

McKINNON AND HARRIS®  
E S T A T E • G A R D E N • Y A C H T F U R N I T U R E

1722 ARLINGTON ROAD

City of Richmond Ordinance No. 2015-244  
to convey 1722 Arlington Road to McKinnon and Harris Inc.

November 24, 2015

## CONFIDENTIAL

The information contained in this document is confidential and proprietary to McKinnon and Harris, Inc. and is being submitted to the City of Richmond as a response to the City of Richmond's Ordinance No. 2015-244. It is therefore solely for the City of Richmond's confidential use with the express and implicit understanding that, without written permission from McKinnon and Harris, you will not release this document, or discuss the information contained in it, or make reproductions of it, or use it for any purpose other than evaluating Ordinance No. 2015-244. The financial projections and investment analysis represented herein contain estimates and assumptions based on McKinnon and Harris's current market conditions. McKinnon and Harris does not warrant or guarantee the results of these projections and analysis since unanticipated events and circumstances may occur. The information contained in this document is accurate as of the date of this document, and is subject to change as the project moves forward.

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## EXECUTIVE SUMMARY

Securing 1722 Arlington Road is a vital goal for McKinnon and Harris to continue to grow and remain in the City of Richmond. The Arlington Road property would be our international headquarters, Richmond showroom, and workshop. The purchase of the building is critical to the growth of McKinnon and Harris and the ability of our local suppliers to grow, hire and employ locally, and create additional investment in the Richmond community.

McKinnon and Harris is an international business with high design standards. Our presence would have an extraordinary impact on the distinctive, diverse, and artistic character of the city and the important Boulevard gateway used by so many passing motorists. As the leading high performance aluminum furniture maker in the world, McKinnon and Harris is recognized for exceptional hand craftsmanship, design, engineering, high performance materials, innovation, and creativity.



CURRENT SITE - VIEW FROM I-64



CURRENT SITE - VIEW FROM ARLINGTON ROAD



# SITE PLAN



## McKINNON AND HARRIS

1722 ARLINGTON ROAD  
23 NOVEMBER 2015

CONCEPTUAL SITE PLAN  
SCALE: 1" = 60'-0"



## AFTER - CONCEPTUAL DRAWING - VIEW FROM I-64

We would develop the building with sensitivity to the architectural design of the building and surrounding area. We have engaged 3north Architects to help us create an extraordinary showroom and workshop.



AFTER - CONCEPTUAL DRAWING - VIEW FROM ARLINGTON ROAD



## DESCRIPTION OF THE FACILITY

McKinnon and Harris plans to move the entire operation from the current Summit Avenue location to the 65,000 square foot building at 1722 Arlington Road.

- Full use of the building.
- 5,000 square feet for headquarters, office, and showroom.
- 60,000 square feet for the workshop.
- McKinnon and Harris's operations (loading and incoming materials) would be configured on the North side of the building.
- Parking for McKinnon and Harris would be on the North side of the building.
- Showroom entrance, garden, and client parking positioned on the South side of the building.



## INVESTMENT

- Total investment of the property purchase, renovation, design and new equipment is estimated at 9 million.
- McKinnon and Harris will purchase the building and land at 1.75 million from the City of Richmond.
- We would invest 5.428 million in building renovations, sitework, and FFE.
- We would invest 1.8 million in new equipment for the most advanced high performance coating system in the world for aluminum outdoor furniture.
- The planning, design, renovation, and installation of equipment would take approximately 16 months to complete.
- We would begin the design and planning process immediately to occupy the building as soon as possible.
- The property is not eligible for state or federal tax credits.

|                                    |             |
|------------------------------------|-------------|
| BUILDING PURCHASE                  | \$1,750,000 |
| RENOVATION, SITEWORK, DESIGN & FFE | \$5,428,000 |
| EQUIPMENT                          | \$1,822,000 |
| TOTAL INVESTMENT                   | \$9,000,000 |

We have engaged a seasoned team of architects, engineers, and contractors to verify the pricing.

## INVESTMENT - FUTURE PHASE

- We have a conceptual plan for a future phase on the South side of the building that would be a dynamic mixed use concept to bring energy to the community.
- We would create an addition on to the South Side of the building to better utilize the land.
- The mixed use development forges more of a sense of community in the neighborhood, and would attract like minded creative businesses.
- Our immediate objective is to get the facility operational for McKinnon and Harris's needs, with the flexibility to add this phase in the future.
- The investment of 1.6 million for the future phase is not included in any of the economic impact projections.
- The future phase further increases and maximizes the tax base of the property for the City of Richmond.

## FINANCES

As owner occupant, McKinnon and Harris brings strong financial resources to execute the design and development of the project at a very high level. Locally owned and founded by William McKinnon Massie Jr. and Annie Harris Massie, McKinnon and Harris is a stable and thriving international small business.

## FISCAL & ECONOMIC IMPACT

Increased employment in the City of Richmond:

- We are projecting an increase of 25 additional full time jobs from 2015 to 2020.
- Our average hourly wage of a new employee is \$19.41, and this is projected to increase to \$22.50 in 2020.
- 38% of our current payroll resides in the City of Richmond.

|   | <u>2014 Baseline</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Local Employment                                | 36                   | 53          | 59          | 67          | 73          | 78          | 80          |
| Cumulative Net New Employment                   |                      | 17          | 23          | 31          | 37          | 42          | 44          |
| Projected Average Hourly Wage of New Employment |                      | \$19.41     | \$19.99     | \$20.59     | \$21.21     | \$21.84     | \$22.50     |
| Total Projected Payroll                         | \$2,500,000          | \$3,316,000 | \$3,795,000 | \$4,111,350 | \$4,614,091 | \$4,548,263 | \$4,663,911 |
| Current % of Payroll Residing in City           | 38%                  |             |             |             |             |             |             |
| City Resident Projected Payroll Impact          | \$950,000            | \$1,260,080 | \$1,442,100 | \$1,562,313 | \$1,753,354 | \$1,728,340 | \$1,772,286 |

## FISCAL & ECONOMIC IMPACT

Increased revenue will have a multiplier effect on our local supply chain.

- We project our revenue will increase from 11.3 million in 2015 to 22.5 million in 2020.
- 64% of our supply spending and charitable contributions are within the Richmond MSA.
- 39% of our supply spending and charitable contributions are within the City of Richmond.
- Our supply spending and charitable contributions in the City of Richmond are projected to increase from 1.6 million in 2015 to 3.1 million in 2020.
- Over 98% of our sales are from outside Virginia as our international sales footprint brings in money to the local economy which has a multiplier effect on the growth of the City.
- Construction activities will generate additional jobs, sales taxes, and revenue in the local economy.

|   | <u>2014 Baseline</u> | <u>2015</u>  | <u>2016</u>  | <u>2017</u>  | <u>2018</u>  | <u>2019</u>  | <u>2020</u>  |
|---|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Projected Revenue                         | \$10,280,000         | \$11,350,000 | \$15,000,000 | \$18,000,000 | \$21,250,000 | \$22,000,000 | \$22,500,000 |
| Supplier Spend & Charitable Contributions | \$3,660,000          | \$4,040,953  | \$5,340,467  | \$6,408,560  | \$7,565,661  | \$7,832,685  | \$8,010,700  |
| Percentage within City of Richmond        | 39%                  | \$1,575,972  | \$2,082,782  | \$2,499,339  | \$2,950,608  | \$3,054,747  | \$3,124,173  |
| Percentage within Richmond MSA            | 64%                  | \$2,586,210  | \$3,417,899  | \$4,101,479  | \$4,842,023  | \$5,012,918  | \$5,126,848  |

## CITY OF RICHMOND TAX BASE IMPACT

- Real estate taxes to the City of Richmond are projected at \$71,467 through 2020. The cumulative tax benefit for five years is over \$357,337.
- Machinery, Tool and Equipment taxes are projected to increase from \$10,865 in 2016 to \$37,432 in 2020. The cumulative tax benefit for five years is over \$129,000.
- **\$486,000 in additional tax revenue for the City of Richmond over the next 5 years.**

|                                    | <u>2014 Baseline</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|------------------------------------|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Machinery and Tools Property Tax   | \$13,010             | \$12,839    | \$10,865    | \$48,847    | \$44,580    | \$40,263    | \$37,432    |
| Incremental Tax Effect - Machinery | \$0                  | \$0         | \$0         | \$38,350    | \$34,083    | \$29,766    | \$26,936    |
| Cumulative Tax Benefit - Machinery | \$0                  | \$0         | \$0         | \$38,350    | \$72,433    | \$102,199   | \$129,135   |
| Real Estate Taxes                  | \$10,452             | \$11,820    | \$71,467    | \$71,467    | \$71,467    | \$71,467    | \$71,467    |
| Cumulative Tax Benefit-Real Estate | \$0                  | \$0         | \$71,467    | \$142,935   | \$214,402   | \$285,869   | \$357,337   |
| <b>Total Cumulative Tax Impact</b> |                      |             | \$71,467    | \$181,285   | \$286,835   | \$388,068   | \$486,471   |

Machinery and Tools tax based on \$2.30/\$100 of total adjusted equipment value.  
 Real Estate Tax Projections are calculated at \$1.20/\$100 on 85% of the \$7,006,000 property investment.

## PROJECTIONS

We believe our value to the City of Richmond cannot be measured by these projections alone as we have always chosen to be the best, rather than the biggest. Truly, McKinnon and Harris has a soul. As a unique, small business, our presence in Richmond helps create the distinctive character and diversity that make our city remarkable, unlike any other.

## NEIGHBORHOOD IMPACT

- The use of the property is consistent with city zoning and master plan.
- The streetscape on the South side of the building would be knitted back together with a sidewalk and trees.
- The dynamic mixed use concept (future phase) brings energy and vitality to the community.
- Catalyst project: Ideal transitional and long term uses.
- McKinnon and Harris was a catalyst in the redevelopment of Scott's Addition and we will raise the bar for redevelopment on the Boulevard.

McKinnon and Harris embodies a sense of community between the company, our valued employees, clients, and suppliers. We are fully invested in the community yet are quiet about our involvement. We are averse to using our good works as a marketing tool but believe in supporting local causes generously and unheralded.

The majority of our suppliers are local and our relationships with them are personal, real, and long-standing. We intimately know our local suppliers and they understand our expectations and the high performance standards we have set. Our continued support of these important local partners aids immensely in the growth of their own businesses and their ability to hire and employ locally, creating additional investment in the Richmond community

## CASE STATEMENT

Securing 1722 Arlington Road is a vital goal for McKinnon and Harris in order to continue our growth and remain in the city. We continue to be very conservative and measured in our strategic decisions as we have since our beginning almost 25 years ago. However, we have reached the point where we need to move to a larger space as soon as possible as there are no other options to continue to grow in our current space. Aware of our pressing need for more space, we have been actively looking for the past five years at real estate in the city. We have hoped to stay close to our roots in Scott's Addition, or at least to be able to stay within the City of Richmond, though we are exploring properties outside the city limits.

McKinnon and Harris has major company owned showrooms in New York, Los Angeles and London which have solidified our position as the leading manufacturer of outdoor furniture in the world. Our sales capacity continues to exceed our production capacity and this has resulted in a 20 week lead time. This is a limiting factor in our growth as we continue to lose orders from clients not willing to wait. We need to hire additional craftspeople but no longer have the space to accommodate additional people and expand our product line. Our business is highly labor intensive and we need a new facility to increase our employment and production capacity to meet the demand.



McKinnon and Harris will install a \$1.7 million coating system which will be the most advanced high performance coating system in the world for aluminum outdoor furniture. We are licensing revolutionary technology that was developed for military underwater corrosion protection. This new technology offers significant improvements in corrosion protection and will continue to solidify McKinnon and Harris's position as the leading high performance aluminum furniture maker in the world. In addition, there are improvements in efficiency, processing cost, and sustainability. Our present coating system is a bottleneck in our operation and the new coating system allows for significant growth and throughput.

## ARTISTRY AND HERITAGE OF THE ARLINGTON STREET LOCATION

The Arlington Street property would be the perfect location for our headquarters, showroom and workshop. It is critical to have a historic inner city setting reflective of our brand pillars of craftsmanship, tradition, performance, artistry, longevity, and design.

Our discerning clients often jet to Richmond specifically for a visit to our workshop and firsthand experience of our furniture craftsmanship. We want to create a setting that clearly articulates the values of McKinnon and Harris, so that visiting clients can understand the value, heritage, and origin of our furniture. McKinnon and Harris embodies quintessential Virginia virtues including integrity, sincerity, passion for excellence, and a reverence for our history with an eye toward the brilliance of the future. We need to be able to show clients a similar representation of products currently seen in our New York flagship showroom, Los Angeles flagship showroom and London showroom. We plan, as an important part of our headquarters and workshop, a high end showroom space at what will be our international headquarters.

We would help anchor the Boulevard as one of the creative, arts oriented businesses also intimately connected with the VMFA, Children's Museum, Lewis Ginter Botanical Garden and the Virginia Historical Society. While the interstate visibility of the site is not critical to McKinnon and Harris, we think it would have an extraordinary impact on the artistic character of the city and the important Boulevard gateway used by so many passing motorists.

## A LOCAL AND AN INTERNATIONAL BRAND

Our quiet presence in Richmond extends well beyond our local roots to a significant presence worldwide. McKinnon and Harris has become a brand recognized the world over for exceptional hand craftsmanship, design, engineering, high performance materials, innovation, and creativity.



Our international client base is composed of the top architects, interior designers, landscape architects and designers in the world. These high profile end-user clients include entertainers, politicians, family dynasties, royalty, and scions of business and finance. Located around the world, these clients entertain frequently and our "Hand Made in Richmond, Virginia" bronze nameplate affixed to our furniture is our best form of advertising. This raises the profile of the city of Richmond and the state of Virginia to our upper echelon clients, a rarified and influential top tier of the world's population.

As the worldwide leader in our industry, the standard we set for McKinnon and Harris for bespoke outdoor furniture is now the standard by which all other outdoor furniture companies are judged. Our high performance aluminum furniture is featured continually in all of the major national and international shelter magazines, including World of Interiors, Architectural Digest, Elle Décor, British House & Garden, Veranda and House Beautiful.



## OUR CRAFTSPEOPLE

The McKinnon and Harris workshop is an incredibly diverse multi-cultural environment made up of highly creative people from all walks of life. Our artisans work together for a single common purpose: to craft the most exceptional, enduring outdoor furniture in the world.



The spark of creative energy is immediately felt upon entering the workshop. The air is electric and you can palpably feel the drive for excellence and innovation. Our craftspeople live their art as they are artists on and off the job. Many leave the workshop after a full day to continue their art making after hours. Their participation in local art exhibits helps to define Richmond as a city that recognizes the significance of art in the life of its citizens. They deeply believe in the value of the enduring furniture that they are creating. Working with their hands, eyes, mind, and heart, our artisans are aware they are making a product that will outlive all of us.

## OUR CRAFTSPEOPLE

Our craftspeople are the best in the world at what they do, and many have been with us for years. It takes a long time to train a master craftsman, as the techniques are exceptionally difficult to learn, to practice and to master. Their expertise has allowed McKinnon and Harris to become the industry leader and we have pioneered many proprietary techniques in metalworking to create our performance furniture.



## OUR RICHMOND HERITAGE

Our identity is deeply connected to Richmond, the point of origin of so much innovation in the field of aluminum, our material of choice. Our craftsmanship in aluminum has local, deep roots. Aluminum is a material intrinsically tied to Richmond and McKinnon and Harris is the direct result of our location in this city with its distinctive heritage. The city has been a center of aluminum workmanship, and we have been able to utilize many expert local sources of aluminum developed from this industry.

The knowledge and cultural richness of hand craftsmanship is a principal value for McKinnon and Harris. Rare skills, many of which are dying out, are passed down in our workshop to future generations keeping these metalworking skills and traditions alive. It is important to us that the craft of metalworking in aluminum remain tied to Richmond, a place of originality and innovation in the history of aluminum. Locale is very important to craftsmanship.

Since our founding in 1991 we have crafted our exceptional furniture in the heart of the City of Richmond. We are hopeful that Arlington Road will be the future home for McKinnon and Harris, and we can remain in the city where we first began 24 years ago.

We look forward to working with the City of Richmond and continuing to grow in the city for many years to come.



## IMAGE GALLERY

## OUR SHOWROOMS



New York City  
211 E. 59th Street  
(Midtown Manhattan)



## OUR SHOWROOMS

Los Angeles, CA  
915 N. La Cienega Boulevard  
(La Cienega Design Quarter, West Hollywood)



## OUR SHOWROOMS

London  
Design Centre Chelsea Harbour  
220 North Dome  
United Kingdom



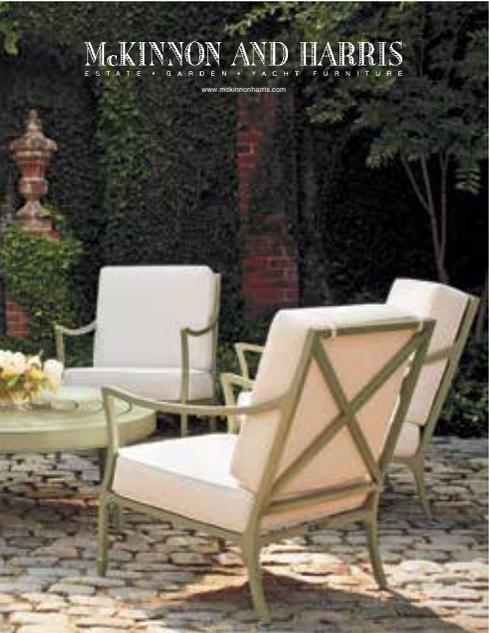
# MILIEU



# VERANDA



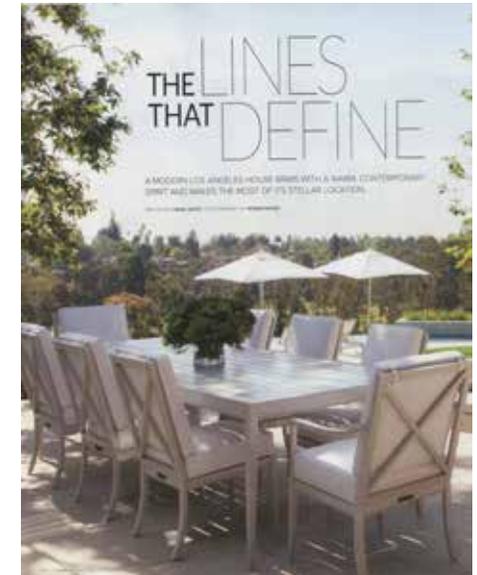
# THE WORLD OF INTERIORS



# HOUSE & GARDEN



# RECENT PRESS COVERAGE



RECENT PRESS COVERAGE

