownership disclosure requirements, and other similar terms governing the relationship between the Parties.
- Nothing in this Term Sheet shall be deemed to obligate the City to enter into any future agreement(s), provide any financing, approve any land use application, issue any Bonds, or appropriate any funds, all of which shall remain subject to the City Council's discretion and applicable legal requirements.