

PANAMA CITY MARINA & CIVIC CENTER REDEVELOPMENT

Memo to: Nevin Zimmerman & Owen Beitsch

Memo from: Bob Sonnenblick

Date : Feb. 15, 2018

Re: Project Funding and Sources & Uses

We see the \$300 Million total cost funding being broken up as follows:

- a) \$200 Million of debt
- b) \$100 Million of equity

Furthermore, the \$200 Million of debt will most likely be further sub-divided as:

- a) \$150 Million of senior construction loan financing at 400 bp over LIBOR for 3 years with two 1-year extensions.
- b) \$50 Million of mezzanine debt at 8-9% fixed-rate yield for 5 years.

As far as financing, the biggest challenge will be how to finance the parking garages (\$30 Million) if The City doesn't want the developer to charge for parking. Financing any asset without a cash flow is very difficult for any developer. If allowed to charge for parking, the developer will have no difficulty financing the garages themselves with private funds.

The equity will be a combination of our own funds and an institutional joint venture partner for the remainder. There are numerous life insurance companies, pension funds (both domestic and foreign), and investment funds who provide this type of equity JV funding for first-class mixed-use projects like this once this development is fully approved.

The developer requests that the City let them charge a 1% “Village Fee” on all sales & leases on the project site (except apartment leases). These monies will be used to fund the free water shuttle to Panama City Beach as well as the operation of The Fishing Pier , which will also be free to the public, among other things.

In terms of the various ground leases for each component, it will be necessary that they not be cross collateralized or cross defaulted as we see the \$200 Million construction loan debt will most likely be made up of 2-3 separate lenders.