Alexandria
Louisiana

MEMO

FROM: Jacques M. Roy, Chuck Johnson, Bill Hess & Lamar White

TO: Alexandria City Council

DATE: July 15, 2008-August 1, 2008

RE: *Working Committee on Downtown Hotel Solutions and Mixed Use Options*

Dear Councilmen:

Explanation of Need

Pursuant to Resolution 8434-2008, the Administration was requested to work with potential Hotel Bentley investors to aid the Hotel Bentley's return to commerce. An initial policy paper was issued by this office as guidance, not as a limitation, toward that end.

The Hotel Bentley restoration, former Holiday Inn, and Riverfront Center have been the subject of considerable attention. Each has either requested public subsidization or received it. Accordingly, the Administration addresses the tax policy and corresponding legal ramifications of the different requests for public assistance.

Requests for aid by the investor-developer group, Cyntreniks LLC (or its related companies), have been modified several times since August of 2006. In any event, it is clear the group does not wish to return the Hotel Bentley into commerce without some form of public subsidization.

Other developers have indicated interest in purchasing the property without public subsidization. Particularly, investment opportunities are available with mixed use; however, there exists a supervening issue with the current ownership and evaluation of price. This issue alone has spurred disagreement about how to resolve questions of the Bentley's return to commerce, with some asserting only a public "help" model can overcome the issues while others maintain a realistic price allows private or public-private development to occur with special tax subsidization.

Whatever the outcome of serious study, the Hotel Bentley is a massive project and one likely to continue to have cyclic successes followed by downturns. This paper presents a study of the reasons for this phenomenon, asks questions, and offers solutions for correcting that historical problem.

(revised 8/4/08)

Office of the Mayor
Post Office Box 71
Alexandria, Louisiana 71309-0071
Tel (318) 449-5000 · Fax (318) 449-5229
e-mail: Mayor@cityofalex.com

Jacques M. Roy
Mayor

This paper also addresses the fiduciary obligations of the City of Alexandria with regard to its assets in the Downtown Alexandria area.

Overarching Policy Considerations

The City of Alexandria has concluded its overarching obligation is to secure a return of the former Holiday Inn and now Alexander Fulton to full function. Energy should be directed to bringing that hotel back into appropriate commerce immediately to secure the investments the City has. This Administration became aware the Alexander Fulton is, in large part, owned by the City of Alexandria early in this Administration. Regardless of the desirability of that relationship, it exists and must be dealt with part and parcel with any other hotel questions in the downtown.

It would be irresponsible for City officials to assist the Hotel Bentley without securing the City's own asset—indeed, this would constitute a fiduciary conflict of interest.

On July 24, 2008, Resolution 8446-2008 was passed by the Council. The resolution asked that the Chamber of Commerce, a private entity, perform evaluative functions for the Bentley. Therefore, the Administration will continue with the Working Committee on Downtown Hotel Solutions and Mixed Use Options. We believe this an appropriate public approach. We welcome Chamber assistance and community involvement.

Actions inimical to partnering include any lack of disclosure and contradictory communications. These actions subtract from united strategy for a common problem. Presenting plans with significant changes at the "last minute" should not be the norm. At the very least, the City should receive notification as soon as possible when important milestone events or dates are on the horizon. Immediate follow up to questions and full disclosure of the business plan and all financial questions regarding parties in interest are needed. When public funds are involved, these additional disclosures are required. These issues need to be handled publicly and with proper deliberation. Public forum discussion is a necessary and condition precedent to success in a partnering model with the public.

If there is a plan by any entity involved with (or planned to be formed for) the Hotel Bentley project, the questions contained in this memorandum should be answered for that related project and the proposals under consideration provided immediately and with full disclosure. Multiple investors should be able to present any plans.

It has come to the attention of the Administration such plans exist, including a plan for the same or related investor group planning to own the Hotel Bentley to own the Alexander Fulton. While this does not necessarily present a problem in and of itself, it does present a question of "placing the cart before the horse."

We will vet the discussions about mixed-used models and the idea of having three assets (and possibly a fourth working together) under common management (both hotels, the Riverfront Center, and a parking garage). We intend to discuss how much existing space in the Hotel Bentley is needed to operate profitable a mixed-use model. There is overwhelming support against subsidizing the

historic property for pure hotel purposes. We are prepared to discuss that statement and modify the position if sufficient proof is provided that proposals have properly capitalized plans—indicating "skin in the game" sufficient to guarantee a reasonable probability of success.

There is evidence from development authorities that long term leasing of a substantial portion of the hotel with consequent responsibility for capital improvement and operations and maintenance would be sufficient to support a "boutique" style Hotel Bentley with retail, public and private office space, condominiums, and restaurant/entertainment space.

Methodology

This Administration will interview former and current hoteliers in the city, other officials, and citizens who may have an interest or specialized knowledge to help deal with *all* options. These options include mixed use options as well as any other which citizens and officials demonstrate to be reasonably necessary. We will establish a reasonable budget to accomplish these goals within forty-five days.

The Second Century Bentley LLC should disclose the following information by August 11, 2008:

(A) Determine the amount of State of Louisiana business expected to be received at the Bentley and list the applicable state per diem involved.

(B) Completion of contributor information to the project and the amount of cash (or other value, credits, guarantees, or in-kind services) the person or entity will receive from other entities.

- Please list each actual contribution by any entity of cash, value, or credits to the restoration of the Hotel Bentley. This shall include all proposed contractors, designers, architects, management groups or individuals, and with regard to each of those as it pertains to: Cyntreniks Group, LLC; Cyntreniks, LLC; North American Land Company, LLC; Claude "Buddy" Leach; Cyntreniks Holdings, LLC; Brace B. Godfrey, Jr.; John Schneider; Loridor LLC; Cyntreniks Hospitality Company, LLC; NuVieux, LLC; and Cyntreniks Plaza, LLC.

- Provide detailed financial disclosure reports on each of the companies listed showing solvency by personal financial statement, or equivalent satisfactory proof, indicating the entity or person has a liquid net worth according to the following categories: <$500,000, >$500,000 and <$1,000,000, or >$1,000,000.

(C) Identify the precise purchase price for the project and all brokerage or other fees paid to any entity before, at, or after closing involved with the transfer of this property as well as whether you will certify that no counter letters or contingencies exist outside of public purview.

(D) Identify whether Dean Bentley LLC or Bob Dean or any entity in which he has or will ever have an interest can ever own, control, or manage the Hotel Bentley as well as whether you will certify that no undisclosed counter letters or contingencies exist.

(E) Provide the detailed and *current* business plan, land-use plan, purchase price, construction price valuations, and financing structure.

Structural/Funding Options

1. **Land/Improvements**

   a. **Donation of land**

   b. **Sale/Leaseback (industrial park property)**

   c. **Construction financing assistance (est. $___M at $____/___K sq. ft.)**

      Bonds

      CDBG funds

      HUD financing (Renewal Community)

   d. **Cooperative Endeavor**

(F) Identify a conservative estimate of the economic development, workforce development, and promotion to Alexandria and the region a fully operational and expanded entity brings to the table—including new employees and ancillary business to the area which did not already exist or significantly expands activity already in existence.

Quantify Entity's Benefit to Cenla

___ jobs

___ out-of-region consumers, taxpayers

___ property owners

Required final ramp up, consolidation or expansion w/in ___ years (add ___ jobs)

$____M revenue (currently)
____ yes (Primary) dollar industry

(G) Identify the public contribution to the restoration project.

Quantify Cost to Cenla of Local Incentives

Revenue loss (tax abatement)

Opportunity cost

- **allocation of available state/federal incentives to existing rather than new business**

- **use of public resources (e.g., land)**

Identify Applicable State/Federal/Local Incentives

1. **Delineate qualification criteria for each incentive program (e.g., increase job/wage base)**

2. **Identify redundancies (e.g., exclusive program availability)**

Quantify Value of Incentives

1. **State/Federal tax incentives (based on entity financials)**

2. **Training/Workforce development**

3. **Low interest financing (Bonds; Renewal Community (HUD) Loans**

4. **CDBG funds**

5. **Local incentives (utilities; local sales/property tax abatement; land/construction costs)**

6. **Other (e.g., increment financing, SPARC CRA)**

(H) Identify the real and substantial obligations of the person or entity to provide a proportionate return to the City of Alexandria at some point in the future.

- Indicate a willingness to delineate "claw back" or repayment criteria for default and associated guarantees. If not, state why.

- Indicate a willingness to delineate criteria for the controlled use of public incentives or financing—i.e., the financing flows commensurate with established milestones for the development. Indicate a willingness to delineate criteria for "sunsetting" aid, lump summing aid, or basing aid on achievement of certain occupancy or operational goals.

- Indicate whether any management or ownership default of *cooperative endeavor agreements* with the City of Alexandria shall allow for the transfer of interest commensurate with public financing in favor of the City of Alexandria. If the City will be subordinated, to whom.

- Indicate whether Alexandria shall be given first right of refusal to purchase the Hotel Bentley, at fair market value to be determined by a licensed, national commercial appraiser agreed to by the Alexandria City Attorney.

- Indicate a willingness to delineate criteria for the development and management of a *Cooperative Endeavor Agreement* with the City of Alexandria requiring and facilitating compliance with existing planning and historic preservation of the City of Alexandria before authorization of incentives—including that any incentives are used for public purposes consistent with S.P.A.R.C. or the Louisiana *Cooperative Economic Development Law*.

(I) Identify the current status of other properties developed, specifically the history of success stories for hotel renovation and restoration as well as management pertaining to Cyntreniks Group, LLC; Cyntreniks, LLC; North American Land Company, LLC; Claude "Buddy" Leach; Cyntreniks Holdings, LLC; Brace B. Godfrey, Jr.; John Schneider; Loridor LLC; Cyntreniks Hospitality Company, LLC; NuVieux, LLC; and Cyntreniks Plaza, LLC.

After these questions are certified as answered fully, and in writing, and in any event no later than seven days from certification, the City of Alexandria will facilitate a meeting with appropriate officials to determine any "fatal flaws" to include consideration of:

Legal Issues/Thresholds

1. **Prohibition of public donations**
2. **Public/Private cooperative endeavor**
3. **Expropriation of property**

After this meeting and in any event no later than ten days from that meeting, the City of Alexandria will facilitate a meeting with developers to formulate, if possible:

A Proposal

1. **Letter of Intent (nonbinding) to set forth for council consideration:**
   - a. **basic terms/conditions**
   - b. **reciprocal obligations (e.g. consolidation w/in ___ years; addition of jobs; compliance with terms of state/local incentive awards; other)**
   - c. **contingencies (e.g., non-binding letter; continued availability of incentives; approval by COA)**
   - d. **timeline**
2. **Separately quantify monetary value of incentives and other benefits to entity and subtract from the value to the region for the economic development to qualify and quantify the business plan.**
   - a. **establish negotiation points**

Negotiation Points Based on Previously-Provided Information

Given that the City may offer public support, a competitive process, perhaps in RFP or reverse-RFP fashion, should consider the S.P.A.R.C. process and generally: (i) planning (*i.e.*, "master planning" or planning in the area with S.P.A.R.C.); (ii) how these developments preserve and capitalize on natural and cultural resources, fairly and inclusively distribute the costs and benefits of the development to equitably "grow" the entire City and this area; and (iii) the extent to which the

proposed development or mixed-use choices smartly expand new opportunities for transportation, employment and housing.

Therefore, assuming information is provided as requested and makes business judgment sense:

a. The City of Alexandria will support offering incentives to the Bentley through the SPARC-CRA as part of the R.I.V.E.R. proposal. Any enterprise zone, historic tax credits, restoration credits, quality jobs credits, if applicable, should be considered.

b. In addition to those incentive items, other tax relief, abatement, and credits, additional incentives will be offered with the full endorsement of the City as long as the Bentley Group can demonstrate a probability of success for its business model, and any other model which may or may not be as hotel-only business.

c. Specifically, the City can consider a competitive utilities package, such as those enjoyed by facilities for large-scale commercial economic development. The justification for this treatment is apparent if public entities have significant presence in the building and thus in the public-private mixed-use model, along with the former Holiday Inn property. Any help would have to be phased out and based on detailed assessment of need and economic contribution. This would protect the City's interest in this hotel based on the vested nature inherent in historic preservation and securing the Riverfront Center investment.

d. *The City would only offer graduated utility relief for economic development purposes and because of the historic preservation relevance of the hotel for a period of five years, with a real money value, upon council approval of general rate restructure.* This can be a substantial dollar figure for the Bentley, which should be negotiated separately. The justification is the "historic preservation" purpose, creation of jobs, and the potential for catalytic response which the Bentley uniquely serves in the community. The creation of new jobs and the anchor it provides to redevelopment must be considered in fairness relative to other existing similarly-situated businesses. A separate report is in *draft* form through the S.P.A.R.C. program (SPARC-CRA-1). With a proportionate return in mind and subject to (f.), the Administration has recommended an economic development incentive package worth up to, but not necessarily, $2,000,000.00 over a period of time assuming milestones are met.

e. The City can offer its potential endorsement of any other incentive packages offered by the federal or state governments, requiring municipal "signoff," assuming any business plan, with its associated ADR and occupancy rate, withstands the scrutiny of independent business assessment and assessment of other models for cooperative development.

f. The City will offer a real and substantial commitment to parking infrastructure as part of S.PA.R.C. This will tie in with a cooperative endeavor between the City and the Bentley so that the City can receive a reasonable portion of parking fees once the business model proves successful. The City probably requires additional parking space now irrespective of this project, and so a restored Bentley offers impetus for this needed project along with a mixed-use model for a parking

garage area and a fee schedule to repay the City so that the citizens end up, if the plan is successful, losing nothing.

g. As part of a workforce development incentive plan, the City will commit real dollars and community public relations to a jointly-administered workforce development program among the hotel, LSUA (particularly its downtown campus), and the Bentley, if the other players make real commitments.

h. The City should offer security to the Bentley and downtown area for an extended period of time including up to five years from day one. This is justified because of the Bentley's commitment to historic preservation, connection to the Riverfront center, and bringing the hotel back to its original grandeur, including stained-glass windows and other fixtures.

i. The City will commit to these incentives and search for the applicability of other federal sponsors, grants, and persons interested in historic preservation, with the full force of City Hall, including renewal community, only if the City of Alexandria is convinced of a viable and successful hotel or other development opportunity, with a showing of at least a probability of success.

Next Steps

After these issues are answered and this timeline is met, the Administration, with Council support, would like to conduct public meetings regarding findings and recommendations. These public meetings should allow for disclosure of any potential development plans, allowing comment and the potential for better "mousetraps." This is consistent with community-based planning and a view that the Bentley and other assets should work together. We recommend a public meeting to disclose the process in the next two weeks.

Alexandria
Louisiana

Executive Summary
Working Committee on Downtown Hotel Solutions and Mixed Use Options

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August 5, 2008

The Hotel Bentley and Alexander Fulton Hotel properties, along with the Alexandria Riverfront Center, present unique obstacles and challenges to redevelopment and reinvestment in the Alexandria Downtown area. All are key ingredients to the success of a reinvigorated Third Street corridor. Public officials and private investors must work together to resolve these issues, with an eye toward long term and sustainable solutions.

The following comments provide a summary of points more particularly discussed in an accompanying background paper on the unique and common challenges of downtown revitalization, market trends in the hotel and convention world, and public-private partnering. We have provided a memorandum to Council expanding the previous one of July 15, 2008. The memorandum is being forwarded to potential developers. The background paper will be provided shortly and is awaiting further comment following discussions of today.

The support of the Hotel Bentley with inducements and incentives, of a public nature, is predicated on the City of Alexandria being convinced of the future operational viability of the property* as a hotel. *There must exist greater than a mere possibility of success. The plan for redevelopment must present a substantial probability of success. At this time, the City and potential developers are still working through the process. Headway is being made.

The City of Alexandria must be mindful of the Hotel Bentley's storied past—which contains more failed attempts than successes. Business judgment application is critical to vetting public-private collaboration, even though some of the traditional business assumptions and requirements can be relaxed. While the debt coverage ratio may be higher or allow more flexibility for certain "special" projects—given the particular importance of a private development to the City's overall health—the expenditure of public dollars requires real assessment and objective analysis to be published before action is taken.

We should consider any Bentley projects as involving consideration of three assets (and possibly a fourth working together) under common management: two hotels, the Riverfront Center, and perhaps a parking garage. How much space exists in the Hotel Bentley needed to operate profitably a mixed-use model? What about the model for straight hotel? Why is one better for sustainability? Can it be done? What models are we missing? How much "skin in the game' is sufficient to guarantee a reasonable probability of success?

Jacques M. Roy
Mayor

Office of the Mayor
Post Office Box 71
Alexandria, Louisiana 71309-0071
Tel (318) 449-5000 · Fax (318) 449-5229
e-mail: Mayor@cityofalex.com

The public demands of private collaborators seeking public assistance in the commercial realm: "Show us the money."

We need to see the letters of commitment, Articles of Incorporation for involved entities, and other documents necessary to consider any deal regarding which public help is requested. Show your skin in the game and we can show you how much an entity will fight to succeed is a common mantra in business and banking circles. We need to see the operator has the same desire to make it work as the public. No skin in the game, no risk upon failure. This is not recommended by experts, and runs contrary to sound business judgment. It also makes public dollars inappropriate regardless of the fact that none may be generated at this time by a closed hotel.

The Hotel Bentley project is the subject of too much political maneuvering and not enough actual business judgment application and public scrutiny of public requests for subsidization.

The process has become emotionally charged and devoid of communication with the elected officials entrusted with the ultimate decisions. Throughout the process, political posturing, overweening commitments, unmet promises, and a lack of disclosure by interested parties have contributed to a stalled process and misunderstanding on the various positions of the parties regarding the common goals of restoration and functionality.

Public support of the Hotel Bentley cannot be predicated solely on the assessments of interested parties, which has been largely the case thus far. Most information has come from the developer or consultants for the development. Disinterested, objective decision makers must never abdicate their responsibility to assess proposals by any party. Adequate time spent on proposals and information gathering are paramount to consider before making a decision.

Decision makers cannot have conflicts of interest or be pre-sold on the plan before critically reviewing other plans. Requests for proposals are appropriate if public funding is being considered—regarding any possible deals which may be more sustainable given the Bentley's history.

The City is bound to follow certain considerations with regard to pledging public monies, resources, property, or aid to individuals or private industry.

City funds, credit, property, or things of value will not be loaned, pledged, or donated to or for any person, association, or corporation, public or private, except for programs of social welfare for the aid and support of the needy for a public purpose, unless there is a written cooperative endeavor outlining all obligations based on a valid statute, ordinance, charter or contract, for a public purpose, and for a public benefit proportionate to its cost (*i.e.*, the amount expended by the City is met with a comparable return or real and substantial obligation to create a future return).

Moreover, given that the City may offer public support, a competitive process, perhaps in RFP or reverse-RFP fashion, should consider the S.P.A.R.C. process and generally: (i) planning (*i.e.*, "master planning" or planning in the area with S.P.A.R.C.); (ii) how these developments preserve and capitalize on natural and cultural resources, fairly and inclusively distribute the costs and benefits of the development to equitably "grow" the entire City and this area; and (iii) the extent to which the proposed development or mixed-use choices smartly expand new opportunities for transportation, employment, and housing.

The City of Alexandria has concluded its overarching obligation is to secure a return of the former Holiday Inn and now Alexander Fulton to full function. Energy should be directed to bringing that hotel back into appropriate commerce immediately to secure the City's investments.

Early on in this process, this Administration became aware the Alexander Fulton is, in large part, owned by the City of Alexandria. Regardless of the desirability of that relationship, it exists and must be dealt with part and parcel with any other hotel questions in the downtown.

It would be irresponsible for City officials to assist the Hotel Bentley without securing the City's own asset; indeed, this would constitute fiduciary neglect.

The City of Alexandria considers the Alexander Fulton as taking precedence as the more reasonable and immediate goal for the City of Alexandria. Any agreement with public-private partnering must include an assessment of the Fulton because of its attachment to the Riverfront Center and the City's ownership of certain aspects of that property. The City of Alexandria must protect its assets, ownership interests, and the future convention business of the City first and foremost.

Timing for public partnering with hotels is questionable at this time according to qualified analysts. However, the important assets related to the Hotel Bentley, already owned by the City of Alexandria, must be secured. Predictors and experts say a hotel recession is likely.

Many market studies do not support investing into hotel-motel public partnering. Alexandria, however, for better or worse has significant investments in publicly-owned property requiring attention to avoid total loss.

> "The overall convention marketplace is declining in a manner that suggests that a recovery or turnaround is unlikely to yield much increased business for any given community, contrary to repeated industry projections. Moreover this decline began prior to the disruptions of 9-11 and is exacerbated by advances in communications technology."

> "This analysis should give local leaders pause as they consider calls for ever more public investment into the convention business, while weighing simultaneously where else scarce public funds could be spent to boost the urban economy. . . ."
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> "With the commitment of such huge sums to convention centers and related facilities comes a serious second cost—the opportunity cost of not investing this money in other public goods, even those aimed at downtown revitalization and economic development. The taxes on restaurant meals, car rentals, and general sales taxes that pay for convention centers are legitimate public revenue sources, which could be used for a broad array of local public purposes. The investment into downtown revitalization—including housing, retail, and infrastructure—could provide a substantial development stimulus and inducement to private investment, for example. And in any given city, investments in transportation, industry cluster development, schools, neighborhood development, or any number of other priorities may be likely to yield far more bang for the buck. These projects have greater direct appeal to local residents, and thus offer greater likelihood of success. In short, at a time when city finances are obviously stressed, the price of a failed convention and visitor strategy can be measured in terms of all the other investments, services, and fiscal choices that will be never realized as a result."
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> —*Brookings Institution*, 2005.

According to an article by *The New York Times*, published July 31, 2008, "a record number of hotels are opening this year, and the timing could not be worse. . . . It hasn't turned into a hotel recession just yet, but we're certainly keeping an eye on the economy. . . . The hotels most likely to suffer are expected to be in smaller cities that are losing scheduled air service, which could reach as many as 100 by the end of the year, according to air transportation analysts.

The City of Alexandria considers that incentives should stack in favor of the developer, not enhance the price gained by the seller.

An inflated price or any other business deal modification making public support necessary must be considered carefully—and fully disclosed.

The Hotel Bentley restoration, former Holiday Inn, and Riverfront Center have been the subject of considerable attention. Each has either requested public subsidization or received it. Accordingly, it is appropriate that the Administration address tax policy and corresponding legal ramifications of the different requests for public assistance.

Other developers have indicated interest in purchasing the property without public subsidization. Particularly, investment opportunities are available with mixed use; however, there exists a supervening issue with the current ownership and evaluation of price. This issue alone has spurred disagreement about how to resolve questions of a return to commerce, with some asserting only public "help" can overcome the issue while others maintain a realistic price allows private or public-private development to occur with special tax subsidization.

The potential for mixed-use opportunity offers real chance at permanency of function. It should not be overlooked.

If the Bentley is a "key ingredient" to the redevelopment of downtown, then ensuring long term viability instead of plans for five years out should be central to discussions. The highest and best use of the Bentley might very well be, as one expert said, "a center of activity for visitors to Alexandria, bustling lobby, couple of good places to eat, lobby bar where business gets done, and upscale rooms for out-of-town visitors. Add to this large meeting rooms, a SPA for ladies, some retail shops and many places to meet/greet and I think you get the idea. Every city needs a Bentley and you have one."

The City of Alexandria's administration believes a fully functional Bentley would have significant economic impact on the Downtown region and further comport with later sections of this report regarding community based planning and smart growth. The Bentley might generate in excess of 150 low (and some) medium paying jobs and new dollars in the downtown area, and thus have a positive economic impact on the City.

There might be support for long term leasing of a substantial portion of the hotel with consequent responsibility for capital improvement and operations and maintenance would be sufficient to support a "boutique" style Hotel Bentley with retail, public and private office space, condominiums, and restaurant/entertainment space.

August 1, 2008 **DRAFT**

The City of Alexandria is considering several proposals for development in the proposed Cultural Restoration Area encompassing the proposed R.I.V.E.R. Act and Third Street Corridor, SPARC-CRA-1.

Given that the City may offer public support, a competitive process, perhaps in RFP or reverse-RFP fashion, should consider the S.P.A.R.C. process and generally: (i) planning (i.e., "master planning" or planning in the area with S.P.A.R.C.); (ii) how these developments preserve and capitalize on natural and cultural resources, fairly and inclusively distribute the costs and benefits of the development to equitably "grow" the entire City and this area; and (iii) the extent to which the proposed development or mixed-use choices smartly expand new opportunities for transportation, employment and housing.

The incentive packages available to hotel revitalization and the Third Street Corridor projects should focus on infrastructure, but potentially involve "soft" incentives.

Soft incentives involve aid that does not result in permanently owned public infrastructure, and therefore the analysis must be clear to support these forms of assistance.

If permitted by state law and in compliance with the tests for proportionality set forth by Alexandria cooperative economic development policy and La.Const. art. VII, § 14, costs of an economic development project incurred by an authorized entity may include the sum total of all reasonable or necessary costs incurred incidental to or in furtherance of an economic development project. Costs can, but do not necessarily, include any such costs which are reasonably related or attributable to an approved economic development plan. These are:

(1) Costs of studies, surveys, development of plans and specifications, preparation, implementation and administration of an economic development plan, personnel and professional service costs for architectural, engineering, legal, marketing, financial, planning, police, fire, public works, or other services, provided that no charges for professional services may be based on a percentage of incremental tax revenues, and specifically including without limitation payments to developers or other nongovernmental persons as reimbursement for on- and off-site preparation costs incurred on behalf of, and the payment of which is approved by, the City Council, or authorized S.P.A.R.C. personnel as authorized by City Council.

(2) Property acquisition and assembly costs within the CRA-1, including but not limited to acquisition of land and other real or personal property or rights or interests therein, specifically approved by the City Council and the subject of which is contained in a cooperative endeavor agreement approved by the city attorney and finance director by the City as Section 5-04 compliant with the *Alexandria City Charter* and La.Const. art. VII, § 14.

(3) On- and off-site preparation costs, specifically approved by the City Council and the subject of which is contained in a cooperative endeavor agreement approved by the city attorney and finance director by the City as Section 5-04 compliant with the *Alexandria City Charter* and La.Const. art. VII, § 14, including but not limited to clearance of any area within or about the proposed development by demolition or removal of any existing buildings, structures, fixtures, utilities, and improvements; clearing and grading; and including without limitation installation, repair, construction, reconstruction, or relocation of public streets, public utilities, and other public improvements within or outside the proposed development within CRA-1 which are essential to the preparation of the area for use in accordance with an economic development plan. Certification by the city engineer shall be required as to the essentiality for preparation.

(4) Costs of renovation, rehabilitation, relocation, repair, or remodeling of any existing buildings, improvements, and fixtures within CRA-1 and a specific plan for redevelopment, specifically approved by the City Council and the subject of which is contained in a cooperative endeavor agreement approved by the city attorney and finance director by the City as Section 5-04 compliant with the *Alexandria City Charter* and La.Const. art. VII, § 14.

(5) Costs of construction within or about an approved plan in CRA-1 of public improvements, specifically approved by the City Council and the subject of which is contained in a cooperative endeavor agreement approved by the city attorney and finance director by the City as Section 5-04 compliant with the

Alexandria City Charter and La.Const. art. VII, § 14, including but not limited to buildings, structures, works, utilities, or fixtures.

Providing incentives to both projects currently being submitted appear to:

- Adhere to existing master planning and facilitate immediate development and increase the guarantee of success.
- Leverage financial value with the immediate influx of substantial public spending, provided business plans are sound.
- In the case of the Hotel Bentley, create the opportunity for rehabilitation tax credits for restoring older and historic structures, particularly as they relate to preserving community character, affordable housing, central business districts, and Main Street economic development activity.
- In both cases, relate to alleviating urban flight (and blight), property abandonment, and economically distressed neighborhoods—and as a tool for sustainable development.
- Provide the potential for mixed use.
- Promote diverse ownership and partnering.
- Preserve not displace, separate or marginalize our city and its components and people.

In both cases, the process for CRA-1 development will require requests for proposals from other consortia and potential investors to determine the best fit for these areas.

PHASE I

We require action from the City Council to declare these plans consistent with the aims of S.P.A.R.C. and a preliminary certificate of appropriateness and need.

This phase should determine council agreement on whether blight, underemployment, and other considerations are being properly addressed. This should be preliminary to issuance of a more detailed "Findings of Necessity."

DRAFT

PHASE II

In this phase, other plans having gone through Phase One, if submitted, will be vetted to formulate a cohesive plan for the CRA-1 corridor, matching the funds to vetted plans. There will be a need for re-evaluating the Findings of Necessity and begin the formulation of the multiple Cooperative Endeavor Agreements necessary to "lock in" the proposed public-private commitments.

Thereafter, the general discussion points on S.P.A.R.C. provide the roadmap, and can be considered at the appropriate time.

Bentley Mixed Use Model

From SPARC-CRA-1 funding:

- $___M—immediate infrastructure and then paid back over six-seven years
- $100K—per annum, funded through SPARC-CRA-1
- $50K—per annum, GAEDA
- $___M—Utility incentives over 5-10 years
- $___K—Miscellaneous and delineated in package, shared infrastructure and backing out of O/M and capital expense for public entities

Bentley Straight Hotel Model

From SPARC-CRA-1 funding:

- $___K—immediate infrastructure and then paid back over six-seven years
- $___K—per annum, funded through SPARC-CRA-1
- $___K—per annum, GAEDA
- $___M—Utility incentives over 5-10 years
- $___K—Miscellaneous and delineated in package

Third Street Corridor (Multiple Third Street Developments)

We are looking for a package totaling $___M in incentives, including hard infrastructure cost. This means the public would own significant properties and have significant investment in the area.

SUMMARY AND DISCUSSION OF PROPOSALS AND TIMELINE FOR SPARC-CRA (R.I.V.E.R.)

Third Street Corridor

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ABSTRACT

Potential development in the Lower Third area could result in massive revitalization opportunity in two to three sub-areas relatively quickly, including a potential gateway, housing, mixed-use commercial activity, and redevelopment of the Ruston Foundry site.

Additionally, hotel-convention issues must be addressed because of the potential loss of all adjoining hotel space connected to the public-owned convention center, known as the Riverfront Center, as well as public interest in its asset formerly known as the Downtown Holiday Inn. Significant concern is also manifest for an important historic property known as the Hotel Bentley and related infrastructure.

Development with large impact which can occur rapidly is a principal goal of S.P.A.R.C. assuming the criteria for corridor appropriateness are met.

- A determination public investment would have maximum impact on the most citizens.

- A certificate or determination of need being issued that the development either (i) has such a large impact through (A) workforce development or (B) economic impact; or (ii) effects significant opportunity for blight address; or (iii) some combination of these factors, that the development is within the best and highest uses for the area.

To determine best and highest use, the City should create additional objective criteria; however, an initial assessment and certificate for the areas designated CRA-1 (Third Street and R.I.V.E.R. Act), generally are subject to the following funding limits: $667,000 in incentives; $1.0M in Lower Third Housing; $5.0M for Sugarhouse and $10.0M for Sixth and Foisy; fire station; and $1.0M+ in park improvements. The entire area coterminous with CRA-1 probably meets the following findings:

- Substantial and persistent unemployment, underemployment, and other forms of economic distress.
- Hardship to many individual citizens in the CRA and their families.
- Waste of invaluable human resources, adversely affecting the welfare and prosperity of the people in the CRA.
- The need for special attention to the micro-economy of this area at a high level is necessary to overcome these problems and is vital to the best interest of the area.
- This level of concern is worthy of being declared to be a matter of public policy.

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- The cooperative economic development activities and powers prescribed and conferred by the initial proposals of SPARC are for a public purpose for which public money may be expended.
- The City, wishing to address economic distress, intends SPARC to employ effective steps in the planning, promotion, and financing of local economic development.
- Public collaboration with the United States or its agencies, or with any public or private associations, corporations, or individuals for the purpose of economic development would help this CRA alleviate the conditions of unemployment, underemployment, and other forms of economic distress presently existing in that area, and as such, is in the public interest.
- Economic development is a legitimate concern of government because it serves the public interest, but it is not purely and solely a public purpose, since successful economic development serves the private interests of business and industry as much as the public interest.
- Public-private partnerships which take advantage of the special expertise and experience of representatives of the private sector can be among the most effective programs to encourage and maintain economic development.
- SPARC seeks to take advantage of such collaboration.
- It is in the best interest of the Alexandria-Pineville region to encourage, create, and support public-private partnerships and to permit and encourage participation by representatives of private-sector industries which may benefit from economic development programs, while providing appropriate protections for the public interest.

DETAILED EXECUTIVE SUMMARY

Existing planning and targeted public investment can dramatically alter the Alexandria landscape in a relatively short period of time. Moreover, existing planning and proper investment will achieve the needed goal of shifting policy/planning toward a more sustainable, long-term goal orientation and fairer allocation of resources to areas of the community most in need of community intervention.

With regard to the hotel issues, anchoring the properties to better withstand market fluctuations must be studied carefully to avoid the cyclic issues seen to date.

With regard to the Third Street corridor, significant help is needed to reinvest and rebuild failing infrastructure and attract business.

Moreover, it is an obligation of the City to protect its citizens from the negative effects of blight and public safety deficiency. Every citizen has a right to live in peace and not unduly fear lawful activity in her home simply by virtue of where in the City one lives.

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Citizens pay for neglecting "disinvested" areas currently. The costs for failing to reinvest in the Third Street corridor will escalate over time, and blight has not shown any trend (without investment) toward making the quality of life of citizens better. To be sure, housing opportunities and infrastructure improvements have shifted some elements of negative behavior to other areas of the City, demonstrating the power of reinvestment; however, the opportunity for real anchoring is now.

First of all, this area is identified for focused growth, intervention, and in some cases life support by existing master planning.

Secondly, the potential plans, in conjunction with roadways, link the City and leave it in better connectivity than without the projects.

Thirdly, detailed incentives tied to firm deliverables and public partnership can be required for maximum benefit: in exchange for incentives, public safety, recreation, and transportation can add permanent public infrastructure to the area and entice business development consistent with other areas of the City which would not otherwise locate.

Commitments or letters of intent could be solicited immediately, and begin the process of leveraging financial value with the immediate influx of substantial public spending.

3/4/08 Still requires additional legal review. In principle, presents workable plan for dialogue.

APPROVED:

Charles F. Smith, Jr.
District 3 Councilman
SPARC-CRA-1

Myron Lawson
At-Large Councilman
Chairperson, Finance
Chairperson, Economic Development

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Jacques M. Roy,
Mayor of Alexandria