



June 15, 2009

[All Initiative Respondents]

Angela M. Courville
Dean Companies
343 3rd Street Suite 600
Baton Rouge, Louisiana 70801

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

Dear Angela (*and Respondents*):

In response to your questions and those of Mr. Bob Dean, this letter provides amplification of incentive possibilities to Addendum A of the RFP issued by the City.

By being copied with this letter, all applicants, stakeholders, and other essential parties are being provided this preliminary determination of possible incentives. This letter acts as a supplement to Addendum A and is provided for use by any and all of those persons/entities who/which submitted letters of intent. This letter will be uploaded to the website, www.sparccommission.com.

As stated in the original Request for Proposals issued March 18, 2009, and the addendum issued June 15, 2009, the City of Alexandria (COA) seeks to identify highly capable development team(s) to incorporate, at a minimum, use of the Alexandria Riverfront Convention Center and the Alexander Fulton Hotel into a master site plan with the historic Hotel Bentley. Plans should incorporate the master site into the larger redevelopment plans of the COA, most particularly the S.P.A.R.C. initiative. (Please visit www.sparccommission.com to view an evaluation of the three key properties and discussions of the related initiatives.)

June 15, 2009
Page -2-
Angela M. Courville
Dean Companies

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

Questions regarding this process and all others related to the *Working Committee on Downtown Hotel Solutions and Mixed Use Options* shall be submitted to the City of Alexandria at:

Kay Michiels
Operations Chief and Planning Director
915 Third Street
Alexandria, Louisiana 71301
(318) 449-5009
kay.michiels@cityofalex.com

Upon recommendation from the staff assigned to the *Working Committee on Downtown Hotel Solutions and Mixed Use Options* (and eventually the Alexandria City Council), the winning team will enter into a Memorandum of Understanding (MOU) and begin negotiation of related agreements for the services selected and agreed upon by the COA. The selected team will be required to perform all duties as agreed upon in the MOU and follow all procedures of the City and the State of Louisiana.

A. THE DECLARED PUBLIC PURPOSE FOR THE INITIATIVE AND ECONOMIC PARTNERING

In 1982, the City entered into an Urban Development Action Grant with the Department of Housing and Urban Development, and, in 1983, with developers for the purpose of cooperative economic development resulting on what is now called the Alexander Fulton Hotel, including a lease for the purpose of providing a first-class, full-service hotel and convention center complex—including a restaurant, coffee shop, banquet/ballroom space, meeting rooms, and other uses. This property is struggling at this time through a bankruptcy.

In 2004, the Hotel Bentley shuttered its operations and has remained closed to the public. It has been the subject of numerous attempts to reopen, but with no private investors demonstrating a financial stake commensurate with public investment.

Because the City Council has identified substantial and persistent unemployment, underemployment, and other forms of economic distress, including deficiencies in the ability of the City to benefit from its downtown hotels and convention center space, it has instructed its Administration to act with all deliberate speed to shore up its convention and hotel industry within the City, including economic partnering, when necessary.

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

The City Council has appropriated funds for the purpose of studying marketability, economic capacity and appraised values of property in the downtown and adjacent Lower Third area. These studies should provide evidenced-based feasibility determinations for projects currently considered under S.P.A.R.C. Such consideration of the micro-economy with regard to the S.P.A.R.C. implementation plan is needed given that public funds and assets are at substantial risk, most particularly the Alexandria Fulton Hotel and the Alexandria Riverfront Center.

Because of these findings and actions, the City Council, based on previous studies, recommendations by the Administration, and through discussions with individual Council members during the development of the S.P.A.R.C. initiatives, has been reviewing the problems associated with the downtown hotels, related parking deficiencies, the Alexandria Riverfront Center, and related properties. The Administration issued a detailed Request for Proposals for city-owned and privately-owned properties for interest in a potential collaborative development model.

Specifically, the City found that special attention to the micro-economies of several local areas (basically comprising CRA-1 and including the City's convention and hotel micro-economy in the downtown) is necessary because dysfunctional uses are having an effect on the overall Alexandria economy. The support for this statement is beyond anecdotal given convention and visitor data. The City, as a result, engaged professionals to provide empirical evidence of such general findings and determine the capacity and feasibility of multiple methods of address of these problems. Currently, the City finds that a high level of attention may be necessary to overcome these problems and is vital to the best interest of the region, and thus was formally declared to be a matter of public policy by Resolution of the *Alexandria City Council* on April 21, 2009, Resolution No. 8594-2009.

The City authorized use of the cooperative economic development activities and powers prescribed and conferred by its home rule charter and state law, finding that the initial proposals of S.P.A.R.C. are for a definitive public purpose for which public money may be expended. The S.P.A.R.C. initiatives allow the City, wishing to address economic distress, to: (i) employ effective, innovative steps in the planning, promotion, and financing of local economic development; (ii) benefit the City and its citizens by providing economic stimulus and improving city and other properties; and (iii) allow entry into intergovernmental and cooperative endeavor agreements with public and private entities, including other political subdivisions, the State, the United States and its agencies and with other public or private associations, corporations and individuals.

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

B. COMPETITIVE PROCESS AND PRIVATE CONTRIBUTION

In all cases, the Downtown Hotels Initiative shall remain a competitive process. While the COA does not control the private obligations or ownership of key properties, such as the Hotel Bentley, the COA does determine whether incentives will be driven to any property involved. For that reason, the COA is an integral stakeholder, among others, in this key development initiative within the S.P.A.R.C. overall initiative.

The COA will therefore vet each applicant's response to the request for proposals on the basis of how its consortia and potential investors respond to a competitive process, using these "incentive" policy bases for evaluation:

- **While a global proposal is not required, and each hotel may be the subject of a partial proposal, the City will actively consider proposals encompassing both hotels and the convention spaces with the greatest weight being given to global proposals. A proposal will be based on a cost-benefit analysis that will weigh scope, timing, financial costs and risks, revenue generation, design and lifestyle amenities and level of quality and creativity.**
- **It is the City's goal to minimize the level of public financial participation in the Project and to attain the most distinctive, highest-quality and marketable project possible. Respondents will be expected to provide information regarding sources of debt and equity, and are urged to consider creative development and financing structures that will accomplish these ends. Preference will be given to those developers who/that minimize the use of public financing, emphasize private sector financing and/or participation and provide the greatest economic opportunity for the City.**
- **Respondents must state a single value for the present value of any and all subsidies requested to be provided by any public body, including cost of land. Required funds should be broken out between immediate subsidies (payment for any portion of the project, waived fees, etc.) and the present value of streams of subsidy over time, such as tax rebates.**
- **Respondents are encouraged to limit financial participation by and risk of the City.**

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

- **Respondents should ensure that the hotel is operated with the benefit of the Alexandria Riverfront Convention Center and community in mind, with action to result in an appealing urban addition to the community.**
- **Respondents should leverage economic gains of the Project for the general benefit of the S.P.A.R.C.-CRA-1 and/or COA. Frequent interaction with the Planning Division of the City is encouraged.**

C. TEMPLATE FOR COOPERATIVE DEVELOPMENT

At this time, you must supplement your letter of intent with a more detailed memorandum setting forth basic terms and conditions for partnering and reciprocal obligations. The following provides a general format which should be utilized for evaluation:

- **A detailed recitation of your goals and the basis for the partnership, specifically how your proposal will:**
 - Adhere to existing master planning and facilitate immediate development action as well as increase the guarantee of long-term success.
 - Leverage financial value with public spending.
 - Provide a sound business plan with associated occupancy and Average Daily Rate assumptions.
 - Use rehabilitation tax credits and/or New Market Tax Credits.
 - Demonstrate how you will restore significant and historic structures, particularly as they relate to preserving community character, offer housing opportunity, enhance the central business district, and track Main Street economic development activity.
 - Relate to alleviating urban flight (and blight), property abandonment, and aid any economically distressed neighborhoods—and as a tool for sustainable and environmentally-conscious development.

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

- Provide the potential for mixed-use.
- Promote diverse ownership and partnering.
- Preserve not displace, separate or marginalize the City and its neighborhoods and people; and
- **Address the declared public purpose, specifically how any public funds will not be used to unfairly subsidize a private investment when compared to the overall return on investment the citizens will receive in exchange for any assistance, including:**
 - Any other means by which other governmental entities or private parties can act as contributors to the project and the amount of cash (or other value, credits, guarantees, or in-kind services).
 - Criticisms of any other plans submitted and how your plan is better suited to city-wide or particular needs, including the means by which the public investment is protected and does not result in unjust enrichment to any party, land-use issues, purchase price (if any), construction price valuations, or financing structure.
 - How you will provide measurable results approximating the City's contribution to the project—including employment impact, long term contribution to tax structure, and other tangibles and intangibles.
 - 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—*e.g.*, through a long term operating agreement with a new operator-owner (*viz.*, what is 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?); and

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

- **The terms, including how you:**
 - Envision the timeframe for an agreement's effect, including any renewal provisions or special terms.
 - Will provide for how a cooperative endeavor may be terminated and for what reasons or causes, as well as the consequences of such termination.
 - Will provide for appropriate "claw backs" for nonperformance and return of unearned public investment.
 - Will demonstrate that the percentage of public funds does not create a permanent dependence and your achievable business plan decreases public subsidy over time to accomplish its ends; and
- **The scope of cooperation (including at minimum the responsibilities of the City, the contracting party, its special deliverables and its management responsibility and personnel), such as:**
 - How any public-private partnerships can take advantage of the special expertise and experience of representatives in the private sector.
 - Your agreement that you, the City of Alexandria, and its *Working Committee on Downtown Hotel Solutions and Mixed Use Options* will inform the Alexandria-Pineville Convention and Visitor's Bureau and Hotel-Motel Association before executing any cooperative endeavor agreement as well as obtain any necessary approval of the Department of Housing and Urban Development and the United States Bankruptcy Court.
 - Your method for reporting findings to stakeholders, including, at minimum:

G.A.E.D.A.
The Hotel/Motel Association
CVB
Parish planning
Chamber of Commerce and related entities, such as C.A.P.
Citizen focus groups

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

**Town hall meetings and charrettes
S.P.A.R.C. involvement
District councilpersons and police jurors
State legislative delegation**

- How you will provide for:

**Preliminary and Phase II Plans
Master Site Planning
Implementation Strategies
Project Management
Project Capitalization
Project Community Buy-In
Project Partnering
Construction Monitoring/Inspection
Hotel/Convention Center Management**

- The City's initial proposal for deliverables is located in the next section, "**D.**" *infra*; and
- **Special requirements (such as contract monitoring by the City, indemnifications, nondiscrimination, the address of fair and equal opportunity and compliance with any diversity programs, address of continuing appropriations, and access to records of the contracting party). The City's rules and commitment to open records access and transparency require:**
 - Contract monitoring to ensure continued sufficient return on the investment by the City and its citizens and the public, including an implementation strategy for the program's listed deliverables.
 - Contract monitoring to ensure continued sufficient return on the investment by the City and its citizens and the public, including monitoring of public contribution in installments or over time based on the contracting party's meeting its deliverables.

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

- Contract monitoring to ensure continued sufficient return on the investment by the City and its citizens and the public, including other accountability measures the City deems necessary depending on the proposed partnership, particularly access to records and information otherwise private in nature.
- Contract monitoring to ensure the Administration can advise the City Council of the City of Alexandria of the continuing needs and progress under any Agreements; and
- **The provisions, if any, for amending any agreed-to endeavor and the severability of its terms and the agreement's transferability/ assignability.**

D. SPECIFIC INCENTIVES

a) Nominalized Long Term Lease of the Fulton as Value-Added Incentive.

The City has preliminarily made several economic valuations of the hotel properties in the downtown area, including the Alexander Fulton Hotel. Assuming the value of the hotel is between \$3,100,000 and \$4,000,000, the COA is prepared to consider a twenty- to thirty-year lease of that property at a “nominalized” value as the incentive for the increased capacity of convention business, stabilization of that industry as a micro-economy within the City, augmentation of the S.P.A.R.C.-CRA-1 initiative, and job creation, as well as the sustainability sought by the initiative overall.

The NOI projections for the Fulton property, assuming a market capitalization rate of 10%, are between \$310,000 to \$400,000 per annum.

With COA partnering in the City-owned portion of the Fulton hotel, and the potential for management of the Alexandria Riverfront Center, or some value associated with that property, the overall value of the Alexander Fulton property and associated convention complexes are significant. (Please go to www.sparccommission.com for a report on the downtown hotel values.)

Regarding the Alexander Fulton and its values, the COA may offset rehabilitation costs up to \$350,000-\$1,000,000, as follows:

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

- Utility offset on City properties plan until purchase of hotel by an end user and potentially for extended period for City-owned portion of space.
- Funding maintenance and capital improvements to common space immediately.
- Provision of custodial and building services by the City to common area.

The City is completing a Cooperative Endeavor Development Agreement with Capital One Bank, the mortgagee of the Alexander Fulton lease interest, for achieving some of the short-term goals. These goals are essentially addressed by a bridge agreement to ensure the continued viability of the Fulton as an ongoing concern. The COA intends to perform some operations and maintenance for common aspects and city-owned property, if allowed by the Bankruptcy court. The City may reaffirm Capital One's status as a mortgagee (with concomitant rights to demand the lease the City contends was forfeited by NR Group, the owner-operator-lessee of the Alexander Fulton Hotel); however, Capital One may be required to clear all pre-petition liens and debts and file an estoppel letter as required (but with new conditions afforded the City).

In exchange for a Bankruptcy Court-supervised compromise, the parties may:

Reaffirm Cap One interests
Allow the City to make awards in a court-approved RFP process
Require that Cap One pays all management fees and lodge tower O/M

With regard to the Hotel Bentley, the City's interests are not the same. While the City has an ownership interest in the Alexander Fulton, the City has no financial stake in your property—except that your property is critical to the ongoing efforts at redevelopment of the City in its S.P.A.R.C.-CRA-1 initiative.

b) Aid to the Hotel Bentley and the Fulton as Value-Added Incentives.

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, the costs of these economic development projects, when incurred by an authorized entity (i.e., the awarded consortium in the S.P.A.R.C. program or the COA through certification by the *Working Committee on Downtown Hotel Solutions and Mixed Use Options*) may include the sum total of all reasonable or necessary costs incurred incidental to or in furtherance of an economic development project.

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

An economic development project for the hotels can be global or address components.

Importantly, the COA is considering use of significant space in the Hotel Bentley for permanent placement of City Hall activity if cost effective and resulting in appropriate re-use of the current property housing City Hall.

Please consider this when addressing any proposals contained in this letter.

These approved costs, subject to a plan, 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 or the mayor or his designee.

As part of the Downtown Hotels Initiative, the COA has set aside \$167,000 for feasibility study and capacity determinations. The City and G.A.E.D.A. issued RFPs and are prepared to award the RFP. Depending upon the results, there are additional partnering funds available for these purposes.

You should have specific proposals in this regard if this incentive provides value; otherwise, the results will be available to you in any event as the study findings will be made available to the public upon completion.

Process time: Initial findings in 60 days from award of Feasibility RFP

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

- 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 or the mayor or his designee and the subject of which is contained in a cooperative endeavor agreement certified by the city attorney and finance director of the City as Section 5-04 compliant with the Alexandria City Charter and La.Const. art. VII, § 14.

As part of the Downtown Hotels Initiative, the COA has preliminarily determined as much as \$750,000 to \$2,000,000 in value-added incentives to a potential RFP awardee. The potential for this level of funding depends upon the nature of the overall response. For example, this award will not be available in a Hotel Bentley straight hotel model (because of the City's competing interest in its Alexander Fulton), but may be in a global approach to managing two to three assets (at least the Alexander Fulton and Hotel Bentley but not necessarily including the Alexandria Riverfront Center).

Process time: Assuming business plans are feasible, a Cooperative Endeavor could be formulated within 60 days from award of Hotel RFP (desired time is last quarter of 2009).

- 3) On- and off-site preparation costs, specifically approved by the City Council or the mayor or his designee and the subject of which is contained in a cooperative endeavor agreement certified 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.

These costs are provided for by separate partial award for S.P.A.R.C.-CRA-1 which can be accessed at www.sparcommission.com.

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

- 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 or the mayor or his designee and the subject of which is contained in a cooperative endeavor agreement certified by the city attorney and finance director of the City as Section 5-04 compliant with the Alexandria City Charter and La.Const. art. VII, § 14.

See response above to #2. As stated previously, as part of the Downtown Hotels Initiative, the COA has preliminarily determined as much as \$750,000 to \$2,000,000 in value added incentives to a potential RFP awardee. The potential for this level of funding depends upon the nature of the overall response. For example, this award will not be available in a Hotel Bentley straight hotel model (because of the City's competing interest in its Alexander Fulton), but may be in a global approach to managing two to three assets (at least the Alexander Fulton and Hotel Bentley but not necessarily including the Alexandria Riverfront Center).

In addition to the #2, #4 may also be the subject of Historic and New Markets Tax Credits as well as other aid during the construction period, including utility aid and other assistance in the City-owned portion of the Alexander Fulton. In a mixed-use model with the Hotel Bentley, cost sharing with a government entity in the hotel property can significantly offset costs of renovation, rehabilitation, relocation, repair, or remodeling in City portions and common portions. The value herein has not been determined but could, in some scenarios, exceed and be in addition to the value in #2.

Process time: Assuming business plans are feasible, a Cooperative Endeavor could be formulated within 60 days from award of Hotel RFP (desired time is last quarter of 2009).

- 5) Costs of construction within or about an approved plan in CRA-1 of public improvements, specifically approved by the City Council or the mayor or his designee and the subject of which is contained in a cooperative endeavor agreement certified by the city attorney and finance director of 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.

These costs are provided for by separate partial award for S.P.A.R.C.-CRA-1 which can be accessed at www.sparccommission.com. The potential for additional parking address totaling as much as \$7,500,000 would be of direct benefit to the Initiative.

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

In addition to the #2, #4 and #5 may also be the subject of Historic and New Markets Tax Credits as well as other aid during the construction period, including utility aid and other assistance in the City-owned portion of the Alexander Fulton. In a mixed-use model with the Hotel Bentley, cost sharing with a government entity in the hotel property can significantly offset costs of renovation, rehabilitation, relocation, repair, or remodeling in City portions and common portions. The value herein has not been determined but could, in some scenarios, exceed and be in addition to the value in #2.

Process time: Unknown at this time.

Please understand, however, that a consortium offering achievement of goals, with less public expense, and a better return on investment may alter these considerations. Until such time as the RFP is fully responded to, it is premature to partially award funding or commit to any discussed or proposed plans. In summary, in furtherance of the above and in specific response to your questions, the COA is considering incentives as outlined in this letter toward the overall initiative.

- 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.

June 15, 2009
Page -15-
Angela M. Courville
Dean Companies

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

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.

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.

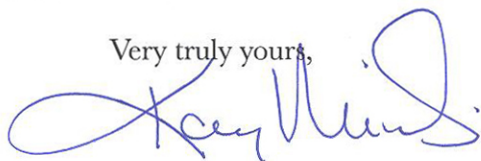
f. The City will offer a real and substantial commitment to parking infrastructure as part of S.P.A.R.C. This will tie in with a cooperative endeavor between the City and the Bentley so that the City can receive a reasonable portion of parking fees once the business model proves successful.

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.

I hope this provides you (and any respondent to the RFP) with information sufficient to further address COA needs.

With best wishes, I remain

Very truly yours,



Kay Michiels
Chief Operating and Planning Officer

June 15, 2009
Page -16-
Angela M. Courville
Dean Companies

Re: Incentive Issues
Working Committee on Downtown Hotel Solutions and Mixed Use Options

cc: Clifford Moller
All LOI respondents
CVB Executive Director
Hotel-Motel Association
City Council Members
Alexander Fulton Stakeholders
www.sparccommission.com