

INTRODUCED: October 27, 2014

AN ORDINANCE No. 2014-228-229

To amend Ord. No. 2014-61-98, adopted May 27, 2014, to amend the Capital Budget for Fiscal Year 2014-2015 by increasing revenues from planned borrowings and the amount appropriated to a new Stone Brewing project in the Economic and Community Development category by \$23,000,000 for the purpose of making an appropriation to the Economic Development Authority for the Authority to develop and manage a building to house the operations of KoochenVagner's Brewing Co., d/b/a Stone Brewing Co., in the city.

\_\_\_\_\_  
Patron – Mayor Jones

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Approved as to form and legality  
by the City Attorney  
\_\_\_\_\_

PUBLIC HEARING: DEC 8 2014 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That Ordinance No. 2014-61-98, adopted May 27, 2014, which adopted the Capital Budget for the fiscal year commencing July 1, 2014, and ending June 30, 2015, be and is hereby amended by establishing a new project in the Capital Budget called the Stone Brewing Project in the Economic and Community Development category.

§ 2. That Ordinance No. 2014-61-98, adopted May 27, 2014, which adopted the Capital Budget for the fiscal year commencing July 1, 2014, and ending June 30, 2015, be and is

AYES:                  7              NOES:                  0              ABSTAIN:              2      

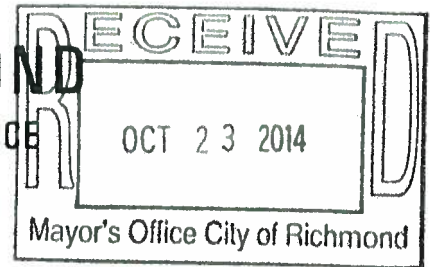
ADOPTED:        DEC 8 2014          REJECTED:                                STRICKEN:

hereby amended by increasing planned borrowings by \$23,000,000 and the amount appropriated to the Stone Brewing project in the Economic and Community Development category by \$23,000,000 for the purpose of making an appropriation to the Economic Development Authority of the City of Richmond pursuant to section 15.2-953(B) of the Code of Virginia (1950), as amended, and a cooperation agreement to be approved by the City Council and entered into by the City and the Authority to provide for the Authority to develop and manage a building to house the operations of KoochenVagner's Brewing Co., d/b/a Stone Brewing Co., in the city.

§ 3. This ordinance shall be in force and effect upon adoption.



CITY OF RICHMOND  
INTRACITY CORRESPONDENCE



O&R REQUEST

**DATE:** October 17, 2014

**TO:** The Honorable Members of City Council

**THROUGH:** Dwight C. Jones, Mayor *D.C. Jones*

**THROUGH:** Christopher Beschler, Chief Administrative Officer *CB*

**THROUGH:** Norm Butts, Deputy Chief Administrative Officer, Finance & Administration *N. Butts*

**FROM:** L. Peter Downey, Director of Economic and Community Development *LPD*

**FROM:** T. Wayne Lassiter, Interim Director of Finance

**FROM:** Jay Brown, Interim Director Budget and Strategic Planning *JAB*

**RE:** Stone Brewing Project – Amendment to Fiscal Year 2015 Capital (CIP) Budget



**ORD. OR RES. No.** \_\_\_\_\_

**PURPOSE:** To amend Ordinance No. 2014-61-98 adopted May 27, 2014, which accepted a program of Capital Improvement Projects for fiscal Year 2014-2015, by establishing a new project in the Economic and Community Development category called Stone Brewing Project (the "Project") and to appropriate \$23,000,000 of capital funding to the Economic Development Authority (the "EDA") for the purpose of constructing a building to house Stone Brewing Company's operations in Richmond and paying the cost of issuing the debt. The EDA will develop the facility ("the Development") in the Fulton area and lease it to the Company for up to 25 years.

**REASON:** In order for the City to provide the capital funding to the EDA, City Council action is required.

**RECOMMENDATION:** The City Administration recommends adoption of this ordinance.

**BACKGROUND:** After an eight month site selection process that generated almost 350 responses from communities along the eastern seaboard, the Company has chosen the City of Richmond in which to expand their operations. It plans to locate an east coast brewery, distribution and a Bistro in an area of the City known as the Greater Fulton Community.

The City has worked diligently with the Company to identify a suitable location in the City to meet the needs of the Brewery and Bistro, while stimulating revitalization, jobs and tourism in an area of the City that needs private investment. Through that process, the City identified opportunities to partner with the Economic Development Authority to develop the Facility which and accomplish key economic development objectives.

The EDA will serve as the developer and owner of the Facility, which will be built in two phases. Phase I will be a 200,000 +/- square foot brewery and distribution facility expected to cost up to \$23 million. The Brewery is scheduled to be open and operational by April 2016 and employ 90 full time employees with an average salary of \$57,024. Within the later of three years of the completion of Phase I or twelve months after the closure of Water Street by the City, the Company and the EDA will commence the construction of Phase II, which is estimated to cost \$8 million and will consist of a restaurant and beer garden and will employ 200 employees. The City will finance \$23.0 million of Phase I with taxable General Obligation bonds. The Economic Development Authority will then lease the Facility back to the Company for a period up to 25 years. The debt service on the loan will be repaid through lease revenues, over the lease term.

In addition to the real estate investment, the Company will be required to make a minimum \$41 million investment in machinery and tools and a minimum of \$1.7 million in furniture and fixtures. The restaurant and retail sales are projected to total \$10 million per year.

The Performance Agreement will be between the Company, the City of Richmond and the EDA and sets forth the terms and conditions under which the Company will locate its east coast operations in Richmond, Virginia.

**FISCAL IMPACT / COST:** To finance the estimated \$23.0 million of Phase I construction and financing costs, the City plans to issue \$23.0 million of taxable General Obligation (GO) bonds. Estimated annual debt service on the \$23.0 million of taxable 25-year General Obligation bonds for Phase I of the Project will be approximately \$1.60 to \$1.75 million per year. Based on rental income the EDA receives from the company, the EDA will make payments back to the City to service the debt.

**FISCAL IMPLICATIONS:** Phase I of the project will increase overall outstanding debt of the City by \$23.0 million. Rental payments collected by the EDA will be paid back to the City to offset debt service.

**BUDGET AMENDMENT NECESSARY:** Yes

**REVENUE TO CITY:** New taxes generated from the new development, Machinery and Tools taxes, Personal Property taxes, Real Estate taxes, BPOL, Meals taxes and Retail Sales taxes DPU PILOT.

**DESIRED EFFECTIVE DATE:** Upon adoption.

**REQUESTED INTRODUCTION DATE:** October 27, 2014

**CITY COUNCIL PUBLIC HEARING DATE:** December 8, 2014

**REQUESTED AGENDA:** Regular.

**RECOMMENDED COUNCIL COMMITTEE:** Finance and Economic Development Committee on November 20, 2014

**CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES:** The Economic Development Authority must approve the proposed Performance Agreement.

**AFFECTED AGENCIES:** Chief Administrative Officer; City Attorney; Economic and Community Development; Finance, Budget and Strategic Planning, Parks, Recreation and Community Facilities; and Public Works.

**RELATIONSHIP TO EXISTING ORD. OR RES.:** Amends Ordinance No. 2014-61-98, which established the FY2015 – 2019 Adopted CIP budget.

**REQUIRED CHANGES TO WORK PROGRAM(S):** City employees will be assigned to provide the necessary assistance to the Economic Development Authority.

**ATTACHMENTS:** None

**STAFF:** Lee Downey, Director, Economic & Community Development, 646-5633  
Jane Ferrara, Deputy Director, Economic & Community Development, 646-5633  
Christopher Beschler, Chief Administrative Officer, 646-7978.  
Ed Mangold, Capital Budget Analyst, 646-7919  
James P. Duval, Jr., Investment and Debt Portfolio Manager, 646-6395