

DATE: September 23, 2016
 TO: Noelle Mackay, City of Burlington, Vermont
 FROM: Abe Farkas, Matthew Craigie,
 SUBJECT: BURLINGTON TOWN CENTER – DEVELOPER CAPABILITY ADDENDUM

This addendum is in response to questions raised during the September 19th 2016 City of Burlington Board of Finance meeting regarding the memorandum provided by ECONorthwest to the City for review. Here we answer two specific questions raised by board members. These questions are:

- What documents did you request from the developer; what documents did you receive; and which documents were withheld and why?
- Elaborate on the developer’s project history. Which projects has he completed; what role did he play with these projects, and how were they successful?

Furthermore, we also address two other inquires raised by the Board of Finance and Burlington City Councilors. These are:

- Through a Google search, one can find the developer’s name associated with a bankruptcy. What is the story behind this event and how was the developer involved?
- What do personal references say about the developer’s project history and development capability?

Question 1 – Documents Requested and Received

The following table summarizes documents requested by ECONorthwest regarding the developer’s project capability, finances, and project related information.

Documentation Requested	What is this documentation and why it was requested?	Did ECONorthwest receive and review this documentation?	If received, was the documentation satisfactory? And if not, why was it not provided or satisfactory?
Business Structure Info	To understand how the businesses executing the project are arranged	Yes	The documentation was satisfactory
List of major project owners	To understand the who the major partners are in the deal	Yes	The documentation was satisfactory
Sources and uses of project funds	Explains where BTC funds are coming from and how they will be deployed	Yes	The documentation was satisfactory

Five year financial projection	Illustrates cash flows and is important to understand project feasibility	Yes, received a ten year projection	The documentation was satisfactory
List of all commitment letters to date	Outlines anticipated commitments by lessees and potential lessees. Provides an understanding on status of committed space in the project.	Yes, Letters of intent (LOIs) were received as well as outreach correspondence with other potential lessees.	The documentation and follow up conversation with the developer indicate a high percentage of space in the BTC has preliminary commitments to lease by interested and suitable potential tenants.
Detailed preliminary financial pro forma	Details cash flows, project inputs, and returns. This is key information for understanding whether the project is likely be financially successful.	Yes	The documentation displays a prudent and conservative approach by the developer to the project's financial planning.
Any record of bankruptcy in the past 10 years	Outlines bankruptcies by developer and project partners. Helps understand financial history.	Yes	The documentation required follow up. See discussion below.
Are the key owners taxes current?	Outlines project partner's personal financial responsibility	The developer did not provide personal tax or financial information. He has shown a willingness to work with ECO to illustrate that this item is satisfactory.	As this is highly sensitive information, the developer declined to provide this documentation to ECO, but is willing to send references from people that can vouch for their satisfactory completion prior to a development agreement being signed.
Detailed project cost estimation book	A detailed report from a general contractor that itemizes project related costs.	Yes	The project cost book was provided by a respected local contractor. Given this local knowledge, and ECONorthwest's understanding of the Burlington market, the documentation was satisfactory.
Detailed personal financial information; including, collateral for	This information is typically used for project underwriting by lending institutions. It helps	ECONorthwest received a summary of some of this information. We did	The documentation received by the developer provided information on how he's

<p>the BTC, existing loans, Business balance sheets, tax returns, and personal financial statements</p>	<p>understand the financial health of development partners.</p>	<p>not receive all of this information.</p>	<p>raising sufficient equity for the project and noted that the project loan would be non-recourse. As noted previously he declined to provide documentation on personal financial statements, but has shown willingness to provide reference material summarizing its satisfactory nature. This is not an uncommon practice with high net worth individuals and a practice ECONorthwest is familiar with.</p>
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Question 2 – The Developer’s Project History

The developer has experience working on a number of large scale complex development deals. The following information was provided by Mr. Sinex regarding projects that he worked on while with JMB Realty:

Mr. Sinex has more than 35 years of experience in real estate investment and development. Mr. Sinex was a senior partner and principal in the real estate investment and development firm JMB Realty Corporation, headquartered in Chicago. JMB Realty is one of the largest real estate investment and development firm in the US with extensive holdings in multifamily, retail, missed use and office projects around the US, including substantial holdings in New York, Boston and Washington DC. Mr. Sinex was personally involved in many large mixed use, retail and office building projects as a principal and as a partner at JMB Realty from concept to completion, including, as a sample of these projects, the following:

- *245 Park Avenue- a 1,800,000 square foot office building project located at 46th and Park Avenue in New York City. The acquisition and renovation of this building was completed at a cost of more than \$450 million dollars. The building has substantial ground floor retail and is the home to a dozen fortune 500 companies. The project was developed in a partnership with Olympia & York and now is co-owned with Brookfield Properties- one of the largest publicly owned real estate companies in the world.*
- *237 Park Avenue- a 1,150,000 square foot office and retail building located at 45th and Park Avenue in New York City. The acquisition and renovation of this building was completed at a cost of more than \$350 million and was a part of a three building acquisition completed by Mr. Sinex on behalf of his firm JMB Realty Corporation. The old industrial building once owned by NY Central railroad was redeveloped into a first class office building with a large atrium dedicated to retail use including shops and restaurants. The development was a partnership between Olympia & York and the property has been sold at this point to a third party.*

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- *767 Third Avenue- a 300,000 square foot office building located at 48th and Third Avenue in New York City. This project included acquiring an existing older apartment building, demolishing half of the apartment building thereby creating a site for the development of the office building, and renovating the residential building and selling the renovated units as condominium homes and then erecting the 767 office tower. The project cost \$100 million. The project was co-developed with the William Kaufman Organization of New York.*
 - *900 Third Avenue- a 500,000 square foot office building development located at 54th and Third Avenue in New York City. The project included land assemblage and development of an office tower over street level retail. The project cost \$150 million.*
 - *17 State Street- a 500,000 square foot office building located in lower Manhattan on State Street. The project included acquisition of an SRO building, demolition of the SRO and development of the office building. The project cost \$160,000 million. Property was developed in a partnership with the William Kaufman Organization of New York and it was sold to Teachers Insurance & Assurance Association of New York.*
 - *1211 Avenue of the Americas- a 2 million square foot office tower with concourse and plaza retail located on 48/49th Street on 6th Avenue (Avenue of the Americas) which is a part of the retail underground in Rockefeller Center. The project included acquisition and repositioned of the office tower and the conversion of 75,000 square feet of Concourse space to high traffic retail including shops restaurants and cafes. The project cost \$350 million. Property was sold by JMB Reality in 1996 to another party.*

In each case cited above, the development required permits and approvals from both the City of New York building department and that required extensive collaboration with local Community Boards, and in a few cases the consent and approval of the NYC Landmark Preservation Commission as well as the City Planning and Zoning commission. In each case, a careful integration of private and public interests was part of the process as bonus development rights were awarded in return for the inclusion of public amenities such as public plazas, parks and gallerias.

- *Copley Place- a large mixed use project in the back-bay section of Boston. The project included two hotels, a 1,000,000 square foot shopping center with four anchor apartment stores, a 2,000 car garage and 800,000 square feet of office space. The project cost more than \$850 million. This project was developed by an affiliate of JMB Reality and Mr. Sinex worked for the senior partner managing the project. This development was a large urban project developed in conjunction with the State of Massachusetts, the City of Boston and the Mass Transit Authority in a classic private and public partnership.*
- *Brandywine Concord Mall- a 650,000 square foot shopping mall located in New Castle County Delaware. The project included acquiring an outdoor community center anchored by a discount department store and converting it to an enclosed regional mall with three anchor department stores and 400,000 of retail shops, restaurants and specialty retailers. The project required extensive re-zoning and cooperation with the zoning and planning commission of the county and the State of Delaware. The project cost \$100 million.*

When asked to elaborate on his roles on a few of these projects, Mr. Sinex responded:

First understand that I was a senior officer of JMB having joined them in 1978 after graduating from Harvard. I was assigned the role to open and manager our NYC office in 1981. Climbing through the ranks I became a Senior Vice President shareholder and partner in JMB. JMB was a flat organization in management style and I worked exclusively with Neil Bluhm the CEO and the B in JMB. This was due to the size and importance of the deals in NYC and my own capabilities.

17 State Street

- *I identified this potential development- underutilized property in Downtown NNYC at the tip of battery park.*
- *I negotiated and acquired the land /property- it was an SRO owned and occupied by the Seaman's Church Institute.*
- *I planned the development project with Emory Roth (Architect's).*
- *I brought in a co-developer partner (Wm. Kaufman Organization of NYC) as a 50/50 partner.*
- *I negotiated the acquisition loan and thereafter a construction/permanent loan with TIAA.*
- *I was the project manager from the JMB side overseeing the development, the development budget and leasing of the project along with our 50/50 partner Mel Kaufman.*

1211 Avenue of the Americas

- *I identified the opportunity to acquire the Celanese building owned by the Shell Pension Trust of the Netherlands.*
- *I negotiated the acquisition and laid out the strategy to quantified the intrinsic value of the building. The strategy was to buy out the lease held by the Celanese corporation an industrial chemical manufacturing firm which no longer occupied the space in NYC.*
- *The building was acquired and I planned an renovation program for the lobby, plaza and mechanical systems (\$30 million).*
- *I negotiated and reacquired the Celanese lease premises (550,000 sf) (\$16 million) and released the space to Rupert Murdoch's Fox TV Cable and news network. 1211 is today the home of FOX.*

The other assets highlighted are all similar in tale. My involvement in each property/project was from the very beginning (identification) through negotiation and structuring, closing and operating including the strategy and vision for each asset. Over my career as already mentioned I have been involved in retail multifamily and office development totaling \$6-7 billion dollars.

ECONorthwest followed up with questions about more recent project history. Mr. Sinex indicated that he had been a participate in a number of development projects smaller than the BTC project in recent years, including land development deals overseas, and residential projects. He noted that the BTC is the first project of significant size that he has undertaken since his time at JMB Realty, and that it's the first project initiated by the Devonwood LLC.

ECONorthwest also followed up regarding Mr. Sinex's involvement with the LL Bean transaction. Mr. Sinex indicated that he conducted every aspect of the transaction from initial outreach with LL Bean to contract negotiations.

Bankruptcy History

There has been discussion regarding a bankruptcy related to the developer that was identified by a member of the public and raised in a public forum in Burlington. ECONorthwest questioned Mr. Sinex about this bankruptcy. His response was as follows:

"OTS was a Netherlands based OLED technology company that was acquired by another company that I had made an investment in years ago. The parent company was a Chinese company and I knew the CEO of the Chinese company from Harvard. OTS was acquired by the Chinese company in 2009 or so. In 2015, the Chinese company decided to close the Netherlands company and was advised by counsel to put it into bankruptcy in the Netherlands as the best and most efficient way to close it due to Netherlands employment laws. In 2015 OTS was closed. I did not ever serve on the Board of either OTS or the Chinese company but I was asked to serve as an interim CEO of OTS in 2013 which I did and after a year I was replaced.

...I was an investor not a decision maker nor a Board member of OTS nor the parent Chinese company and the OTS company was closed by the parent company Board- I had nothing to do with the decision. I was merely an investor in a company that was closed."

In follow up conversation with Mr. Sinex, he reiterated that his brief stint as interim CEO of the company was in a caretaker role after the previous CEO had left abruptly. He indicated that his role was minor for those months (less than a year) and that the company's board maintained all decision making power.

From the information provided to us, the bankruptcy of the OLED firm was unrelated to any of Mr. Sinex's development projects and was an investment in a technology firm. It doesn't appear that this bankruptcy is any reflection of Mr. Sinex's capability as a real estate developer or of his management of complex financial arrangements dealing with real estate.

Project References

Mr. Sinex also previously provided references to the City of Burlington that could vouch for his experience as a real estate developer. ECONorthwest has reviewed two reference letters from the following individuals:

- John Schreiber - Mr. Schreiber hired and worked alongside Mr. Sinex during his tenure with JMB Realty. His letter states that, *"Although I have not been professionally engaged with Don since he left JMB, I can say with confidence that Don did a good job at JMB. He is very talented, smart, and hardworking and in my opinion, he will do an exemplary job with the BTC."*
- Jeff Williams – Mr. Williams of Prime Finance extended the original loan to Devonwood, LLC, Mr. Sinex's real estate investment company, for the purchase of the BTC in 2013.

His letter states that they are following the BTC redevelopment project “with great interest” and have expressed their interest in potentially providing project financing.

City of Burlington Staff also previously reached out to these individuals. It is our understanding that Mr. Schreiber followed up with a positive and satisfactory review of Mr. Sinex’s project history and development capability.

ECONorthwest called both of these contacts this week and has left a voice mail message for Mr. Williams. Mr. Scheiber’s office explained that he is away from the office on business for several days and has asked us to e-mail questions to him which we have done.

ECONorthwest, asked Mr. Sinex to provide contact information from two additional references which he has promised to provide. ECONorthwest is prepared to follow up with these additional references as soon as we receive their contact information.