



## APPROVED MINUTES

### Industrial Development Authority of the County of Prince William

#### SPECIAL MEETING

March 27, 2023

A Special Meeting of the Industrial Development Authority of the County of Prince William was held in the Occoquan Conference Room at the McCoart Government Administration Building located at 1 County Complex Court in Woodbridge, Virginia. The meeting was called to order by the Chair at 6:30pm.

Present were: Lorna Wallen, Chair  
Harry Horning, Vice Chair  
Dexter Montgomery, Secretary/Treasurer  
Andrew Taylor, Assistant Secretary/Treasurer  
Cheryl Kenny, Director  
Terence Battle, Director

Absent was: William Malone, Director

Michael W. Graff, Partner, McGuireWoods, Bond Counsel for the IDA, attended to participate in the Conference Center loan discussion.

Christina Winn, Executive Director, Prince William County Department of Economic Development (PWCDED), participated to answer questions related to the Conference Center loan discussion.

#### **PLEDGE OF ALLEGIANCE**

**CITIZEN'S TIME:** Seth Opoku-Yeboah was present.

#### **NEW BUSINESS**

- 1) ***Consideration of Potential IDA Loan to the Developer of the Hilton Conference Center to be Located Adjacent to the Hilton Garden Inn at 7001 Infantry Ridge Road in Prince William County (Gainesville District)*** – The developer of this 146-room hotel property plans to construct an adjacent 43,000 sq. ft. conference facility for corporate events, receptions, and business conferences. There is currently no conference space of this size in Prince William County. Project cost is estimated at \$10 million, with \$9 million raised. The principal is seeking up to \$1 million as a short-term loan to close the gap.

Discussion began with the suggestion that the IDA provide any loaned funds toward the end of the project. Christina Winn, Executive Director, Prince William County Department of Economic Development noted that the County's agreements often don't provide funds until a certificate of occupancy is obtained, close to project completion. Mike Graff, the IDA's Bond Counsel, noted that funds may be needed before the final stages. The County's contribution could include a cash grant and water/sewer credits provided in the amount needed to get the utilities operational. Mr. Graff noted that Munificent Group currently has a \$500,000 loan with the IDA, approved in December 2020. For that transaction, the IDA took a third position deed of trust on the property, behind the primary lender and the SBA, and received personal guarantees from many of the investors. There is approximately \$12 million of debt ahead of the IDA on the property. For the original Munificent loan, the IDA accepted a Subordination Agreement. The primary lender provided a commercial real estate loan and

facilitated the SBA loan. The IDA provided a loan with a 5-year term of evenly spaced payments of \$100,000 per year at 5% interest. There are no covenants beyond repayment. The primary lender may require a separate agreement for this loan. It is not likely the lender would allow another \$1 million loan without authorization. The lender's perspective would inform IDA as to whether the lender is comfortable with the borrower taking on additional debt.

Mr. Graff noted that the IDA will need to determine the loan term expected by the principal and what repayment amortization is sought. Presumably, revenue generated from the conference center will provide loan repayment. The IDA could require a Cross Default Provision stating that if a payment is missed on the original note, the IDA could then call the new note. The diligence done on the first loan could be repeated to include personal financial statements on the investors. For the original loan, the IDA Chair and Mr. Graff reviewed the statements. A Title Report would be obtained on the property to ensure there are no encumbrances. Title insurance was not obtained since it was a third lien. Mr. Graff also suggested obtaining a basic project budget to get a sense of costs, source of funds, and length of time for project completion. This would provide some assurance that the project doesn't run out of funds before completion.

Mr. Montgomery believes the project is needed in the community. Ideally, he would like to see Munificent pay off the original loan before doing the second one and he prefers the IDA funding to go into the project when it is nearer completion. In response to a question, it was noted that \$300,000 is outstanding on the first loan and payments have been made on time. Mr. Battle noted that the need for a facility of this size has been established. There are no large facilities currently available in the second largest County in the Commonwealth. Mr. Horning noted that it may be impossible for Munificent to pay off the first loan early. He also thinks the conference space is needed and that the IDA should try to support the venture if it has the ability. Mr. Graff stated that, even if the principal is able to pay off the first loan, he would likely need to obtain consent from the primary lender. The lender agreed to the IDA's original Subordination Agreement with a stated repayment schedule and may not consent to an early payoff. Ms. Kenny noted that this would be a new loan for the new entity. Ms. Winn responded that a separate loan is necessary because the property was not able to be subdivided. PWCDED has reviewed a pro forma statement. Mr. Graff stated that the IDA may have to obtain the primary lender's approval to increase the lien on the real estate. The IDA will remain in the third position. Mr. Taylor inquired about the return on the IDA's current investments and interest rates on CDs. In the current climate, the IDA would likely ask for a higher interest rate to incentivize the risk. Mr. Horning said the risk may be worth it for the good of the community. Ms. Kenny stated that the IDA may be able to do a loan for significantly less than \$1 million, given the potential funds contributed by the County. This loan, along with the original one to Munificent, will be committing a substantial amount of the IDA's funds. Mr. Graff suggested creating a short list of questions and due diligence items to be provided to the principal. Mr. Graff could create a proposed term sheet. In a worst-case scenario, the IDA has a 3<sup>rd</sup> position on the real estate. The primary lender supported Munificent obtaining a loan from the IDA on the hotel construction. Mr. Graff noted that the risk is partially lessened by doing the project with the County. The IDA would be risking substantially less than \$1 million if the County approves some level of funding.

It was suggested that questions could be compiled from all IDA members and provided to the principal via email. The exact timeframe for when the loan is needed is not known.

## **2) *Consideration of Request from the Freedom Museum and Discussion of IDA Policy on Community Organization Contribution Requests***

Prior to the meeting, Mr. Battle provided IDA members with draft procedures as a starting point to develop criteria for supporting community organizations. *Terry Battle made a motion to freeze the request for a contribution from the Freedom Museum until the IDA has procedures in place*

*regarding contributions. The motion was seconded by Andrew Taylor. In the ensuing discussion, it was noted that the expenditure is seen as a marketing and community goodwill endeavor, much like the IDA 's Chamber of Commerce sponsorship. Museums are listed in the VA Code that established IDA's as an organization that can be supported. Other 501c3 organizations are also included in the Code. The IDA may want to give preference to organizations in line with the IDA's mission, as stated in the Code. From a marketing standpoint, the Freedom Museum lists the IDA as a supporter on its website and on a banner located inside the Museum. Mr. Battle has received requests from attendees at Chamber functions, inquiring as to how they might obtain an IDA contribution. It was noted that the same budget category is utilized for the IDA's Chamber sponsorship and the Freedom Museum contribution. The IDA has budget categories for Marketing and for New Initiatives. It was suggested that the IDA may want to set up a program similar to the Chamber's Business Awards, receive annual applications, and select an applicant to receive the contribution. Mr. Horning offered a friendly amendment to the motion on the table, adding that the IDA will make a contribution to the Freedom Museum in the amount of \$3,000 and freeze future requests until procedures are developed. The friendly amendment was accepted. The full motion made by Terry Battle, seconded by Andrew Taylor, and Amended by Harry Horning is to make a contribution of \$3,000 to the Freedom Museum and freeze all future requests for contributions until the IDA has procedures in place regarding contributions. The motion passed unanimously with Lorna Wallen, Harry Horning, Dexter Montgomery, Andrew Taylor, Cheryl Kenny, and Terry Battle each voting aye. (6 ayes, 0 nays, 0 abstentions)*

## **Adjourn**

The next Regular Meeting of the Prince William County Industrial Development Authority is scheduled for Monday April 3, 2023, at 6:30pm at the PWC McCoart Government Administration Center in Woodbridge, VA.

There being no further business to come before the IDA, the meeting was adjourned at 8:05pm on the motion of Cheryl Kenny, seconded by Dexter Montgomery.

**Approved: April 3, 2023**