MARKET CONSULTATION PROJECT BRIEF

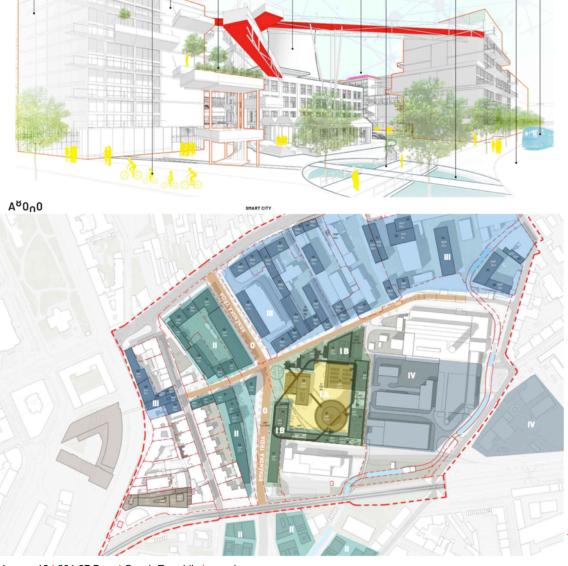


SMART DISTRICT ŠPITÁLKA IN BRNO, CZECH REPUBLIC

Brno is the second largest city in the Czech Republic with 380,000 inhabitants and the budget of EUR 730 mil. in 2022.
Brno City Council (the City) aims to revitalise the city district called " Špitálka ". The Špitálka area is located on the redundant site of the City's heating plant. The revitalisation of the brownfield location into a functioning city district is a long-lasting and complex process for the City.
 Trigger future development of the broader area of Špitálka. Verify use of modern sustainable, green and smart technologies and innovative approaches for their possible expansion all over the City. Create a lively and modern neighbourhood where people can comfortably live, work and spend their leisure time.
Phase 0: The City acquires land, prepares brownfield, builds transport and technical infrastructure in the surrounding area. Phase I: Design and construction of the Špitálka project. Phase II+: Redevelopment of the wider area of the Špitálka project.
 The Špitálka project (Phase I) involves 20,000 m² area and includes delivery of: WORK&LIVE: 600 units for rental living/work (each 28 m2 + ½ floor) – newly build (Gross Floor Area: 26,492 m² Net FA: 19,937 m² Build-up Area: 5,258 m²) COWORKING HUB: a major reconstruction of an existing building into modern coworking/administrative building with a capacity of 150-200 people. (Gross Floor Area: 3,469 m² Net FA: 2,595 m² Build-up Area: 320 m²)

	 CULTURE HUB: Major reconstruction of an existing industrial building for cultural, sport or social events with a capacity for approximately 1,000 people seated or 3,000 people standing. (Gross Floor Area: 3,912 m² Net FA: 2,879 m² Build-up Area: 1,667 m²) EVENT HUB: Major reconstruction of an existing industrial cooling tower with a new-built event hall inside. (Gross Floor Area: 6,196 m² Net FA: 4,957 m² Build-up Area: 1,486 m²) PARKING: Two-underground levels below Work&Live buildings, Gross Floor Area: 15,149 m² Other: new-built facilities will be in the Energy-Passive standard, the reconstructed buildings will be in the Near-to-Passive standard.
CAPEX	Total construction costs: EUR 105 mil. (2.7 mld. CZK) in the current price levels Total cost to be funded: EUR 127 mil. (3.3 mld. CZK) in the 2027-2029
PROJECT STRUCTURE	The City has contracted PwC to propose options for the Project delivery and financing. Based on the analysis, the City aims to find a financially strong and experienced Strategic Partner for the delivery of the Phase 1. There are two options proposed: Option 1: Joint-Venture and Option 2: PPP.
OPTION 1: JV	Joint-Venture with the Strategic Partner . The City would find a Strategic Partner to create a Joint-Venture and hold 20 % share for 30 years. Subject to risk sharing matrix, the City will issue a Minimum Revenue Guarantee to retain demand risk related to certain/all facilities.
OPTION 2: PPP	Public-Private Partnership: 30-year DBFM contract with an Availability Payment.
RISKS	 The City is considering retaining the following major risks: Acquisition of land and obtaining zoning permit, Demand risk for most of the facilities (occupancy and rent) – subject to competitive dialogue, The following major project risks to be transferred to JV or Concessionaire: Design and construction risk, Facility management and Operation & Maintenance, Life-cycle maintenance, Management of rental contracts and rent collection. Shared risks might include: Obtaining a construction permit and some others. Other risks to be discussed.
PROFIT SHARING	The City will keep the Demand risk, however, it is considering proposing a Profit-Sharing mechanism with the Strategic partner. Commercial revenues (mainly rent) exceeding a certain base-case level to be shared to align motivations to maximise commercial profits and not rely solely on Minimum-revenue guarantee or an Availability payment. However, a maximum cap might be set.
TIMELINE	The City has developed urban-architectural design (Master Plan) and White-book of the Project. The following timeline is anticipated: Series of market consultations 2Q - 4Q/2022 Project and tender preparation 2023 Selection of the Strategic partner 2024 - 2025 Engineering 2025 - 2026 Construction 2027 - 2029 Commencement of operations 2029 - 2030

CONSULTATION	The City will hold market consultation with potential strategic partners on Thursday 23rd June 2022 from 11:00 to 15:00 in Brno at the address: Dominikánské nám. 196/1, 602 00 Brno, Office secretary's meeting room. Online participation will be facilitated and the consultation will be held in English language. To confirm your interest, please, contact us gruza.lukas@brno.cz by Friday 17 June 2022.
MORE INFORMATION	 More information about the Project can be found on https://respitalka.brno.cz/ The key documents can be found at the links below: White Book, Author: A8000 s r.o., File: BRNO Spitalka BilaKniha 211215b FINAL.pdf https://ezak.brno.cz/publication_index.html MASTERPLAN – City Hub Brno 04/2020, Author: A8000 s r.o., File: MOSILANA_ 200511_Optimized.pdf https://ezak.brno.cz/publication_index.html Minutes from the Market consultation I, https://ezak.brno.cz/publication_index.html
CONTACT	Brno City Council: Lukas Gruza, e: <u>gruza.lukas@brno.cz</u> , m: +420 735 873 170



3