

Kathy C. Graziano, Chair
Council Member 4th District

Parker C. Agelasto, Vice Chair
Council Member 5th District

Ellen F. Robertson
Council Member 6th District, Member

Charles R. Samuels, Alternate
Council Member 2nd District, Member



Richmond City Council
The Voice of the People Richmond, Virginia

Vincent E. Jones
Council Deputy Chief of Staff

Meghan Brown
Council Budget Analyst

Bill Echelberger
Council Budget Analyst

Finance & Economic Development Standing Committee Staff Report & Supplemental Information

February 18, 2016

Committee's Mission Statement

**To provide legislative stewardship of Richmond's financial
and economic resources by:**

- 1) establishing sound fiscal policy and legislation;
- 2) maximizing the return on citizen investment; and
- 3) expanding economic opportunities.



Richmond City Council
The Voice of the People Richmond, Virginia

Finance & Economic Development Standing Committee Table of Contents

Staff Report..... Page 3

Staff Analysis of Committee Legislation.Pages 4-11



Richmond City Council

The Voice of the People

Richmond, Virginia

STAFF REPORT

January 21, 2016

The last Committee meeting was held on January 21, 2016

Presentations, Reports and Discussion Items at the January 21st Meeting

Follow-Up Items Requested by Committee Members

- To have an existing economic development package be put through the new fiscal and economic impact report template that has been designed per Ordinance 2015-144-154. (Follow-up from September)
- Identification of the sources for additional funding of the Kanawha Plaza project, and the legality thereof. (City Attorney deferred to City Auditor)
- Update on FY16 Council Amendment of \$140,000 for Clean City Commission to work with Keep Virginia Beautiful.

Expected Presentations, Reports or Discussion Items at the February 18th Meeting

The following items are on the agenda for review at the February Committee meeting.

Discussion Item(s):

- Quarterly Financial Report.....Ms. Cuffee-Glenn, CAO and Ms. Reid, DCAO
- CAFR Update.....Ms. Cuffee-Glenn, CAO and Ms. Reid, DCAO
- Unsolicited Proposal Process – Update.....Committee Chair Graziano

Report(s):

- Staff Report & Supplemental Information

Board Recommendations/Actions

- Boards and Commissions..... Alexander Rawls, Boards and Commissions Administrator

Next Committee Meeting

- The next Committee meeting is scheduled for 3:00 P.M. March 17, 2016.

SUMMARY OF PAPERS

1. **Ord. No. 2014-217 (Patron: Vice President Robertson) - To amend ch. 18 of the City Code by adding therein a new art. XII, consisting of new sections 18-626, 18-627, 18-636, 18-646 and 18-647, concerning tourism zones, for the purpose of establishing a Downtown Tourism Zone pursuant to Va. Code §58.1-3851. - Continued from January.**

Summary of Ordinance/Resolution, Background:

Ordinance 2014-127:

- Establishes the Downtown Tourism Zone
- Sets the boundaries for the aforementioned Zone
- Establishes incentives for the Downtown Tourism Zone
- The incentives offered in the proposed tourism zone, would be the same as those provided for the Arts and Cultural District.
- The boundaries of the Tourism District shall be: beginning at the intersection of West Main Street and North Belvidere Street, then north along North Belvidere Street to its intersection with West Leigh Street, then proceeding east along West Leigh Street to East Leigh Street and its intersection with North Ninth Street, then proceeding south along North Ninth Street to its intersection with East Main Street, then proceeding west along East Main Street to West Main Street and its intersection with North Belvidere Street, the point of beginning.
- The patron has requested a tourism zone to compliment the City's existing Arts and Cultural District and Enterprise Zones. A tourism zone designation will allow these areas to receive incentives that would contribute to the continued growth of downtown and the City, overall.

Staff Analysis and Questions:

1. The Committee may be interested in determining if current appropriations will support the proposed incentives, as used in the Arts and Cultural District.
2. The Committee may be interested in determining if the boundaries of the Tourism Zone adequately capture areas that may benefit from the designation.

Fiscal Impact:

- The fiscal impact cannot be determined at this point. The proposed Tourism District will result in variable costs to the City for support of promotion, marketing and branding, and assistance for development and redevelopment. Additionally, there will be foregone revenue associated with the proposed waivers and rebates. The exact costs to the City will depend on the level of activity in the Tourism Zone. These costs are expected to be wholly or partly offset by the increased tax revenue resulting from new and rehabilitated commercial and residential property; and from additional spending in local restaurants, eateries, and other businesses locating in the Zone.
- It is expected that the project will generate long-term revenues to the City from new businesses locating in the City and tourism zone.

2. **Ord. No. 2015-232 (Patron: Mrs. Robertson)** To amend and reordain City Code § 2-302, concerning the functions of the Department of Economic and Community Development, and to amend ch. 2 of the City Code by adding therein a new art. VIII, concerning the City's development process, consisting of div. 1 (§§ 2-1401—2-1402), concerning general matters, div. 2 (§§ 2-1411—2-1415), concerning the planning process, div. 3 (§§ 2-1421—2-1426), concerning redevelopment and development projects, and div. 4 (§§ 2-1431—2-1435), concerning economic development projects, for the purpose of establishing a framework for planning, development, review, and approval of projects that involve contributions by the City. – **Continued from January.**

Summary of Ordinance/Resolution, Background:

Ordinance No. 2015-232 does six major things to reform and restructure the City's economic development program:

1. It links the City's economic development program to the Master Planning process (§2-302) by requiring:
 - o An Economic Development Master Plan, and
 - o Integration of the Economic Development Master Plan and the City's Master Plan
2. The Department of Economic and Community Development and the Department of Planning and Development Review will jointly develop criteria for designation of Strategic Growth Areas (Division 2).
 - o These criteria will be subject to Council review and adoption by Resolution.
 - o Strategic growth areas would be designated by City Council once a Small Area Plan has been developed.
 - o Strategic growth areas must be updated every five years.
3. The Department of Economic and Community Development is required to actively market those areas of the City, designated as *Strategic Growth Areas* in the *Master Plan*.
4. The Department of Economic and Community Development and the Department of Planning and Development Review will jointly develop criteria for evaluation of Redevelopment and Development Projects (Division 3), and Economic Development Projects (Division 4)).
 - o These criteria will be subject to Council review and adoption by resolution.
 - o Evaluation criteria must be updated every twelve months.
5. It divides the City's economic development program into two distinct areas: Redevelopment and Development Projects (Division 3), and Economic Development Projects (Division 4).
 - o Preliminary Review, with a report to the Mayor and City Council to determine the general feasibility and desirability of the proposal.
 - Generally 10 business days for Redevelopment and Development Projects.
 - Project specific time line for Economic Development Projects.
 - o Comprehensive Review, with a report to the Mayor and City Council to determine the detailed feasibility and desirability of the proposal.
 - Generally 20 business days for Redevelopment and Development Projects.
 - Project specific time line for Economic Development Projects.

- Review for consistency with *Small Area Plans* will take place only if a *Strategic Growth Area* has been approved by City Council.
 - Development of a *Small Area Plan* will take place only if a previously adopted plan is more than five years old.
6. It requires a final report that includes all of the following elements:
- a. A copy of the proposal that was considered.
 - b. The findings of the both the preliminary review and the comprehensive review.
 - c. The fiscal and economic impact statements required pursuant to sections 2-306 through 2-308 of the Richmond City Code.
 - d. The proposed draft agreement, that will include
 - i. A description of the proposed project.
 - ii. Provisions for the recovery of City expenditures in the event of the failure of the business or businesses to perform as the agreement requires.
 - iii. (For redevelopment and development projects only.) Provisions for the automatic termination of the agreement if substantial progress on the redevelopment and development project has not been made within a prescribed period of time not to exceed 180 calendar days unless the City Council has approved an extension of this period of time by ordinance.
 - e. Drafts of all ordinances necessary for the implementation of the recommendations set out in the report.

Staff Analysis and Questions:

Planning and Marketing

The City's current Master Planning process does not include development of detailed plans (Small Area Plans) for specific areas within the City (Strategic Growth Areas). Development of such detailed plans for specific areas targeted for development or redevelopment will help guide the efforts of the City and private developers and reduce the opportunities for proposed uses that are contrary to the long-term interests of the City and its residents. Active marketing of these areas will increase the likelihood that potential developers will be aware of the opportunities that are available; and, thereby, increase the likelihood of action.

The Department of Economic and Community Development and the Department of Planning and Development Review jointly develop criteria for designation of Strategic Growth Areas. These criteria will be subject to Council review and adoption by resolution. Strategic growth areas would be designated by City Council once a Small Area Plan has been developed.

Examples of potential *Strategic Growth Areas* include, but should not be limited to:

- | | |
|---------------------------------|---------------------------------|
| a. Port Development | d. Main Street Station |
| b. Boulevard Redevelopment | e. City Stadium Redevelopment |
| c. Shockoe Bottom Redevelopment | f. Southside business districts |

Division into two distinct areas

Division of the City's economic development incentive program into separate categories for Redevelopment and Development Projects, and Economic Development Projects recognizes the different nature of these areas. It is consistent with practice in other jurisdictions, such as Virginia Beach. Virginia Beach has separate policies for providing Economic Development Investment Programs to businesses and for the development or redevelopment of properties in Strategic Growth Areas. The actual criteria and incentives are to be set out in separate Resolutions.

The primary differences between the two areas are:

	Economic Development	Redevelopment and Development Projects
Time for Preliminary Review	Prospect Specific	10 Business Days*
Time for Comprehensive Review	Prospect Specific	20 Business Days*
Authorization	N/A	180 Days to demonstrate substantial progress

* Can be extended for cause.

Strengthen City Council's awareness and input

The proposed policy ordinance also formalizes the number of instances where notice to, or briefing of, City Council is required:

1. Notice of Preliminary Review findings
2. Report and Recommendations on Comprehensive Review

This formal involvement of Council is intended to increase the common understanding of projects and proposed incentives. Involvement at these stages will assure that proposals are developed with broad support, and scarce resources are not expended developing proposals that are unlikely to move forward.

Strengthen the public's awareness and input

The proposed policy ordinance also formalizes the requirements for public involvement:
For Redevelopment and Development Projects

1. During the Master Planning process, for the development of Small Area Plans
2. During the Comprehensive Review process
3. Report and Recommendations on Comprehensive Review

For Economic Development Projects a general statement is included that encourages public briefings and public hearings whenever possible in the context of the confidentiality requirements of each individual project.

This formal involvement of the public is intended to increase the common understanding of projects and proposed incentives. Involvement at these stages will assure that proposals are developed with broad support, and scarce resources are not expended developing proposals that are unlikely to move forward.

- The Committee may wish to determine if additional staff will be required by the Department of Economic and Community Development and the Department of Planning and Development Review.
- The Committee may wish to hear from representatives of the economic development, and the residential and commercial real estate development communities on the potential impacts of the proposed ordinance.
- The Committee may wish to determine if the timelines set out for review of proposals allow sufficient time for review without imposing unreasonable delay of proposals.

Fiscal Impact:

The fiscal impact of the proposed ordinance will depend on the number of economic development proposals received, the level of complexity, and the time-frame available for review. Marketing of Strategic Growth Areas by the Department of Economic and Community Development will require additional Resources. The nature of these resources will depend on the number of Strategic Growth Areas and the marketing plan.

3. **Ord. No. 2016-028 (Patron: Mayor Jones):**To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute the First Amendment to the performance Agreement between the City of Richmond, the Economic Development Authority of the City of Richmond and Dixon/Lee Development Group, LLC.

Summary of Ordinance/Resolution, Background:

This ordinance requests to authorize the Chief Administrative Officer (CAO) to execute the First Amendment to the Performance Agreement between the City, EDA and Dixon/Lee Development Group, LLC. Ordinance No. 2015-87-68, adopted April 27, 2015, authorized the initial Performance Agreement.

The Performance Agreement was executed for the purpose of providing an economic development grant for the rehabilitation of 201 West Brookland Park Boulevard as a mixed-use development. The economic development grant is to provide \$200,000 to Dixon/Lee Development Group, LLC. The project is to create approximately two (2) mixed-use commercial spaces on the first floor, two (2) market rate apartments on the second floor and create 15 full-time and 15 part-time jobs.

Staff Analysis and Questions:

The following are the major amendments to the initial Performance Agreement:

Description	Initial Performance Agreement	First Amendment to Performance Agreement
Definition		
Repayment Period	July 1, 2017 through December 31, 2022	July 1, 2017 through December 31, 2022
Milestones		
Permits, Land Use Approvals, and Begin Construction	No later than November 1, 2015	No later than October 1, 2016
Complete Construction & Certificate of Occupancy	No later than May 1, 2016	No later than March 1, 2017
New Jobs		
15 New Permanent Jobs at the Expanded Development	No later than December 1, 2016	No later than April 1, 2017
15 New Part Time Jobs at the Expanded Development	No later than July 1, 2017	No later than November 1, 2017
Payment		
Evidence the Developer has secured the Financing Sources	"evidenced by an unconditional bank confirmation letter"	"evidenced by an unconditional bank confirmation letter"

Note: Section 6.1.1 which lists events for which the Developer shall be considered in default is also being amended to reflect the changes as listed above.

Note: Although the First Amendment document indicates an amendment to the "Repayment Period" however the actual repayment period of July 1, 2017 through December 31, 2022 hasn't changed, it was confirmed with the City Attorney's Office that this is the correct "Repayment Period."

The initial Performance Agreement provides that upon an Event of Default the Developer shall repay any and all amounts paid to it as of the date upon which the Event of Default occurs.

- 1.) The Committee may wish for an explanation as to why the project is being delayed by almost a year. What events, if any, have caused the delay.
- 2.) The Committee may wish to know why the "unconditional" language for the bank confirmation letter is being removed. Are there now specific conditions from the bank that have an impact on the project?

- 3.) The Committee may be interested in an explanation as to why the Administration has elected to amend the Performance Agreement and extend the project timeline versus requesting repayment of grant for not meeting the initial project timelines.
- 4.) The original O&R request attached with the initial Performance Agreement makes reference that, "the project will create retail life along the corridor, promote entrepreneurial growth through a proposed Business Work Center and an Urban Café and community meeting center." The original fiscal impact indicated in addition to the real estate tax revenue the Urban Café and Business Work Center would create sales, property and BPOL taxes for the City. The Committee may be interested in knowing if the Urban Café and Business Work Center is still part of the project.

Fiscal Impact:

The development project is expected to generate an estimated \$6,000 per year in new real estate tax revenue for the City. The O&R request did not mention any sales, property or BPOL revenue as was previously stated.

4. Ord. No. 2016-029 (Patron: Mayor Jones): To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute a Joint Exercise of Powers Agreement for Employee and Retiree Health Benefits between the City of Richmond, Virginia, and the School Board of the City of Richmond, Virginia, for the purpose of exercising jointly the power granted separately to the City and the School Board to provide for health benefits for officers, employees, retirees, and their eligible dependents of the City and the School Board by means of a self-insured plan and the cooperative procurement of a third-party administrator for the self-insured plan and any consultants necessary to advise the City and the School Board with respect thereto.

Summary of Ordinance/Resolution, Background:

The ordinance is to authorize the Chief Administrative Officer (CAO) to enter into a Joint Exercise of Powers Agreement for Employee and Retiree Health Benefits between the City and the School Board.

Prior to 2010, the City and Richmond Public Schools (RPS) purchased medical, dental and other employee and retiree benefits separately. A decision was made in 2010 by the City and School officials to jointly purchase employee and retiree benefits to maximize the purchasing power and provide lower rates due to the increased number of a combined participant pool. Since 2010, the City and Schools have purchased health insurance and benefits without a formal agreement that establishes the roles and responsibilities of each party. The previous contract has expired and prior to procuring a new health insurance and benefits contract the City and Schools wishes to enter into a formal agreement that formally establishes roles and responsibilities of each party.

Staff Analysis and Questions:

Under Section 2 – Duration, the agreement states that the term of the agreement begins on the date on which the last signatory signs and will continue until terminated by the City or the School Board. The Agreement is deemed terminated in the event that:

- i. Either party furnishes the other with written notice of termination at least 270 calendar days prior to the desired date of termination; or

- ii. Insufficient funds have been appropriated, as described in section 4.3 ("Contributions") or section 7.1 ("Availability of Funds"), to meet either the City's or the School Boards total liability under the Agreement.

- 1.) The Committee may be interested of the impacts, if for example, the School Boards portion of the liability exceeds the contributions and appropriations within the School Boards budget and the City does not have additional funding to provide an additional appropriation to Schools. What would be the impact on employee and retiree benefits?

Section 4.3 – Contributions, indicates that to pay for the health benefits, the City and the School board shall withhold certain amounts, as determined by the City and the School Board each in its own discretion, from the payroll of each employee and retiree participating in the Plan and may contribute additional amounts.

Fiscal Impact:

The cost of providing benefits to City and School employees, retirees and their eligible dependents (employer and employee) is approximately \$84 million annually. The agreement provides for efficiencies by reducing administrative costs and increasing the purchasing power.

5. Res. No. 2016-R006 (Patron: Councilman Samuels): To request that the School Board, in proposing the Fiscal Year 2016-2017 school budget, incorporate a recommendation, with supporting calculations, for the percentage of the City real estate tax rate of \$1.20 that is necessary to generate the funding required to cover the costs of operations for the school division administered by the School Board for such fiscal year.

Summary of Ordinance/Resolution, Background:

This resolution is requesting the School board when submitting their FY2016-2017 budget request to the Mayor and City Council to include a recommendation for the portion of the real estate tax rate of \$1.20 that is needed to provide for the funding required to cover the costs of operations for the school division.

VA Code § 22.1-95 – Duty to levy school tax provides that, "Each county, city and town is authorized, directed and required to raise money by a tax on all property subject to local taxation at such rate as will insure a sum which, together with other available funds, will provide that portion of the cost apportioned to such county, city or town by law for maintaining an educational program meeting the standards of quality for the several school divisions prescribed as provided by law."

Funding to support City operations and RPS comes from many sources of revenue. The City's largest source of revenue is from real estate taxes. Although the funding for RPS isn't necessarily all from real estate taxes utilizing the City's largest revenue source for the requested recommendation from the School Board will provide a clear representation of the funding needs of schools and what remains for City operations and services.

Staff Analysis and Questions:

Based on this request and utilizing FY16 as an example and only using the City's appropriation and excluding the pass-through funding from the State Shared Sales tax. Furthermore the calculation is based on the School Boards request, not what was actually appropriated and adopted in FY16:

Description	Amount
FY15 Adopted RPS Appropriation	\$ 134,819,807
FY15 Budget Amendment for Truancy Funding (Transfer to RPS)	1,541,850
RPS FY16 Additional Budget Request	24,853,450
Total RPS FY16 Funding Request	\$ 161,215,107

Description	Portion of Real Estate Tax Rate	Portion of Total FY16 Budgeted Real Estate Revenue
RPS Requested Funding Need	\$0.84	\$ 161,476,711
City Operating Funding	\$0.36	\$ 69,204,305
Total	\$1.20	\$ 230,681,016

In the example above it provides that based on the School Boards FY16 budget request of roughly \$161.2 million would require approximately \$0.84 per \$1.20 or 70% of the total FY16 budgeted real estate revenue from property taxes. The City would use the remaining 30% of the budget revenue or \$0.36 per \$1.20 to provide funding for operations and to maintain service levels.

Fiscal Impact:

There is no fiscal impact as this is just a resolution requesting a recommendation from the School Board as to what portion of the City's current real estate tax rate of \$1.20 is needed to cover the cost of operations of the school division.

Analysts: Brown and Echelberger