

## **PFIC Proposal – Questions from Staff**

### **Summary:**

The PFIC (Public Facilities Investment Corporation) represents a PPEA to develop a proposed police station and aquatic center utilizing tax-exempt leaseback financing. The PFIC claims to be a “. . . nationwide developer that specializes in the privatized development and tax exempt leaseback financing of police station and aquatic facilities for cities, counties and states. In addition, they claim to have completed over 200 public and private projects in 96 cities in 36 states since 1969.

PFIC proposes a four step program, which outlines Preliminary Programming, Planning and Development Analysis; Design; Construction; and Financing. They conclude with emphasizing “The end result of our development program is that the design, construction and financing risk is transferred from the Town to the private sector. Our experience with public/private partnerships is the foundation that allows us to address your concerns and goals, efficiently manage the development process, and create a project of which you and the community can be proud”.

PFIC’s program provides the Town with the following advantages:

- Integrated Project Delivery (IPD) approach promotes reduced construction and lifecycle cost through savings from innovations and efficiencies in design
- Financial obligation of the Town (i.e. lease payment) does not commence until project is delivered and ready to be used
- Shifts construction and schedule risks to development team
- Maintains financial benefits of tax-exempt bond financing through PFIC’s non-profit development entity
- Accelerated schedules enabled by concurrent design, entitlement and cost estimating
- Enables public and private sectors to focus on their core competencies

They provide an outline of 6 development steps:

1. Determine design scope and programming needs – all in collaboration with the Client and Client’s stakeholders
2. Project design
3. General contractor provides guaranteed maximum price for the construction of the Project
4. PFIC ground leases the site for up to 35
5. PFIC provides leaseback financing for 100% of the Project cost at tax-exempt rates through its non-profit 501c3 development entity
6. Upon expiration of the lease or prepayment of the financing by the Client, title to the project transfers to the Client

PFIC provides 11 highlights of their leaseback financing highlights:

1. Tax-exempt rates – mirrors Client's borrowing rates
2. Up to 35 year terms
3. Short-term financing available – structured around potential grants, bond issues, or other funding
4. 100% of project costs – can be combined with other funds like grants, cash on hand, or other funds
5. Lease payment never increases – flat for life of the term
6. No lease payments during design and construction
7. Client can prepay the lease at cost at any time
8. Can fully fund furniture, fixtures, equipment and technology
9. Can be structured around Client's current revenues/cashflows
10. Lease payments can be subject to annual appropriation
11. Client can provide its own financing for the project at its option

**Questions:**

1. PFIC's basis of their leaseback financing involves the use of tax-exempt rates. A question should be asked of Davenport whether their financing rates provide any unique advantages to the Town as compared to the rates which the Town can secure under the current bond/bank RFP market.
2. The design-build leaseback financing process appears to have significant value for the Town to consider, but not in combination with an aquatic center. Would PFIC be interested to pursue this arrangement without tying it to the multi-million dollar aquatic center facility? (which is not in the Town's long-range capital improvement program).
3. PFIC outlines experience in 8 project types, a police station being one of the 8. Out of their 200 public and private projects, how many were police stations? What size are the communities? What is the square footage? What are the total construction costs?
4. The police department has determined that the most qualified architects for police facilities in Virginia are Moseley and Dewberry. Would PFIC entertain a PPEA for construction with the preferred architect defined by the Town?
5. Is there a definitive timeline provided for completion?
6. Are all soft costs, from furniture to IT infrastructure, included in the total cost?
7. Under the lease period, who has responsibility for asset management of the building and grounds, and who has responsibility for any capital improvements?
8. Does the design-build process include complete building and site maintenance?