

# PUBLIC SAFETY BUILDING SALE & REDEVELOPMENT



Land Use, Housing and Transportation Standing Committee  
February 16, 2021



Ord. No. 2021-024: To authorize the Chief Administrative Officer, for an on behalf of the City of Richmond, to execute the Development Agreement between the City of Richmond, Virginia, and Capital City Partners, LLC, for the purpose of providing for the private development of a mixed-use project located at 500 North 10th Street and the construction and dedication of certain public improvements in the vicinity thereof.

Ord. No. 2021-025: To direct the sale of the City-owned real estate located at 500 North 10th Street and known as the Public Safety Building to Capital City Partners LLC, for \$3,520,456.00 for the purpose of facilitating the redevelopment thereof.

Ord. No. 2021-026: To declare a public necessity for and to authorize the Chief Administrative Officer to accept a dedication of right-of-way improvements consisting of 22,277± square feet and property consisting of 6,607± square feet for the purpose of facilitating the redevelopment of the property known as 500 North 10th Street.



**Affordable Housing**  
**Equitable Economic Development**  
**Jobs**  
**Reducing Poverty**  
**School Funding**  
**Services for Citizens**  
**Stronger Economic Base**



$$\mathbf{\$84M} = \mathbf{\$1M}$$

**Assessed New  
Real Estate Value**

**New General Fund Real  
Estate Tax Revenue**



$$\$.01 = \$2.54M$$

**One Penny of the FY21 Real Estate Tax Rate of \$1.20**

**Projected General Fund Real Estate Tax Revenue in FY21**



**THEREFORE**

$$\mathbf{\$213.4M = \$.01}$$

**Assessed New  
Real Estate Value**

**One Penny of the FY21 Real  
Estate Tax Rate of \$1.20**



# PUBLIC SAFETY BUILDING



- Tax Parcel No. E0000235001
- 3.01 acres
- Built in 1954
- FY21 assessed value of \$15,386,000
  - Land = \$4,327,000
  - Improvements = \$11,059,000
- FY20 operational costs = \$389K
- Immediate deferred maintenance = \$20.9M
- “Critical” facility condition rating



# SOME KEY ITEMS THAT I WOULD LIKE TO DISCUSS UP FRONT



- Decision to negotiate with Capital City Partners, LLC instead of issuing a Request for Proposals (RFP)
- Taxable project that generates \$55.9 million in General Fund revenue during the first 25 years and is cash-flow positive in Year 2
- No City financing, bond issue, cash, rebates, exemptions, incentives, or funding of any kind to build this project
- VCU Health System is central to the success of this project
- 40% MBE participation goal
- GRTC Temporary Transfer Station
- Childcare slots for Richmond families
- Prevailing wage rates for construction jobs
- Project is scheduled to be built and occupied within 45 months after closing







*“Regardless of the outcome of the Navy Hill project as a whole, (i) make Parcel D available for sale to a private party for use by VCU hospital for a taxable project substantially as contemplated in the Navy Hill Project...”*

**- Final Report: Navy Hill Development Advisory Commission**

Issue	Yes	No	Insufficient Data No Positions
10) VCU Benefits Reasonable	5	1	3

# HOW DID WE GET HERE

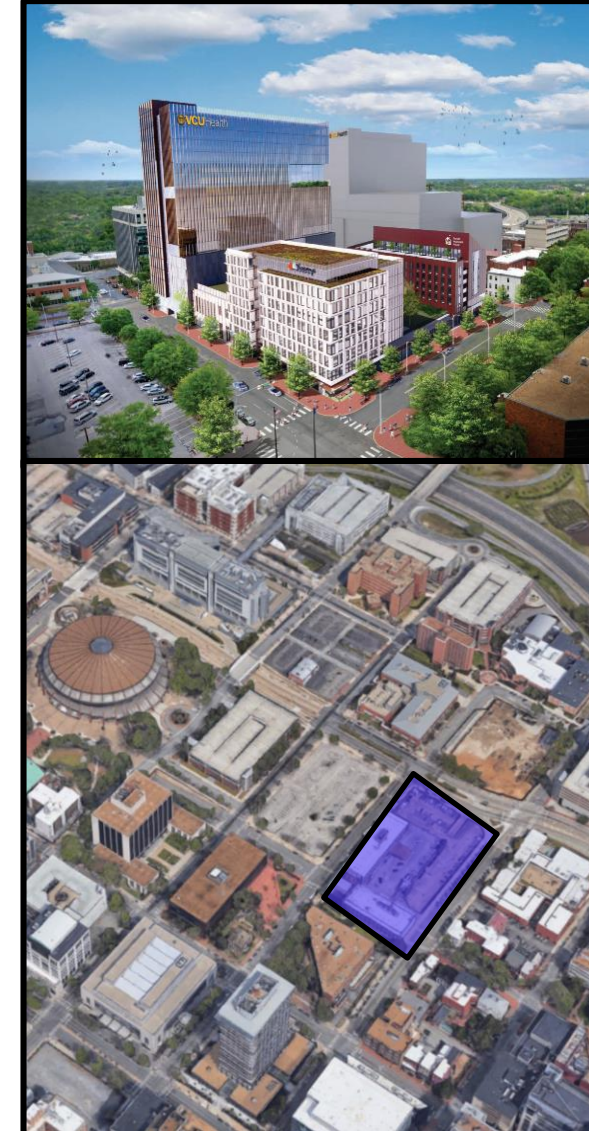


- May 1, 2020 – City received an unsolicited offer from Capital City Partners, LLC dated May 1, 2020 to purchase the “Public Safety Building” site located at 500 North 10<sup>th</sup> Street
- May 11, 2020 – CAO Reid notified the Mayor and City Council of the city’s receipt of the unsolicited offer
- June 2020 – 80% of the 693 responses from a Richmond 300 virtual meeting and online survey state that the “proposal is an appropriate set of uses for the particular block”
- June 22, 2020 – City Council adopted Resolution 2020-R034 to declare surplus and authorize the CAO to seek proposals for 500 North 10<sup>th</sup> Street for the purpose of facilitating the purchase and development of the parcel
  - During this meeting Administration recommended to City Council that the City negotiate with Capital City Partners, LLC on its unsolicited offer to purchase and redevelop the property, and the recommendation was reiterated in a June 24<sup>th</sup> memorandum to City Council.
  - The recommendation was made in lieu of issuing a request for proposals (RFP) to redevelop the site for the following reasons:
    - Recommendation from the Navy Hill Development Advisory Commission Report;
    - Citizen survey feedback during the development of Richmond 300 on the proposed uses for the site;
    - Tenants secured for the project – VCU Health System, The Doorways, and Ronald McDonald House Charities; and
    - New real estate tax revenue
- February 8, 2021 – Ordinances introduced to City Council
- February 16, 2021 – Planning Commission meeting
- February 16, 2021 – Land Use, Housing, and Transportation Standing Committee meeting
- February 18, 2021 – Finance and Economic Development Standing Committee meeting
- February 18, 2021 – Community meeting and discussion on the Public Safety Building project

# TENANTS & BUILDING PLAN

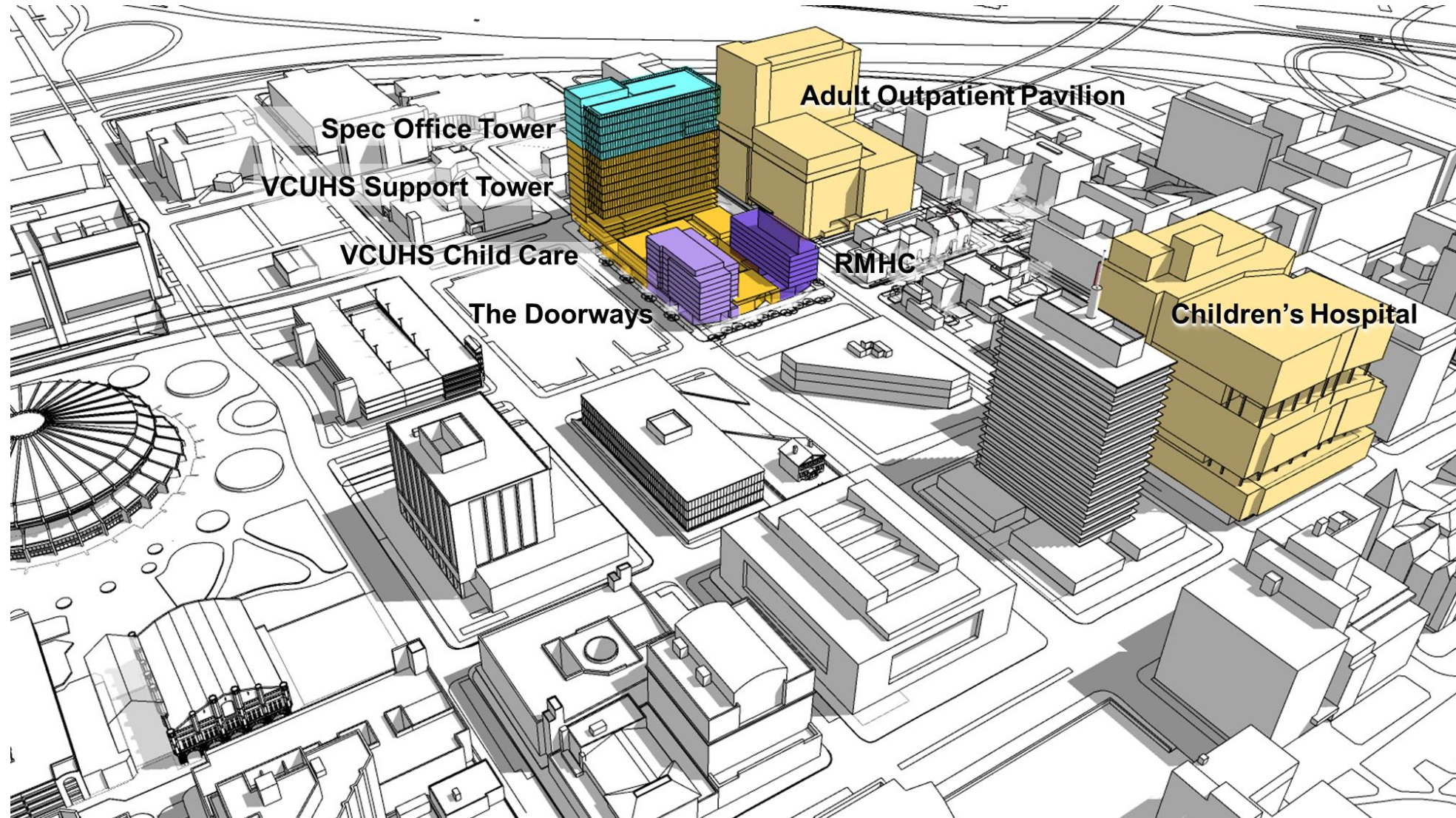


- Capital investment of \$325+M (hard costs and soft costs)
- Offeror proposes to develop the property to be a mixed-use project consisting of:
  - 150,000 sq.ft. – VCU Health System - administration and office space for VCU Health System
  - 90,000+ sq.ft. – Spec Class-A office space
  - 125,000 sq.ft. (145 guest rooms) – The Doorways – guest rooms for patients, their families and caregivers, who are receiving treatment at VCU Health Systems
  - 65,000 sq.ft. (60 guest rooms) – Ronald McDonald House Charities – guest rooms for families whose children are receiving medical care
  - 35,000 sq.ft. – VCU Health System Child Care – daycare and educational services for VCU Health System faculty and staff for children ages 18 months to 6 years and a small senior care program that is integrated into the childcare services
  - 20,000 sq.ft. – Retail space for a walk-in pharmacy, banking, restaurant, and retail
  - 1,200+ structured parking spaces





# PROXIMITY TO COMPATIBLE USES

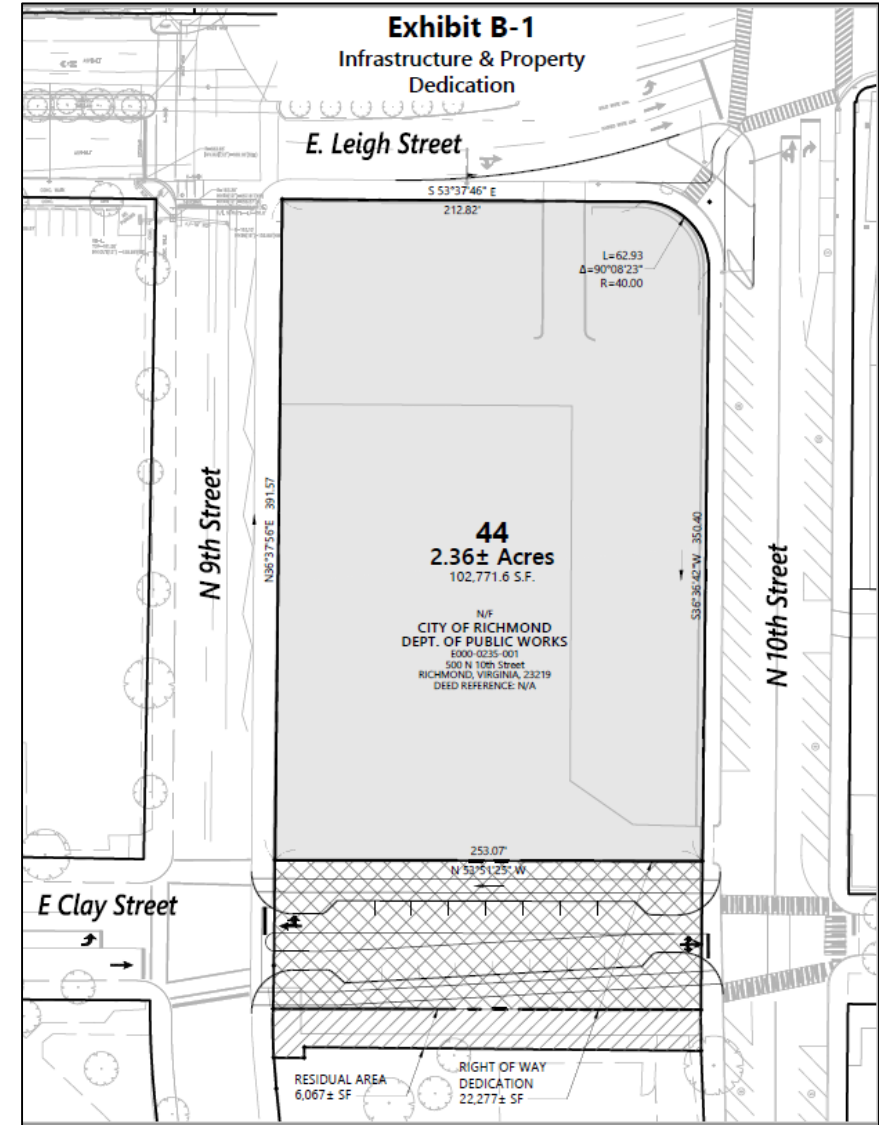




# PUBLIC SAFETY BUILDING SITE



Parcel sold to Capital City Partners	3.01 acres
Proposed new parcel for the redevelopment site	2.36 acres
Improved Clay Street & residual land Dedicated back to the City	0.65 acres



# APPRAISED VALUE / PURCHASE PRICE



Category	Capital City Partners, LLC Appraisal
Base Value / Market Value / Value of "Shovel Ready Land Area"	\$8,500,000.00
Infrastructure Cost Deduction	(\$3,424,312.00)
Developer's Risk Deduction	(\$342,431)
Demolition Cost Deduction	(\$1,555,232.00)
<b>Final Appraised Value</b>	<b>\$3,178,025.00</b>

- **Negotiated sale price of \$3,520,456.00**
- **10% deposit (\$352,046) paid by Capital City Partners to the City per City Ordinance**
- **Capital City Partners is 100% responsible for the demolition and public infrastructure costs**

# KEY BUSINESS TERMS AND COMMUNITY BENEFITS



## PUBLIC SAFETY BUILDING SALE AND REDEVELOPMENT

Purchase Price (Section 2.a of the Purchase and Sale Agreement)	\$3,520,456
Demolition & Public Infrastructure (Sections 2.2.c & 4.1.b; and Article 5 of the Development Agreement)	Developer is 100% for the cost to demolish the Public Safety Building and construct the public infrastructure
Capital Investment (Section 2.2.b of the Purchase and Sale Agreement)	\$325+ million Developer is required to provide the City with evidence of all hard and soft cost expended on the project
Taxable Real Estate (Sections 9.1, 9.2 & 9.3; Exhibit B – Quitclaim Deed; and Exhibit G – Anticipated Minimum Real Estate Tax Revenues of the Development Agreement)	\$55.9 million in projected real estate tax payments over the first 25 years of the project Property remains taxable after the first 25 years If for the any reason at any time the property is not subject to real estate taxation the property owner is required to make “In-Lieu Payments” to the City in an amount equal to the real estate tax (See Article 9 of the Development Agreement and the Quitclaim Deed)
Development Plan (Sections 2.2.d & 3.2 of the Development Agreement)	150K sq.ft. of Class-A office space for VCU Health System; 90K+ sq.ft. of speculative Class-A office space subject to Zoning; 125K sq.ft. for The Doorways; 65K sq.ft. for Ronald McDonald House Charities ; 35K sq.ft. for child care; 20K sq.ft. for ground level retail; 1,200+ structured parking spaces

# KEY BUSINESS TERMS AND COMMUNITY BENEFITS



## PUBLIC SAFETY BUILDING SALE AND REDEVELOPMENT

Key Professional Project Participants (Section 4.8 and Exhibit E – Key Professional Project Participants of the Development Agreement)	DPR Construction, a General Partnership Canterbury Enterprises, LLC DPR-Canterbury, a joint venture between DPR Construction, a General Partnership and Canterbury Enterprises, LLC
MBE Participation (Section 8.3 of the Development Agreement)	40% good faith effort during construction and in the operation of the building after the issuance of Certificate(s) of Occupancy  MBE plan is required to be submitted to the City prior to closing  Sharon Rheinhart named as the MBE Coordinator for the project
LEED Building Standards (Section 2.2.e of the Development Agreement)	Design and construction to LEED Silver standards
GRTC (Section 2.2.f of the Development Agreement)	Developer relocates the angled bus bays and relocates/causes the construction of bus shelters at the new GRTC temporary transfer station  GRTC has identified the preferred location of the new temporary transfer station
Child Care Slots (Section 2.f of Exhibit A – Conditions Precedent to Closing of the Development Agreement)	Minimum of 20% of the child care slots will be made available for Richmond citizens who are not employees of VCU Health System or VCU and at the same cost paid by the employees



# KEY BUSINESS TERMS AND COMMUNITY BENEFITS



## PUBLIC SAFETY BUILDING SALE AND REDEVELOPMENT

Access to Parking (Section 2.f of Exhibit A – Conditions Precedent to Closing of the Development Agreement)	Up to 200 parking spaces made available to employees of the City, RPS, and Richmond government affiliated organizations at the same cost as employees of VCU Health System or VCU
Job Training (Section 8.4 of the Development Agreement)	Workforce plan is required to be submitted to the City prior to closing Coordinated job and training opportunities with the Office of Community Wealth Building
Jobs for Richmonders (Section 8.5 of the Development Agreement)	Good faith effort to: (1) hire Richmond residents for 100% of all newly hired construction laborer jobs; (2) have Richmond residents make up 60% of already employed construction laborers to work on the project; (3) hire Richmond residents for 50% of the newly hired construction skilled trade jobs; and (4) have Richmond residents make up 15% of already employed construction skilled trade jobs to work on the project  VCU Health Systems, The Doorways, and Ronald McDonald House Charities to partner with the Office of Community Wealth Building to hold employment events
Construction Wages (Section 8.7 of the Development Agreement)	All construction management companies, general contractors, and sub-contractors are required to pay the Prevailing Wage Rate according to the Davis-Bacon Act
Labor Agreements (Section 8.6 of the Development Agreement)	Minimum of 42,000 man-hours of union labor personnel and a minimum of 225,000 man-hours of union craft personnel

# KEY BUSINESS TERMS AND COMMUNITY BENEFITS



## PUBLIC SAFETY BUILDING SALE AND REDEVELOPMENT

Community Fund  
(Section 8.8 of the Development  
Agreement)

Developer creates a \$500,000 fund (\$250,000 minimum at closing and \$50,000 each year thereafter for the next 5 years) that will be used to: (1) offset the cost of micro or small business enterprises in need of financial assistance to lease office or retail space in the development; (2) fund organizations based in the City whose mission is to support the start-up and growth of micro or small business enterprises; or (3) fund scholarships for graduate of RPS who reside in public housing to attend a trade/technical school, community college, or college /university to pursue a post-secondary credential

# GENERAL FUND REAL ESTATE TAX REVENUE



## EXHIBIT G ANTICIPATED MINIMUM REAL ESTATE TAX REVENUES

Anticipated Minimum Tax Revenues	
Year	Amount
2020	\$ -
2021	\$ 77,017
2022	\$ 546,721
2023	\$ 1,297,918
2024	\$ 2,015,893
2025	\$ 2,015,893
2026	\$ 2,056,210
2027	\$ 2,097,335
2028	\$ 2,139,281
2029	\$ 2,182,067
2030	\$ 2,225,708
2031	\$ 2,270,223
2032	\$ 2,315,627
2033	\$ 2,361,939
2034	\$ 2,409,178
2035	\$ 2,457,362
2036	\$ 2,506,509
2037	\$ 2,556,639
2038	\$ 2,607,772
2039	\$ 2,659,927
2040	\$ 2,713,126
2041	\$ 2,767,389
2042	\$ 2,822,736
2043	\$ 2,879,191
2044	\$ 2,936,775
2045	\$ 2,995,510
<b>Total</b>	<b>\$ 55,913,946</b>

**Anticipated General Fund Real Estate Tax revenue over the first 25 years of the project is \$55.9M**

**The project will generate the equivalent of approximately 1 penny (\$.01) on the Real Estate Tax Rate**

# RELOCATING GRTC TEMPORARY TRANSFER STATION



301 East Belt Boulevard / Richmond, VA 23224 / (804) 358-GRTC (4782)

January 4, 2021

Dironna Moore Clarke  
City of Richmond  
Office of Equitable Transit and Mobility  
900 East Broad Street, 7<sup>th</sup> Floor  
Richmond, VA 23219

RE: Greater Richmond Transit Company Temporary Transfer Center

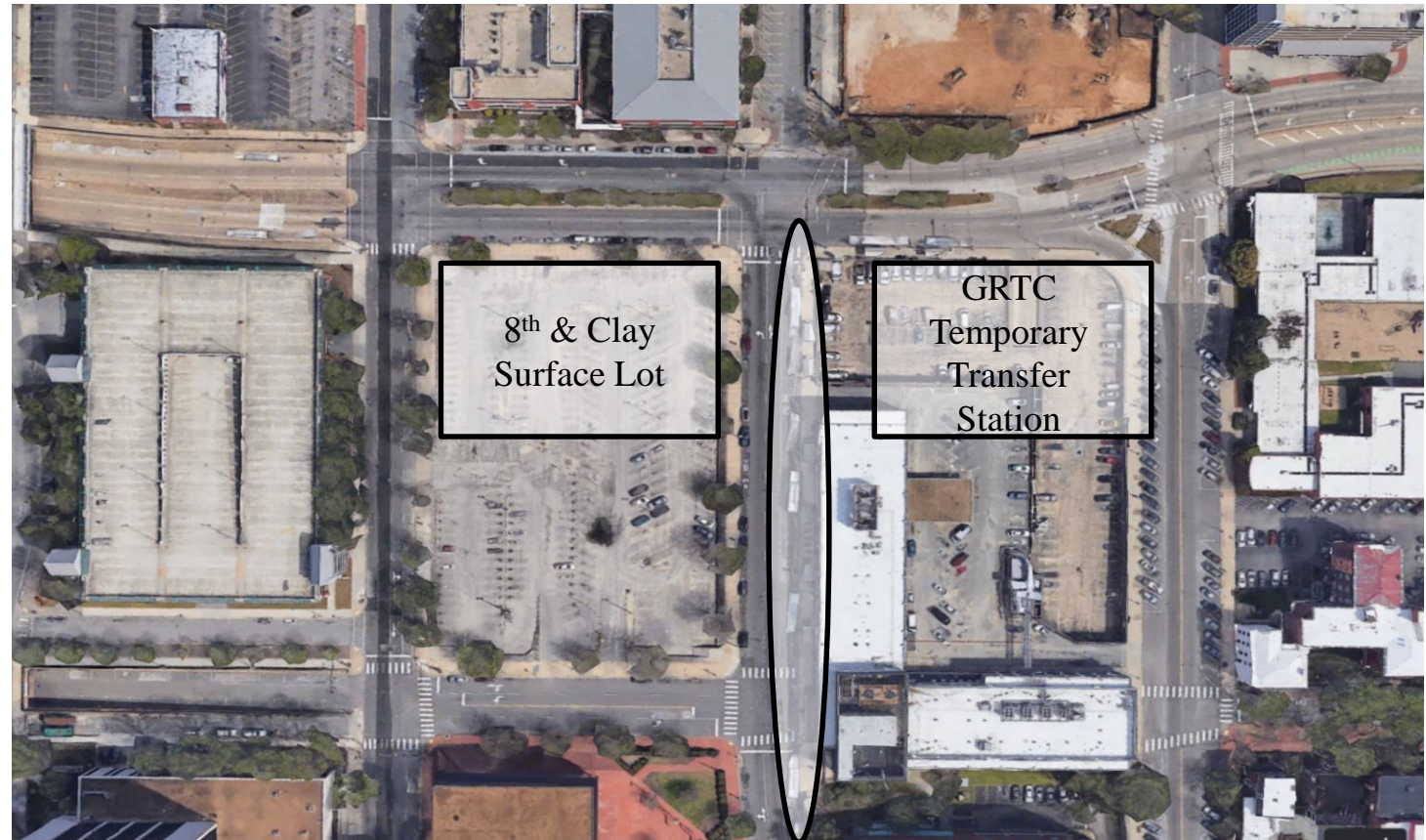
Dear Ms. Clarke,

The current location of GRTC's temporary transfer area is the eastern sidewalk on 9<sup>th</sup> street between Marshall Street and Leigh Street. This sidewalk is adjacent to the Department of Social Services and the Public Safety Building. GRTC understands that the Public Safety Building will be sold and redeveloped in the near future and that this impacts GRTC's ability to stay in the current temporary location. GRTC has started the process of working with the City of Richmond on identifying a permanent transfer center location. Site selection, design and development will take several years. As the current temporary location will no longer be available, GRTC needs another location to temporarily occupy in the near-term. **GRTC has identified the city parking lot currently accessed on 8<sup>th</sup> Street and Clay Street as the preferred temporary location.**



ridegrtc.com

***“GRTC has identified the city parking lot currently accessed on 8<sup>th</sup> Street and Clay Street as the preferred temporary location.”***





# RELOCATING CITY SERVICES



- The Public Safety Building had operating costs of \$389K in FY20 (utilities, maintenance, and security), has a “Critical” facility condition rating, and has \$20M+ in deferred maintenance needs
- The Department of Justice Services and the Adult Drug Court will relocate to other City facilities
- Leased space is being evaluated for other City functions to facilitate the redevelopment of the Public Safety Building site



# 10-YEAR FISCAL ANALYSIS



PUBLIC SAFETY BUILDING 10-YEAR FISCAL ANALYSIS												
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	10-YEAR	
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	TOTAL	
<b>REVENUE</b>												
PUBLIC SAFETY BUILDING SALE PROCEEDS	\$3,520,456.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,520,456.00
REAL ESTATE TAX REVENUE	\$77,017.00	\$546,721.00	\$1,297,918.00	\$2,015,893.00	\$2,015,893.00	\$2,056,210.00	\$2,097,335.00	\$2,139,281.00	\$2,182,067.00	\$2,225,708.00	\$2,225,708.00	\$16,654,043.00
<b>SUBTOTAL</b>	<b>\$3,597,473.00</b>	<b>\$546,721.00</b>	<b>\$1,297,918.00</b>	<b>\$2,015,893.00</b>	<b>\$2,015,893.00</b>	<b>\$2,056,210.00</b>	<b>\$2,097,335.00</b>	<b>\$2,139,281.00</b>	<b>\$2,182,067.00</b>	<b>\$2,225,708.00</b>	<b>\$2,225,708.00</b>	<b>\$20,174,499.00</b>
<b>EXPENSE</b>												
PUBLIC SAFETY BUILDING (OPERATING COST SAVINGS)	\$0.00	\$389,000.00	\$398,725.00	\$408,693.00	\$418,910.00	\$429,383.00	\$440,117.00	\$451,120.00	\$462,398.00	\$473,958.00	\$473,958.00	\$3,872,304.00
GRTC TEMPORARY TRANSFER STATION	(\$14,000.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$14,000.00)
NEW STAFF, OPERATING, AND SERVICE DELIVERY EXPENSES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
RELOCATION EXPENSES	(\$385,275.00)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$385,275.00)
BUILDING LEASE AND OPERATING EXPENSES	(\$18,900.00)	(\$379,454.00)	(\$388,940.00)	(\$398,663.00)	(\$408,630.00)	(\$397,461.00)	(\$341,644.00)	(\$350,185.00)	(\$358,940.00)	(\$367,913.00)	(\$367,913.00)	(\$3,410,730.00)
<b>SUBTOTAL</b>	<b>(\$418,175.00)</b>	<b>\$9,546.00</b>	<b>\$9,785.00</b>	<b>\$10,030.00</b>	<b>\$10,280.00</b>	<b>\$31,922.00</b>	<b>\$98,473.00</b>	<b>\$100,935.00</b>	<b>\$103,458.00</b>	<b>\$106,045.00</b>	<b>\$106,045.00</b>	<b>\$62,299.00</b>
<b>LESS REMAINING SALE PROCEEDS THAT CAN ONLY BE USED FOR CIP PROJECTS</b>	<b>\$3,520,456.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$3,520,456.00</b>
<b>NET REVENUE (ANNUAL)</b>	<b>(\$341,158.00)</b>	<b>\$556,267.00</b>	<b>\$1,307,703.00</b>	<b>\$2,025,923.00</b>	<b>\$2,026,173.00</b>	<b>\$2,088,132.00</b>	<b>\$2,195,808.00</b>	<b>\$2,240,216.00</b>	<b>\$2,285,525.00</b>	<b>\$2,331,753.00</b>	<b>\$2,331,753.00</b>	<b>\$16,716,342.00</b>
<b>NET REVENUE (CUMULATIVE)</b>	<b>(\$341,158.00)</b>	<b>\$215,109.00</b>	<b>\$1,522,812.00</b>	<b>\$3,548,735.00</b>	<b>\$5,574,908.00</b>	<b>\$7,663,040.00</b>	<b>\$9,858,848.00</b>	<b>\$12,099,064.00</b>	<b>\$14,384,589.00</b>	<b>\$16,716,342.00</b>	<b>\$16,716,342.00</b>	
NOTE 1: PROCEEDS FROM THE SALE OF THE PUBLIC SAFETY BUILDING ARE REQUIRED TO BE USED FOR FOR CAPITAL PROJECTS												
NOTE 2: NO REVENUE ESTIMATES FOR SALES TAX, MEALS TAX, BUSINESS PERSONAL PROPERTY TAX, OR BUSINESS LICENSE TAX WERE FACTORED INTO THIS ANALYSIS												
NOTE 3: PROJECTED 25-YEAR REAL ESTATE TAX REVENUE IS \$55,913,946												
NOTE 4: IMMEDIATE DEFERRED MAINTENANCE FOR THE PUBLIC SAFETY BUILDING IS \$20,974,000												
THE REDEVELOPMENT OF THE PUBLIC SAFETY BUILDING SITE IS PROJECTED TO GENERATE POSITIVE CASHFLOW TO THE CITY'S GENERAL FUND (NON CIP FUNDS) STARTING IN YEAR 2 OF THE PROJECT												

# PROJECT TIMELINE



<b>Schedule Milestones</b>	
Submit POD Application	Within 8 months after Closing
Submit Demolition Permit	Within 10 months after Closing
Submit Excavation Permit Application	Within 10 months after Closing
Submit Foundation-to-Grade Package	Within 13 months after Closing
Submit Building Permit Application	Within 17 months after Closing
Building Completion	Within 45 months after Closing

